PRESS RELEASE

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Job creation critical for durable economic progress, report tells Least Developed Countries

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Demographic trends indicate 16 million more jobs per year needed by youth; recent LDC economic growth has led to little employment expansion

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The number of young people of working age in the world's 49 poorest nations is increasing by 16 million per year, and in each one of 11 such countries it will climb by at least half a million per year, a new UNCTAD publication reports. The organization recommends that the governments of the globe's least developed countries (LDCs) intensify efforts to employ this vast resource – currently largely underemployed, or trapped in vulnerable, low-paid jobs – to improve the breadth and the growth prospects of their economies.

The **Least Developed Countries Report 2013**[1], subtitled **Growth with Employment for Sustainable Development**, was released today. It urges that there should be greater policy emphasis in LDCs on employment generation as a central development objective. It cautions that otherwise, international migration or social and political instability may rise.

The report says that the so-called LDCs face a stark demographic challenge, as their collective population – about 60 per cent of which is currently under 25 years of age – is projected to double to 1.7 billion by 2050. During the rest of the current decade, these poor countries would have to create around 95 million jobs to absorb new entrants to the labour market, and another 160 million in the 2020s.

In 45 out of 48 LDCs, there currently are rising numbers of new entrants to the labour market, and the trend will not even have peaked by 2050. The LDC youth population of working age (15 to 24 years old) is expected to soar from 168 million in 2010 to 300 million by 2050 – an increase of 131.7 million. By 2050, one in four youths worldwide will live in an LDC. The report calls for a break with "business as usual" policies, and a shift towards policies aimed at spurring inclusive growth and the creation of more and better-quality jobs.

The report cautions that while LDCs enjoyed relatively high gross domestic product (GDP) growth rates from 2002 to 2008, that economic progress did not translate into correspondingly increasing levels of employment. Indeed, the countries with faster GDP growth had relatively lower employment creation.

Demographic trends in the LDCs are such that millions of new jobs will have to be created every year over the coming decades. For example, in Niger there were 224,000 new entrants onto the labour market in 2005 – a number that is expected to increase fivefold, to 1.4 million, by 2050. In Ethiopia, there were 1.4 million new entrants in 2005, and that figure is expected to rise to 2.7 million by 2030 and to 3.2 million by 2050. In Bangladesh, there were 2.9 million new entrants in 2005; this figure will peak at 3.1 million by 2020, and decline thereafter. The LDC working-age population will increase on average by 15.7 million people per year between 2010 and 2050, and in 11 LDCs it will climb by at least 0.5 million per year, the report notes.

The report says that the globe's 49 least developed countries should take steps to improve GDP growth, via the generation of employment, particularly decent work (work that pays a stable living wage and has safe employment conditions), and via investment to develop productive capacities (the capacities of economies to produce broader varieties of goods, and goods of greater sophistication and higher value). For some years, UNCTAD has argued that improving productive capacities is the best, most stable long-term strategy for helping nations and peoples to escape poverty, and that such enhancements create more and better-paying jobs. Economic growth which does not create decent jobs in sufficient quantity is unsustainable; and job creation without the development of productive capacities is equally unsustainable, the report contends.

The **Least Developed Countries Report** includes key figures and trends which show that during the period from 2000 to 2012, LDC employment growth was 2.9 per cent per annum – a rate slightly above the population growth rate of 2.3 per cent, but well below LDCs' average GDP growth rates for the period of 7 per cent. In other words, LDCs saw more than a decade of what economists term "jobless growth".

The agricultural sector still accounts for the majority of LDC employment. In 2000, it accounted for 71 per cent of total employment in LDCs; and by 2018, it is expected to represent 63 per cent. Industry accounted for 7 per cent of total LDC employment in 2000, and will reach 10 per cent by 2018. Services accounted for 22 per cent of LDC employment in 2000, and will increase to 27 per cent by 2018. Only in the services sector has employment growth risen substantially. This reflects a shift of labour out of low-productivity activities – mainly agriculture – to low-productivity services activities in urban areas.

Economic growth in the LDCs has not been inclusive, and its contribution to poverty reduction has been limited, the report says. In addition, this growth has not generated enough "quality" jobs – that is, jobs offering higher wages and better working conditions – especially for the young. Although the proportion of people who live on less than US$1.25 per day (that is, in extreme poverty) in the LDCs has declined, the overall number has continued to rise due to high population growth. The report finds that while the percentage of the LDC working poor (those living on less than $1.25 per day) is declining as a share of total employment – from 61 per cent in 2000 to a projected 29 per cent by 2017 – it remains much higher than in other developing countries. In other developing countries, the share of working poor is expected to shrink from 30 per cent in 2000 to 7 per cent by 2017. In addition, the report notes, vulnerable employment (those workers without formal work arrangements, decent working conditions, and adequate social security) still accounts for about 80 per cent of total employment in the LDCs.

Creating employment opportunities is critical because it is the best and most dignified pathway out of poverty, the report contends. It says that the primary employment challenge faced by LDCs is not unemployment, but rather the lack of inclusive growth and productive employment in sufficient volume to help the working poor. This is a major impediment to efforts to achieve the United Nations Millennium Development Goals, and to plans to set the LDCs on a sustainable development path.

Finally, the report notes, the LDC population is not only growing rapidly, but is quickly urbanizing. This combination of factors makes the current decade critical for rectifying the employment situation in LDCs. At the same time as more of the LDC population than ever is entering the labour market, an increasing proportion of that labour force is working, or seeking work, outside the agricultural sector. A major problem with the current process of structural change in LDCs is that it cannot provide the surplus population released from agriculture with productive employment elsewhere, the report notes.