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The Big Question: Manufacturing Jobs: What Is the Best Way to Create Jobs?

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THE BIG QUESTION

Manufacturing Jobs

WHAT IS THE BEST WAY TO CREATE JOBS?

FEATURING
DAVID FINE
MEGAN YAREMA
PEDRO CONCEICAO
IRENE MANDL
RAYMOND GREENE
ANA MARIA OVIEDO

With jobs disappearing across the developed world and arriving too slowly to keep pace with the population growth and aspirations of the developing world, the very nature of work is being challenged as never before. We asked our panel of global experts what they see as the most effective and expeditious way of creating jobs.

AFRICA AT WORK**DAVID FINE**

Africa's workforce, young and growing quickly, will be the world's largest by 2035. Unemployment stands at just 9 percent, but two-thirds of the labor force are in vulnerable, non-wage-paying jobs. Stable employment is being created too slowly to absorb the 122 million new workers expected this decade. A focus on economic growth is necessary but not sufficient. Natural resources make a major contribution to GDP but employ less than 1 percent of Africa's workforce. Rather, a jobs strategy should target those sub-sectors with the greatest job creation potential—notably agriculture, manufacturing, retail, and hospitality.

It can be done. Morocco has created 60,000 manufacturing jobs by investing in its automotive parts sector. Cape Verde has used tax incentives to unlock tourism, which now employs 21 percent of its workforce. Mali has invested in road and rail infrastructure to grow mango exports sixfold in five years. Through targeted efforts like these, Africa could create 72 million new wage-paying jobs by 2020, emulating countries like Thailand and Brazil. At similar stages in their development, they created stable jobs at double or triple Africa's current rate. Africa's people are playing their part. Some 48 percent of the labor force will have secondary or tertiary education by 2020, up from 32 percent in 2002. Africa's demographic boon must be turned into long-term growth.

David Fine leads McKinsey & Company's South Africa office and is co-author of Africa at Work: Job Creation and Inclusive Growth.

RAISING THE BAR**MEGAN YAREMA**

While there has been a focus in Canada and elsewhere on job creation as the solution to economic woes, the poverty perspective tells us that jobs alone will not address the problem. What is needed are jobs with fair wages, benefits, and security. Poverty is in many ways a low wage issue. A job is not enough if it can't close the poverty gap. The solution is to create jobs that pay a living wage. A living wage looks at the cost of a basket of basic goods (shelter, food, clothing, transportation, child care) in a particular city or region as well as the available government supports.

In Vancouver, Canada's most expensive city, the living wage for a family of four is \$19.14 an hour (for each parent)—almost \$9.00 above the minimum wage. In 2008, the living wage for the Greater Toronto Area was \$16.60 per hour, equivalent to \$57,000 per year for two parents each working full-time. In terms of a living wage, if the government steps up and offers assistance, the amount an individual needs to earn drops. Current minimum wages in Canada are almost \$3 below the two-thirds of the median national income low-wage level set by the Organization for Economic Cooperation and Development. Lower wages also mean smaller government revenues from income taxes and less money in the pockets of consumers who are wage-earners.

Why aim low? Setting the bar at the minimum keeps people poor and hurts the economy. Moving toward prosperity requires investing in employees.

Megan Yarema is director of education and outreach for Vancouver-based Canada Without Poverty.

INCOME FROM WORK

PEDRO CONCEICAO

The jobs challenge in sub-Saharan Africa is unique—the region is on the verge of benefiting from a demographic dividend, but it will only do so if there are job opportunities for young people. Otherwise, not only will Africa's youth risk being alienated and disenfranchised, but Africa may not reap the growth benefits of its ongoing demographic transition.

At the same time, Africa has to address what Michael Lipton has called a crisis of generating income from work. Unemployment in Africa is only slightly above the global average, but with the highest prevalence of vulnerable employment and working poor. In 2011, 78 percent of workers (and 85 percent of women) in Africa were in vulnerable employment, compared with less than 50 percent globally. And of those working, 42 percent live below the extreme poverty line, compared to only 13 percent globally.

The remedy lies first in boosting agricultural yield, with productivity low and stagnant across the continent. Rapid increases in land productivity, as we see in Asia, generate farm employment, increase rural farm and non-farm income, and enhance command by the poor over food staples should prices drop. Africa also must reverse its ongoing deindustrialization. Industrialization enables people to move from agriculture, informal activities, and low-value services to higher-productivity jobs in industry. This unleashes a virtuous cycle with productivity gains translating into investment and higher wages, building physical and human capital that facilitate innovation and continuing industrialization.

Pedro Conceicao is chief economist for the United Nations Development Program's Regional Bureau for Africa.

TAILOR-MADE SUPPORT

IRENE MANDL

In the European Union, some 5 million fewer people were employed in 2012 than in 2008. However, even in the recession, employment is growing in specific sectors—particularly health, education, knowledge-intensive services, and in white-collar, higher-paid, higher skilled jobs. Since such jobs are created by enterprises, fostering employment growth should start with identifying the most promising company types—especially “Born Globals,” firms that internationalize quickly after start-up. These micro-enterprises are active in all economic sectors. They are highly innovative and have high job creation potential. But they need support to exploit their full potential. For Born Globals, incubators that combine start-up and innovation support with international networking to attract funding and business partners are essential. More generally, we need to pool smaller enterprises to realize the types of advantages long enjoyed by larger businesses. This will decrease administrative burdens related to employment in small firms and provide alternative forms of finance to encourage innovation. In the European context, more than 99 percent of enterprises employ fewer than 250 workers.

Irene Mandl is a research manager at the Employment and Change Unit of the European Foundation for the Improvement of Living and Working Conditions.

WORKING ACROSS ASIA

RAYMOND GREENE

Embracing free trade and market economics has lifted hundreds of millions of people out of poverty around the Asia-Pacific region, and it should serve as a template

for the rest of the world. Over 10 million Americans owe their jobs to exports, and 61 percent of those exports last year went to members of the Asia-Pacific Economic Cooperation (APEC) forum. Buoyed by growing demand from emerging middle classes, GDP growth in the Asia-Pacific region was nearly a full percentage higher than the world average. Economic activity is expected to outpace the rest of the world for many years to come.

For its part, APEC has played a central role in the region's renaissance. It has not only reduced barriers to trade and investment, but it has also promoted policies that will foster the creation of new businesses and jobs. As part of its ambitious structural reform agenda, APEC is enhancing employment opportunities for women and vulnerable populations. By fostering market-based innovation principles, APEC will help countries like China avoid the "middle income trap" and protect valuable intellectual property-related jobs. These efforts seek to transcend borders to build the sort of level economic playing field that can best unleash the potential of the private sector to create jobs and generate wealth.

Raymond Greene is director of the Office of Economic Policy in the State Department's East Asia and Pacific Affairs Bureau and chairman of the APEC Economic Committee.

CENTRAL AMERICAN WORK ANA MARIA OVIEDO

Job creation is a priority for a nation's economic policy, but getting the right combination of policies can be daunting. A first glance at the Central American job market suggests that policymakers' attention should be focused less on reducing unemployment than on improving the quality

of jobs. Despite substantial progress, many Central Americans employed today still work in the informal sector, do not contribute to social security systems, and are largely unprotected by labor laws—all of which makes them highly vulnerable. Among the main culprits is low productivity, which has barely grown in the region, preventing the creation of better-remunerated and more stable formal sector jobs.

Improving productivity should therefore be a central pillar of policies designed to stimulate job creation. On the demand side, this entails creating an environment conducive to investment, innovation, and competition in the private sector. Logistics and connectivity are still a bottleneck. Competition is low, and crime and violence drive many business owners away from several countries in the region. On the supply side, despite progress in increasing the average years of education, the quality of public education remains poor given the countries' level of development. Workers still lack general and soft skills, so there is a pressing need to improve the quality of education in the region. This requires moving toward competence-based curricula and higher accountability in the system. For out-of-school workers, on-the-job training policies also need to be better aligned with the needs of employers, while quality standards for providers should be raised.

Ana Maria Oviedo is a human development economist for Latin America and the Caribbean at the World Bank.



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