



Trends on Employment and Productivity of OIC Member Countries: An Analysis

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ABSTRACT

The objective of the paper is to examine the changes in employment, productivity and economic growth as a whole, and for respective sectors, of the Organization of Islamic Conference (OIC) member countries. The study determines if there were structural changes in employment for the period between 1993 and 2005. Further analysis groups OIC member countries according to region and examine the trends within these groups. Comparisons are made with the world economy and with non-OIC countries in the respective groups. The paper then analyzes the degree of employment elasticity required by selected countries in relation to their rates of economic growth, unemployment, labor force participation and poverty. The results show that OIC countries average annual GDP growth rate of 5.38% was much higher than the average world rate of 4.55%. However, only 36% of the economic growth in the OIC member countries could be attributed to gains in productivity, compared to the global rate of 53%. There were disparities in the economic performance of OIC countries relative to others within a particular region. Globally, the services sector was the fastest growing sector, but it is the industrial sector that recorded the highest employment growth of 2.03%. However, for OIC member countries as a group both output and employment growths were the highest in the services sector. Based on the findings of the study, several recommendations and suggestions are put forth for respective OIC countries.

JEL Classification: J01, O11, O53, O55, O57

Key words: Employment elasticity, Productivity trends, OIC countries

1. INTRODUCTION

Over the years, there have been a general upward trend in employment and output in countries all over the world. From 1991 to 2003, the average annual GDP growth rate was approximately 3.33%, and employment growth was about 1.12% (ILO, 2007). This minimal employment growth reflected that world productivity growth was quite moderate at 2.18%. However, there were significant differences across regions and countries. For instance, during the same period, Asia registered a rapid average annual GDP growth of 6.38 % while Africa had a moderate growth at 3.1%. These disparities are often attributed to many factors including the stage of development of a nation and its available human capital and resources. With high average annual GDP growth in Asia, however, employment growth accounted for only 1.91%. Meanwhile, in Africa, the employment growth was slightly higher than in Asia which was 2.29%. Although this was a good indication that the region was gradually providing jobs for the rapidly growing workforces, a greater emphasis must be given to productivity since the growth rate was only 0.81% during the period. Nevertheless, it should be noted that although countries are often clustered by their geographical location, the countries may follow different growth paths (Paap, et al., 2005).

Employment and output growths are often examined together with the level of productivity and its growth since these variables are usually focused upon in the effort to reduce poverty and improve the standard of living of a country. It is argued that there is a strong link between productivity and decent work, and creating decent employment opportunities is the best way to take people out of poverty (ILO, 2005). It has also been observed that there have been structural changes in employment where labor tends to shift from the agricultural sector to services and industrial sectors (Memedovic and Iapadre, 2009). However, for many of the OIC member countries, agriculture occupied a great portion of economic activity where the share of agriculture value-added in GDP can be as high as 60% while an average of 40% of the population makes their living from agriculture (SESRIC).¹

An analysis of employment, productivity and growth in different countries, and in different sectors is beneficial in understanding why the rates differ across nations and how they impact the level of poverty. This study focuses on individual Organisation of the Islamic Cooperation (OIC) member countries and examines the changes in the overall employment, productivity and economic growth, and in the three sectors, which are agriculture, services and industry. It determines if there were structural changes in employment for the period 1993 - 2005. Further analysis groups

¹ http://www.sesrtic.org/stat_database.php.

OIC member countries according to region and examine the trends of these groups. Comparisons are made with the world economy and with non-OIC countries in the respective groups.

In addition, this paper analyzes the performance of several countries² in different regions in relation to its rates of economic growth, unemployment, labor force participation and poverty. It determines if trends in employment and productivity translate into reductions in poverty and inequality. Based on the findings of the study, several recommendations and suggestions are put forth for the respective OIC countries.

2. DATA AND METHOD

The study uses data on employment elasticity and GDP growth rates obtained from Key Indicators of the Labor Market, ILO (2007) to compute average employment and productivity growth³ for three periods – 1991-1995, 1995-1999, and 1999-2003. The employment elasticity is defined as the average percentage point change in employment for a given employed population group associated with a 1 percentage point change in output over a selected period. OIC (2007) also provides data on sectoral employment elasticities and average annual value-added growth rates for agriculture, industry and services sectors. Labor productivity growth rates for the three sectors are then derived from these data. Data on labor force participation rates, poverty rates and Gini index are also acquired from OIC (2007). The statistical database of Statistical, Economic and Social Research and Training for Islamic Countries (SESRTCIC)⁴ provides data of unemployment rates. However, data are available for only some of the countries in our study. Remittance and school enrolment data are obtained from UNESCO.⁵

3. RESULTS

3.1 OVERALL TRENDS IN GDP, EMPLOYMENT AND PRODUCTIVITY GROWTH

Table 1 reveals that for the period of 2001-05, OIC countries average annual GDP growth rate of 5.38 % was much higher than the average world rate of 4.55%, and was also the highest compared to growths in the earlier periods of 1993-97 and 1997-2001. Average employment elasticity and average employment growth for that period for those countries also surpassed the

² The selection of the countries is based on the availability of data.

³ Computation of world average and OIC member countries average is based on countries for which data is available.

⁴ http://www.sesrtcic.org/stat_database.php.

⁵ <http://stats.uis.unesco.org/unesco/TableViewer/tableView.aspx>.

average world rates. However, the productivity growth rate was slightly lower, 2.48% relative to the world rate of 2.59% during the same period. The table also reveals that taken as a whole, only 36% of the economic growth in the OIC member countries could be attributed to gains in productivity, compared to the global rate of 53%. Among the OIC member countries, the fastest growing region in terms of GDP growth and productivity growth rates was the Commonwealth of Independent States (CIS), where the transition economies are located. Nonetheless, the region that registered the highest employment growth was the Middle East, which recorded an average rate of 4.03% for the period of 2001-05.

There were disparities in the economic performance of OIC countries relative to others within a particular region. For instance, OIC member countries in South-East Asia had lower levels of average GDP, employment and productivity growth rates compared with other nations in the same region. On the other hand, in Eastern Africa, Comoros, Mozambique and Uganda as a group achieved higher growth rates in GDP, employment and productivity relative to their neighboring countries.

With respect to individual countries, transition economies such as Azerbaijan and Turkmenistan performed remarkably well with 11.4% and 11.6%, respectively, in annual productivity growth for the years between 2001 and 2005. This in turn drove GDP to grow to over 14% for these two countries over that period. Chad also showed a marked improvement in economic growth relative to its performance in previous years, recording 14.2% growth over the period 2001-05. It also had one of the highest productivity growths (10.79%) over that period. This finding is encouraging in that it may indicate that the economy of Chad, being a low-income as well as a least developed country, has progressed over the years which is hoped to translate into an improvement in the standard of living of its people. An examination of the performance of each sector of the economy would provide a more accurate analysis and a clearer understanding of Chad's progress as well as for other economies. This will be dealt in the next section.

TABLE I
GDP, Employment and Productivity Growths

Region/ Country	Average annual GDP growth		Employment elasticity		Employment growth		Productivity growth						
	1993-1997	2001-2005	1993-1997	2001-2005	1993-1997	2001-2005	1993-1997	2001-2005					
Caribbean (All)	2.91	2.70	3.01	3.01	0.59	1.01	0.10	0.10	1.78	1.19	0.61	0.92	1.82
Suriname	2.80	1.30	5.40	5.40	0.80	0.73	0.25	0.25	2.24	0.95	1.35	0.56	4.05
Guyana	6.90	0.50	0.30	0.30	0.25	1.00	0.64	0.64	1.73	0.50	0.19	5.18	0.11
OIC countries	4.85	0.90	2.85	2.85	0.53	0.87	0.44	0.44	1.98	0.72	0.77	2.87	2.08
South-East Asia (All)	5.71	2.09	5.09	5.09	0.53	0.44	0.53	0.53	2.48	1.52	2.27	3.23	2.83
Brunei Darussalam	2.40	1.10	2.20	2.20	1.20	0.90	0.88	0.88	2.88	0.99	1.94	-0.48	0.26
Indonesia	7.10	-1.30	5.00	5.00	0.35	-0.11	0.26	0.26	2.48	0.14	1.30	4.61	3.70
Malaysia	9.10	1.80	5.40	5.40	0.37	0.69	0.47	0.47	3.37	1.24	2.54	5.73	2.86
OIC countries	6.20	0.53	4.20	4.20	0.64	0.49	0.54	0.54	2.91	0.79	1.92	3.29	2.28
South Asia (All)	5.67	5.00	5.44	5.44	0.40	0.58	0.60	0.60	2.26	2.89	3.09	3.42	2.36
Bangladesh	4.70	5.30	5.50	5.50	0.40	0.42	0.33	0.33	1.88	2.23	1.82	2.82	3.68
Maldives	8.30	6.20	4.70	4.70	0.58	0.73	0.87	0.87	4.81	4.53	4.09	3.49	0.61
Pakistan	3.60	3.10	5.60	5.60	0.61	0.95	0.66	0.66	2.20	2.94	3.70	1.40	1.90
OIC countries	5.53	4.87	5.27	5.27	0.53	0.70	0.62	0.62	2.96	3.23	3.20	2.57	2.07
Middle East (All)	4.57	3.37	5.07	5.07	1.01	1.17	0.80	0.80	4.31	3.49	3.83	0.26	1.24

Bahrain	2.70	4.70	6.20	1.04	0.58	0.44	2.81	2.73	2.73	-0.11	1.97	3.47
Iran	3.20	3.40	6.10	0.82	1.24	0.82	2.62	4.22	5.00	0.58	-0.82	1.10
Jordan	4.10	4.00	6.40	1.86	0.53	0.97	7.63	2.12	6.21	-3.53	1.88	0.19
Kuwait	4.10	1.80	8.30	0.76	3.14	0.51	3.12	5.65	4.23	0.98	-3.85	4.07
Lebanon	5.70	2.10	3.60	0.67	0.89	0.61	3.82	1.87	2.20	1.88	0.23	1.40
Oman	4.60	3.70	3.00	1.00	0.36	0.44	4.60	1.33	1.32	0.00	2.37	1.68
Saudi Arabia	1.60	1.80	4.90	1.62	1.83	0.71	2.59	3.29	3.48	-0.99	-1.49	1.42
Syria	4.80	2.60	3.70	0.85	1.25	1.34	4.08	3.25	4.96	0.72	-0.65	-1.26
United Arab Emirates	7.00	5.20	8.10	1.02	1.41	0.71	7.14	7.33	5.75	-0.14	-2.13	2.35
Yemen	6.90	4.50	3.00	0.66	0.95	1.47	4.55	4.27	4.41	2.35	0.23	-1.41
OIC countries	4.47	3.38	5.33	1.03	1.22	0.80	4.30	3.61	4.03	0.17	-0.23	1.30
North Africa (All)	3.13	4.17	4.82	0.36	0.83	0.80	2.24	2.84	3.84	0.90	1.33	0.98
Algeria	2.00	3.30	5.50	1.48	0.96	1.37	2.96	3.17	7.54	-0.96	0.13	-2.04
Egypt	4.80	4.70	3.90	0.55	0.59	0.68	2.64	2.77	2.65	2.16	1.93	1.25
Libya	-0.60	2.10	5.10	-1.54	1.99	0.74	0.92	4.18	3.77	-1.52	-2.08	1.33
Morocco	3.20	3.60	3.70	0.59	0.49	0.78	1.89	1.76	2.89	1.31	1.84	0.81
Sudan	4.90	6.20	6.30	0.46	0.26	0.48	2.25	1.61	3.02	2.65	4.59	3.28
Tunisia	4.50	5.10	4.40	0.61	0.69	0.72	2.75	3.52	3.17	1.75	1.58	1.23
OIC countries	3.13	4.17	4.82	0.36	0.83	0.80	2.24	2.84	3.84	0.90	1.33	0.98

TABLE 1(continued)
GDP, Employment and Productivity Growths

Region/ Country	Average annual GDP growth		Employment elasticity		Employment growth		Productivity growth		
	1993-1997	1997-2001	1993-1997	2001-2005	1993-1997	2001-2005	1993-1997	1997-2001	
Central Africa (All)	6.25	3.77	0.38	0.40	2.68	2.21	3.57	1.63	4.33
Cameroon	2.70	4.50	0.78	0.60	2.11	2.16	0.59	1.98	1.44
Chad	4.70	4.00	0.75	0.24	3.52	3.41	1.17	0.72	10.79
Gabon	5.30	0.00	0.48	1.68	2.54	2.52	2.76	0.00	-1.02
OIC countries	4.23	2.83	0.67	0.84	2.72	2.70	1.51	0.90	3.74
Eastern Africa (All)	3.17	3.25	0.47	0.68	1.72	2.46	1.45	0.88	1.01
Comoros	0.30	2.00	0.59	1.22	0.18	3.17	0.12	-1.14	-0.57
Mozambique	7.10	8.70	0.55	0.24	3.91	1.87	3.19	6.52	5.93
Uganda	8.00	5.90	0.31	0.42	2.48	3.42	5.52	3.42	2.38
OIC countries	5.13	5.53	0.48	0.68	2.19	2.82	2.95	2.94	2.58
Western Africa (All)	3.98	3.27	0.67	0.59	2.68	2.48	1.30	1.27	1.80
Benin	5.20	5.00	0.65	0.91	3.38	3.46	1.82	1.95	0.34
Burkina Faso	4.40	3.70	0.63	0.74	2.77	3.63	1.63	0.70	1.27
Côte d'Ivoire	5.40	0.50	0.48	0.53	2.59	0.11	2.81	0.43	0.09
Gambia	2.00	5.30	1.62	0.70	3.24	2.38	-1.24	1.91	1.02
Guinea	5.10	3.80	0.63	0.70	3.21	1.96	1.89	1.67	0.84
Guinea-Bissau	6.40	-4.40	0.40	-0.08	2.56	0.02	3.84	-4.75	-0.32

Mali	4.10	7.10	4.90	0.75	0.26	0.39	3.07	1.85	1.91	1.02	5.25	2.99
Mauritania	2.00	3.50	4.40	0.65	0.93	0.72	1.30	3.26	3.17	0.70	0.24	1.23
Niger	3.10	3.80	3.10	1.29	0.90	1.07	4.00	3.42	3.32	-0.90	0.38	-0.22
Nigeria	2.40	2.80	6.20	1.11	0.92	0.39	2.66	2.58	2.42	-0.26	0.22	3.78
Senegal	4.10	4.60	4.70	0.59	0.54	0.47	2.42	2.48	2.21	1.68	2.12	2.49
Sierra Leone	-6.00	2.80	12.50	-0.08	0.34	0.33	0.48	0.95	4.13	-6.48	1.85	8.37
Togo	11.50	-0.20	3.10	0.32	0.11	0.99	3.68	-0.02	3.07	7.82	-0.18	0.03
OIC countries	3.82	2.95	4.13	0.70	0.51	0.60	2.72	2.04	2.44	1.10	0.91	1.69
Central and Eastern Europe (All)	5.66	3.47	4.50	0.06	-0.16	0.02	0.29	-0.37	0.16	5.36	3.84	4.34
Albania	4.00	9.20	5.00	-0.26	-0.17	0.43	-1.04	-1.56	2.15	5.04	10.76	2.85

TABLE 1(continued)
GDP, Employment and Productivity Growths

Region/ Country	Average annual GDP growth		Employment elasticity		Employment growth		Productivity growth				
	1993-1997	2001-2005	1993-1997	2001-2005	1993-1997	2001-2005	1993-1997	2001-2005			
Commonwealth of Independent States, CIS (All)	-4.90	5.64	8.88	0.17	0.14	-0.60	1.06	0.95	-4.30	4.58	7.92
Azerbaijan	-6.60	9.60	14.40	0.24	0.21	0.73	2.30	3.02	-7.33	7.30	11.38
Kazakhstan	-4.90	6.00	9.60	0.16	0.23	-1.03	0.96	2.21	-3.87	5.04	7.39
Kyrgyzstan	-2.80	4.00	3.30	0.51	0.72	0.08	2.04	2.38	-2.88	1.96	0.92
Tajikistan	-12.60	6.80	9.30	0.28	0.11	0.13	1.90	1.02	-12.73	4.90	8.28
Turkmenistan	-10.70	15.50	14.10	0.26	0.18	2.14	4.03	2.54	-12.84	11.47	11.56
Uzbekistan	0.20	4.10	5.80	0.75	0.54	0.06	3.07	3.13	0.14	1.02	2.67
OIC countries	-6.23	7.67	9.42	0.37	0.33	0.35	2.39	2.38	-6.58	5.28	7.03
European Industrialized Economies (All)	3.26	3.35	2.41	0.47	0.44	1.20	1.76	0.87	2.06	1.59	1.54
Turkey	3.90	-0.70	7.50	-0.01	0.39	1.60	0.01	2.92	2.30	-0.71	4.58
World	3.66	3.42	4.55	0.48	0.47	1.65	1.64	2.14	2.01	1.78	2.41
OIC countries	3.07	3.82	5.38	0.68	0.64	1.78	2.60	3.44	0.51	1.48	2.48

Employment has expanded rapidly for Algeria, with average annual growth of 7.5% for the period of 2001-05. However, the employment expansion was offset by a contraction in productivity which recorded a growth of -2.0% over that period. The country with the worst economic performance was probably Guinea-Bissau, which was the only OIC member country that experienced negative GDP growth for 2001-05. In addition, there was practically no growth in employment, and productivity declined during that time. It has been noted that the country has been besieged with political and internal problems and the prospect of economic progress is not encouraging. Drug cartels have been targeting Guinea-Bissau due to its vast miles of unpatrolled coastline. It has become a country where corruption, negligence, and diminished security together pave way for the drug trade (Sieff, 2008). The infighting between the government troops and military junta must be reduced and a stable government with the proper security in place must be formed so that it can focus on rebuilding the country and reviving the disrupted economy.

3.2 SECTORAL TRENDS IN VALUE-ADDED, EMPLOYMENT AND PRODUCTIVITY GROWTH

The historical sectoral employment elasticities, value-added, employment and productivity growths by economic sectors between 1993 and 2005 are given in Table 2. Globally, the services sector was the fastest growing sector, but it is not the sector with the most employment-intensive growth. Instead, the industrial sector recorded the highest employment growth of 2.03%. However, the results are somewhat different for OIC member countries as a group where both output and employment growths were the highest in the services sector. The gains in employment nevertheless were at the expense of productivity, which experienced negative growth during the period, for all sectors.

OIC countries in the Caribbean such as Guyana and Suriname underwent a significant increase in employment in the industrial sector despite a negative value-added growth in that sector. Due to this, productivity fell at an average annual rate of 67.6% between 1993 and 2005. A reverse situation was experienced by OIC member countries in the CIS. Employment growths in all sectors were low, but labor productivity in all three sectors was the highest compared to other regions.

The industrial sector had also expanded rapidly in Eastern Africa and recorded the highest output growth compared to other regions. The improvement in this sector was driven by the increase in labor, at the heavy expense of productivity gains. For Uganda, categorized as low income and

least developing country, the trade-off of productivity for employment may be detrimental given the already high labor force participation rate of 83.8% and relatively low unemployment rate of 3.2% in 2003. Reduction in poverty is probably not by providing more job opportunities, but by increasing the productivity of workers in all sectors to raise their level of income and thus improve their standard of living. On the other hand, the increase in employment at the expense of productivity may be necessary for a country such as Mozambique which is plagued with high unemployment rate and widespread poverty. The availability of work may assist those who are jobless to earn some income and thus may help reduce poverty.

TABLE 2
Sectoral Value-Added, Employment and Productivity Growths

Country	Value Added growth(1993-2005)			Employment elasticity(1993-2005)			Employment growth(1993-2005)			Productivity growth(1993-2005)		
	Agric	Ind	Serv	Agric	Ind	Serv	Agric	Ind	Serv	Agric	Ind	Serv
Caribbean (All)	0.58	-1.34	0.88	-0.07	-2.20	0.90	0.41	25.36	0.87	0.17	-26.70	0.01
Guyana	-0.1	0.8	0.6	-0.21	1.05	0.6	0.02	0.84	0.36	-0.12	-0.04	0.24
Suriname	1.6	-9.6	1.3	2.02	-13.07	1.21	3.23	125.47	1.57	-1.63	-135.07	-0.27
OIC countries	0.75	-4.40	0.95	0.90	-6.01	0.91	1.63	63.16	0.97	-0.88	-67.56	-0.02
South-East Asia (All)	-0.09	0.90	0.73	0.21	1.39	0.72	-0.14	2.33	0.74	0.06	-1.43	-0.01
Indonesia	0.5	0.7	0.6	0.27	0.71	0.71	0.14	0.50	0.43	0.37	0.20	0.17
Malaysia	-0.1	0.4	1	-0.04	0.51	0.93	0.00	0.20	0.93	-0.10	0.20	0.07
OIC countries	0.20	0.55	0.80	0.12	0.61	0.82	0.07	0.35	0.68	0.13	0.20	0.12
South - Asia (All)	0.36	1.42	0.32	0.22	1.60	0.35	0.16	3.81	0.86	0.20	-2.39	-0.54
Bangladesh	-0.3	1	1.2	-0.21	1.29	1.13	0.06	1.29	1.36	-0.36	-0.29	-0.16
Pakistan	0.6	1	0.9	0.56	1.16	1.06	0.34	1.16	0.95	0.26	-0.16	-0.05
OIC countries	0.15	1.00	1.05	0.18	1.22	1.09	0.20	1.22	1.15	-0.05	-0.22	-0.10
Middle East (All)	0.09	1.31	0.99	0.05	1.47	1.17	1.08	2.68	1.35	-0.99	-1.37	-0.37
Iran	1.5	0.9	0.9	1.13	0.94	0.89	1.70	0.85	0.80	-0.20	0.05	0.10

Jordan	-0.2	0.7	1.2	-2.17	1.02	1.22	0.43	0.71	1.46	-0.63	-0.01	-0.26
Kuwait	0.6	0.7	1	1.45	1.72	1.7	0.87	1.204	1.7	-0.27	-0.50	-0.7
Lebanon	-0.2	1.3	0.5	-0.2	1.34	0.59	0.04	1.74	0.30	-0.24	-0.44	0.21
Oman	-0.2	4.1	0.3	-0.29	3.19	0.39	0.06	13.08	0.12	-0.26	-8.98	0.18
Saudi Arabia	-2.5	0.3	1.7	-1.95	0.34	2.15	4.88	0.10	3.66	-7.38	0.20	-1.96
Syria	0.8	1.6	0.8	1.16	2.53	0.92	0.93	4.05	0.74	-0.13	-2.45	0.06
United Arab Emirates	0.7	1.4	0.9	1.06	1.08	1.12	0.74	1.51	1.01	-0.04	-0.11	-0.11
Yemen	0.3	0.8	1.6	0.24	1.06	1.51	0.07	0.85	2.42	0.23	-0.05	-0.82
OIC countries	0.09	1.31	0.99	0.05	1.47	1.17	1.08	2.68	1.35	-0.99	-1.37	-0.37
North Africa (All)	0.30	0.88	0.94	0.43	0.91	0.90	0.31	0.90	0.95	-0.01	-0.02	-0.01
Algeria	0.9	1.2	1.6	1.38	1.21	1.46	1.24	1.45	2.34	-0.34	-0.25	-0.74
Egypt	0.5	0.4	0.8	0.33	0.38	0.85	0.17	0.15	0.68	0.34	0.25	0.12
Morocco	0.2	0.7	1	0.49	0.77	0.95	0.10	0.54	0.95	0.10	0.16	0.05
Sudan	0.1	0.8	0.7	0.09	0.98	0.58	0.01	0.78	0.41	0.09	0.02	0.29
Tunisia	-0.2	1.3	0.6	-0.13	1.22	0.67	0.03	1.59	0.40	-0.23	-0.29	0.20
OIC countries	0.30	0.88	0.94	0.43	0.91	0.90	0.31	0.90	0.95	-0.01	-0.02	-0.01
Central Africa (All)	-0.76	0.60	1.05	-0.08	1.03	1.30	3.85	0.62	1.67	-4.62	-0.02	-0.62
Cameroon	0.2	0.9	1.2	0.31	1.03	1.33	0.06	0.93	1.60	0.14	-0.03	-0.40
Chad	0.2	0.6	2.5	-0.09	1.41	1.77	-0.02	0.85	4.43	0.22	-0.25	-1.93
Gabon	1.1	0.9	0.8	0.99	1.08	1.15	1.09	0.97	0.92	0.01	-0.07	-0.12
OIC countries	0.50	0.80	1.50	0.40	1.17	1.42	0.38	0.91	2.31	0.12	-0.12	-0.81

TABLE 2 (continued)
Sectoral Value-Added, Employment and Productivity Growths

Country	Value Added E m p l o y m e n t											
	growth(1993-2005)			elasticity(1993-2005)			Employment growth(1993-2005)			Productivity growth(1993-2005)		
	Agric	Ind	Serv	Agric	Ind	Serv	Agric	Ind	Serv	Agric	Ind	Serv
Eastern Africa (All)	0.15	0.69	1.35	0.22	0.93	1.55	0.64	1.16	2.46	-0.49	-0.47	-1.12
Comoros	0.8	1.3	-0.7	1.6	1.51	1.36	1.28	1.96	-0.95	-0.48	-0.66	0.25
Mozambique	0.1	0.6	2.4	0.07	1.08	1.9	0.01	0.65	4.56	0.09	-0.05	-2.16
Uganda	-0.1	0.5	2.8	-0.04	0.83	3.32	0.00	0.42	9.30	-0.10	0.09	-6.50
OIC countries	0.27	0.80	1.50	0.54	1.14	2.19	0.43	1.01	4.30	-0.16	-0.21	-2.80
Western Africa (All)	0.26	1.04	1.28	0.24	1.17	1.40	0.33	1.29	2.10	-0.07	-0.25	-0.82
Benin	0.5	1.1	1.6	0.54	1.02	1.42	0.27	1.12	2.27	0.23	-0.02	-0.67
Burkina Faso	0.9	1.4	1.1	0.59	1.11	1.44	0.53	1.55	1.58	0.37	-0.15	-0.48
Côte d'Ivoire	1	0.4	1.2	0.71	0.7	0.92	0.71	0.28	1.10	0.29	0.12	0.10
Gambia	0.4	1.1	1.3	0.68	1.22	1.38	0.27	1.34	1.79	0.13	-0.24	-0.49
Guinea	0.3	0.8	1.7	0.33	0.96	1.36	0.10	0.77	2.31	0.20	0.03	-0.61
Guinea-Bissau	0.9	0.4	1.1	-0.6	1.31	2.13	-0.54	0.52	2.34	1.44	-0.12	-1.24
Mali	-1.2	1.5	3.3	-0.72	2	2.95	0.86	3	9.74	-2.06	-1.5	-6.44
Mauritania	-0.5	1.3	0.7	0.64	1.31	1.41	-0.32	1.70	0.99	-0.18	-0.403	-0.29
Niger	0.9	1.2	0.9	1.07	1.07	0.98	0.96	1.28	0.88	-0.06	-0.084	0.02
Nigeria	0.5	1.6	1.5	0.53	1.33	1.77	0.27	2.13	2.66	0.24	-0.528	-1.16
Senegal	0.2	0.8	1.3	0.21	0.99	1.27	0.04	0.79	1.65	0.16	0.008	-0.35
Togo	0.8	0.8	1	0.53	1.05	1.22	0.42	0.84	1.22	0.38	-0.04	-0.22

OIC countries	0.39	1.03	1.39	0.38	1.17	1.52	0.30	1.28	2.38	0.09	-0.24	-0.99
Central and Eastern Europe (All)	-0.99	0.02	0.49	-1.28	0.04	0.46	1.79	0.10	0.56	-2.78	-0.08	-0.07
Albania	-0.7	0	0.3	-0.32	0.17	0.36	0.22	0	0.11	-0.92	0	0.19
Commonwealth of Independent States, CIS (All)	-0.16	-0.06	0.24	-0.14	-0.18	0.29	0.17	0.17	0.28	-0.33	-0.22	-0.03
Azerbaijan	0.2	0.3	0.4	0.16	0.37	0.31	0.03	0.11	0.12	0.17	0.19	0.28
Kazakhstan	0.2	0.2	0.2	0.04	0.28	0.22	0.01	0.06	0.04	0.19	0.14	0.16
Kyrgyzstan	0.5	0.5	0.7	0.39	0.13	0.71	0.20	0.07	0.50	0.31	0.44	0.20
Uzbekistan	0.2	1.3	1	0.28	1	1.11	0.06	1.3	1.11	0.14	0	-0.11
OIC countries	0.28	0.57	0.57	0.22	0.45	0.59	0.07	0.38	0.44	0.20	0.19	0.13
European and Industrialized Economies (All)	-0.87	-0.08	0.67	-0.94	-0.01	0.73	1.15	0.29	0.53	-2.02	-0.37	0.14
Turkey	-1	0.6	1	-0.45	0.52	1.07	0.45	0.31	1.07	-1.45	0.29	-0.07
WORLD	-0.18	0.46	0.88	-0.21	0.56	0.99	1.05	2.03	1.31	-1.23	-1.57	-0.44
OIC Countries	0.26	0.85	1.19	0.31	0.98	1.34	0.28	0.97	2.07	-0.02	-0.12	-0.88

The findings in Table 2 also indicate that Mali registered a negative value-added growth for agriculture, the lowest among all OIC countries, but achieved the highest growth in the industrial sector. This is indicative of Mali undergoing a shift from agrarian activities into industry where the output growth is driven mostly by the significant increase in employment in this sector. Despite this trend, attention must still be given to the agricultural sector since most of its labor force is in this sector. Improvements must be carried out to have better production processes and yield through improved production technology, larger injections of capital, and more training given to the parties involved.

In the earlier section, it was observed that Chad has shown a significant increase in growth. With respect to its sectoral performance, the services sector recorded the highest growth in value-added, and in employment over the period of 1993-2005. The agricultural sector experienced a small reduction in employment but a positive growth in productivity. This sector is one which has the highest concentration of Chad's labor force, although the sector contributes only 22.6% to GDP.⁶ The move towards services and to a lesser extent industry is a positive step for the country to increase income and reduce poverty. It has been noted that land in Chad is not very suitable for agriculture and may be better suited for industrial or non-primary activities.

3.3 TRENDS IN EMPLOYMENT ELASTICITY

The employment elasticities for OIC member countries in Middle East, CIS, and Western Africa are given in Figures 1, 2 and 3, respectively. There is a wide variation in employment elasticity for countries in the Middle East. Syria and Yemen had significantly large elasticities of more than 1.3 as compared to other countries in the same region with employment elasticities of less than 1. For these two countries, a positive growth in GDP corresponded to a larger positive growth in employment, implying a productivity loss for the period between 2001 and 2005.

⁶ Wikipedia http://en.wikipedia.org/wiki/Economy_of_Chad. Accessed on 1 December, 2008.

FIGURE 1
Middle East – Employment Elasticities and GDP Growth Rates, 2001-2005

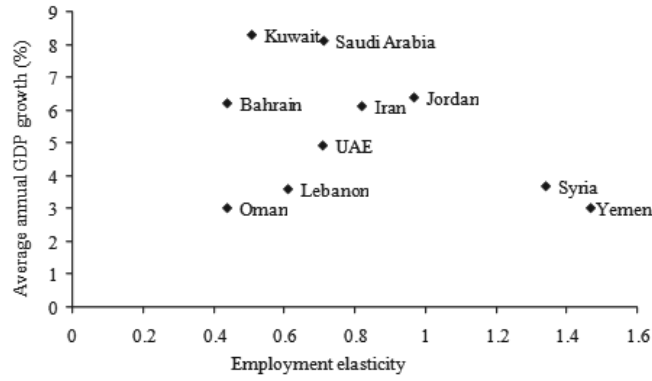


FIGURE 2
Commonwealth of Independent States (CIS) – Employment Elasticities and GDP Growth Rates, 2001-2005

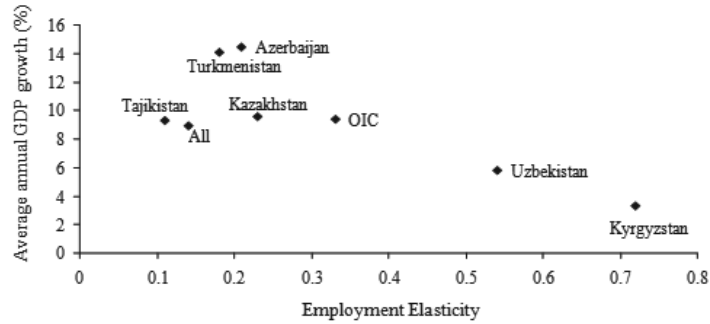
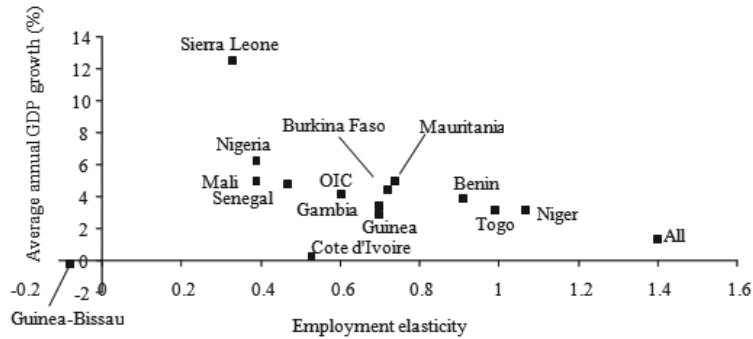


FIGURE 3
Western Africa – Employment Elasticities and GDP Growth Rates, 2001-2005

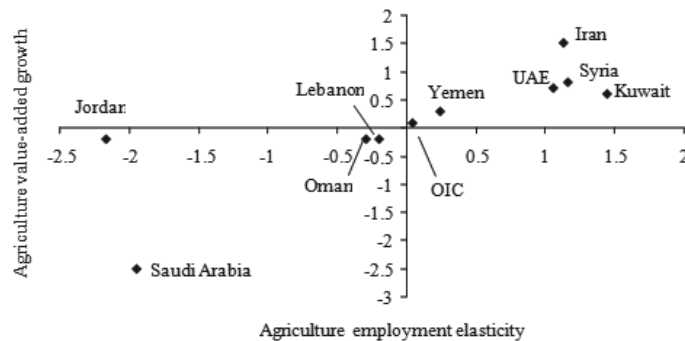


Employment elasticities in the CIS region were all below 1. However, the OIC member countries as a group had a higher elasticity of 0.33 relative to CIS region average of 0.14. With the exception of Uzbekistan and Kyrgyztan, all other OIC countries enjoyed robust growth in labor productivity over the period of 2001-05 as a result of a relatively high GDP growth and low employment elasticity. The GDP growth in Uzbekistan was somewhat shared equally between employment growth and labor productivity growth, but there were higher employment gains for Kyrgyztan with a modest GDP growth of 3.3%.

The average employment elasticity for all Western African countries was remarkably high at 1.4%. The OIC countries in this region had, on average, a significantly lower elasticity of 0.6, which implies that they experienced positive gains in productivity relative to non-member countries which faced losses in productivity as a group.

Figures 4-12 present trends in the employment elasticity and value-added growths in each of the three economic sectors which are agriculture, industry and services for the regions of Middle East, CIS and Western Africa.⁷ The sector employment elasticity gives the average percentage change in employment over the period of 1993-2005 for a one percentage point change in value-added growth in the sector.

FIGURE 4
Middle East – Agriculture Employment Elasticities and Value-Added Growth Rates, 1993-2005



⁷ These three regions were chosen since there are relatively larger numbers of OIC countries in these regions compared to others.

FIGURE 5
Middle East – Industry Employment Elasticities and Value-Added Growth Rates, 1993-2005

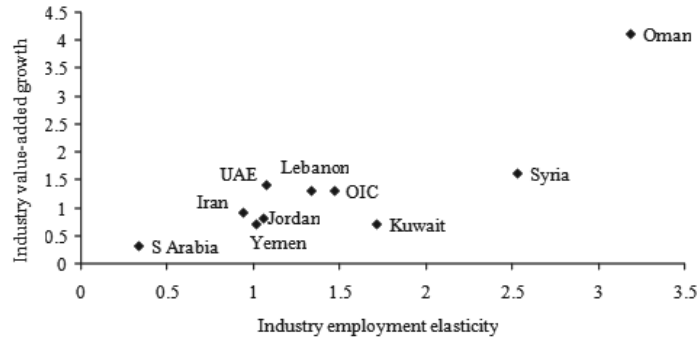
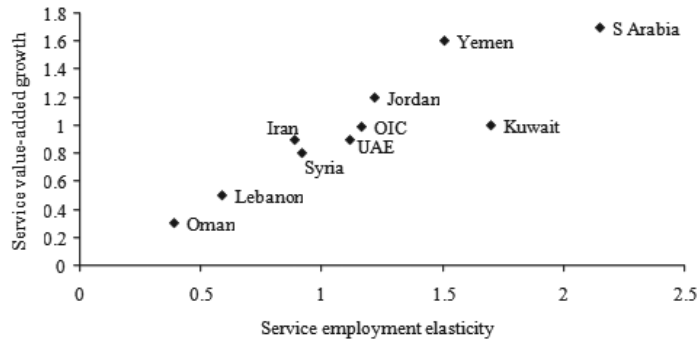


FIGURE 6
Middle East – Service Employment Elasticities and Value-Added Growth Rates, 1993-2005



There was a wide dispersion in employment elasticity in all sectors for OIC countries in the Middle East. In agriculture, as shown in Figure 4, countries such as Jordan, Saudi Arabia, Oman and Lebanon experienced negative growths in both value-added and employment. For other OIC economies, the agricultural sector exhibited gains in employment and output. In services and industry, all OIC countries are placed in the upper right quadrant in figures 5 and 6, which implies that there were increases in employment and value-added in these two sectors for these countries.

As such, it can be surmised that structural economic change is taking place for Middle Eastern countries, especially for Saudi Arabia, Oman and Jordan. Saudi Arabia recorded the highest value-added and employment growths in the services sector among all other OIC countries in that region.

For Oman, the negative growths in agricultural were more than offset by the significant increase in employment and value-added in the industrial sector.

The average employment and value-added growths for OIC countries in the CIS region in all three sectors were positive over the period of 1993-2005 (see Figures 7-9). However, the increase in output and employment were more substantial in the secondary and tertiary sectors. The positive growths experienced by OIC countries were in contrast to the overall region average performance which recorded declining value-added and employment for agriculture and industry, and only slight growths in the services sector. Among OIC countries in the region, Uzbekistan far surpassed others in terms of both output and employment in the industrial and services sectors.

FIGURE 7
Commonwealth of Independent States (CIS) – Agriculture Employment Elasticities and Value-Added Growth Rates, 1993-2005

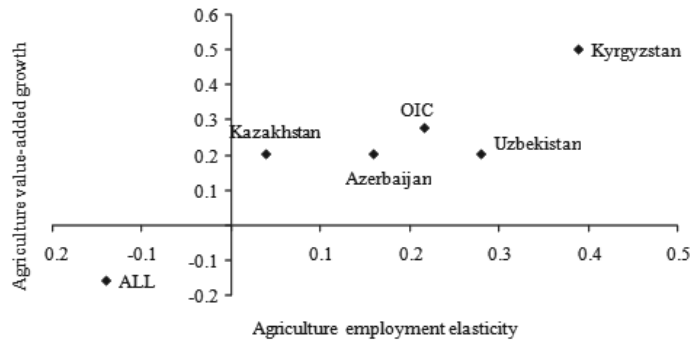


FIGURE 8
Commonwealth of Independent States (CIS) – Industry Employment Elasticities and Value-Added Growth Rates, 1993-2005

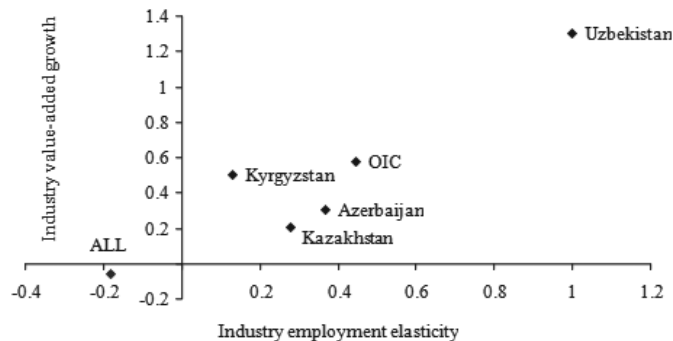
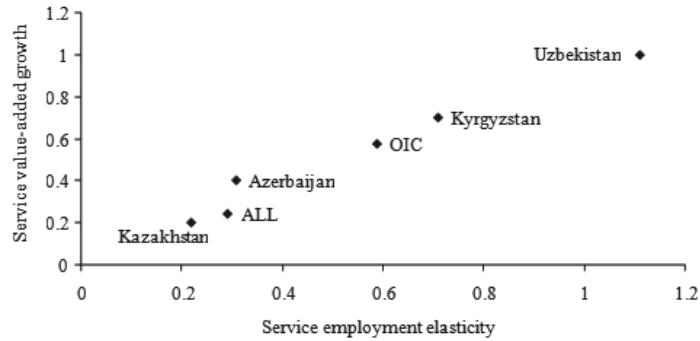


FIGURE 9
Commonwealth of Independent States (CIS) – Service Employment Elasticities and Value-Added Growth Rates, 1993-2005



Similar to some countries in the Middle East, Mali has undergone a structural shift from agriculture to industry- and services-based economy. Mali recorded reductions in output and a negative employment elasticity in the agrarian sector during the period but experienced remarkable growths in output and employment in the industrial and services sectors. It was also the best-performing economy in these two sectors in terms of value-added and employment elasticity compared to other OIC member countries in Western Africa.

FIGURE 10
Western Africa – Agriculture Employment Elasticities and Value-Added Growth Rates, 1993-2005

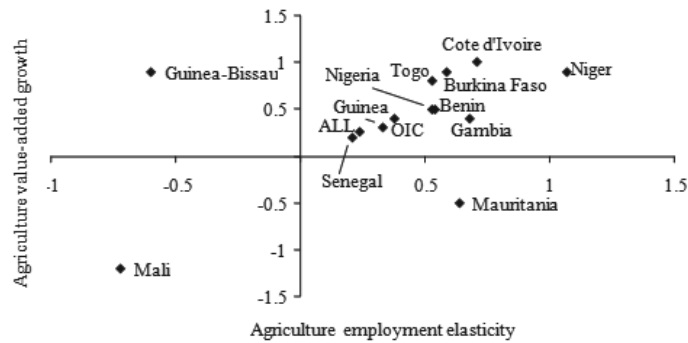


FIGURE 11
Western Africa – Industry Employment Elasticities and Value-Added Growth Rates, 1993-2005

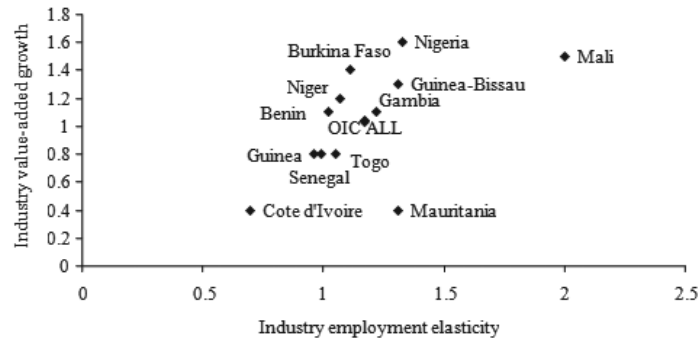
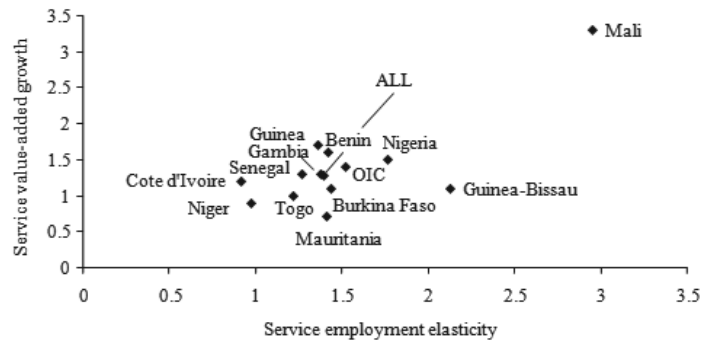


FIGURE 12
Western Africa – Service Employment Elasticities and Value-Added Growth Rates, 1993-2005



As in many parts of the world, the services sector in Western Africa grew more rapidly and creating employment opportunities relative to the industrial sector, and more so compared with the agricultural sector. Although the growth rates were somewhat modest, on average, the services value-added growth rate was 1.39%, compared to 0.39 and 1.03%, respectively for industry and agriculture. Average annual employment growth between 1993 and 2005 was 2.38% in the services sector, in comparison to 0.30% in agriculture and 1.28% in industry.

The next section provides a more in-depth analysis of several countries located in the various regions in the world. The discussion includes an examination of a country's performance in relation to its labor force participation, the level of poverty and income distribution.

3.4 COUNTRY ANALYSIS

3.4.1 INDONESIA (SOUTH-EAST ASIA)

Indonesia experienced a relatively high average annual GDP growth of 7.1% between 1993 and 1997. However, the country experienced negative growth during the period of 1997-2001 mainly due to the financial crisis. With economic reforms, Indonesia recorded a positive growth of 5.0 % in 2001-2005. Employment growth showed a positive trend, but its growth in 2001-2005 was minimal at 1.3%. On the other hand, productivity grew at a higher rate of 3.7% during this period.

The analysis of the three sectors shows that productivity, employment and output recorded positive growths. The employment growth was the highest in the industrial sector (0.50%), while the productivity growth was highest in the agricultural sector (0.37 %). The improvements in industry and agriculture are encouraging since 85 % of Indonesia labor force is either in the industry and services sectors.⁸

It is observed that there was an upward trend in the labor force participation rate. The rate has increased from 65.7 % in 1993 to 67.8% in 2005. With this increasing trend in the labor force participation rate, the unemployment rate had also increased in Indonesia which recorded an unemployment rate of 10.3% in 2006. Nevertheless, the average level of income has improved over the years except during the crisis period. The proportion of population below US\$1 a day reduced from 17.4 % in 1993 to 7.8% in 2002, while those below US\$2 a day fell from 64.2% (1993) to 52.9% (2002). Besides, the share of working poor at the US\$1 a day in total employment had also shown a significant decrease from 22% to 10.3%.

Even though Indonesia registered an improvement in the productivity growth and showed a decreasing trend in the poverty level, more effort must be done to improve the people's standard of living. Considering the large population of Indonesia, the high percentage of the population below US\$2 a day is of concern. Together with the disparity in income among the people (the Gini index was 34.3 in 2002), Indonesia must be able to formulate more effective strategies to improve the standard of living of its people and to have a more equitable distribution of income. In order for the country to build on its human capital, the education system must be improved so that more people can obtain the education that is required since the latest figure in 2006 showed that the gross secondary school enrolment ratio was less than two thirds.

⁸ http://www.search.com/reference/Economy_of_Indonesia.

3.4.2 PAKISTAN (SOUTH ASIA)

The average annual GDP growth of Pakistan had increased from 3.1% in the period 1993-1997 to 5.5% in 2001-2005. Both productivity and employment growths showed upward trends, with employment growing faster than productivity. However, the positive productivity growth was driven by agriculture which is the only sector that recorded an average gain in productivity between 1993 and 2005. The services and industrial sectors experienced productivity losses over the period. All three sectors recorded a positive growth in employment, with the industry recording the highest, but very modest growth at 1.16%.

The increase in employment is warranted given that the labor force participation rate had increased over the years to 58.2% for 2001-2005. However, attention must be given to ensure that there are substantial improvements in productivity so that there will be corresponding increases in the levels of income. Although the poverty rate was declining, it remained high with 59.5% of the population having income below US\$2 a day. However, among these poor people, 80% were in fact in employment. Thus poverty is a reflection not of the absence of economic activity of the poor, but rather the unproductive nature of the activity.

The overall growth in employment corresponded with the relatively low unemployment rate of 6.2% in 2006. However, as mentioned earlier, this low rate masked the fact that many of those working were in jobs that provided little earnings and mostly in the informal sector. Data reveals that 65.8% of all those employed belonged in the informal economy employment.⁹ This sector is often characterized as one of low-pay, low or non-existent benefits, and with poor working conditions.¹⁰ In addition, a significant number of Pakistanis (over 3.4 million in 2003)¹¹ worked outside the country which provided a total net inflow of remittances to Pakistan amounting to 4% of its GDP in 2006.

In the long term, Pakistan has to focus on human development for its economy to progress further. Special emphasis must be given to education since its secondary school enrolment is very low – 30% in 2006. Adult literacy rate is also low at 54.9% in 2007. Strategies and policies must be formulated to ensure that the economy prospers and the standard of living of its people will be improved.

⁹ ILO (2007).

¹⁰ The informal economy includes private unincorporated enterprises which produce at least some of their goods and services for sale or barter, have less than five paid employees, are not registered, and are engaged in non-agricultural activities (ILO, 2007).

¹¹ <http://www.un.org/esa/population/publications/migstock>.

3.4.3 JORDAN (MIDDLE EAST)

Jordan averaged a growth rate of 6.4% for the period 2001-2005, which exceeded the rate in the previous period 1997-2001 of 4.0%. The increase in growth was mostly reflected in the rise in employment, while productivity growth was a minimal 0.19% over the latest period. The average productivity growth rate in each of the three sectors was negative. Although there had been an increase in employment, the unemployment rate remained high at 12.4% in 2004. Moreover, although the labor force participation rate is relatively low at 52.2%, it has been increasing over the years. Thus more work must be created to reduce the unemployment rate as well as to cater to the increase in labor force participation rate.

The national poverty rate in 2003 was recorded at 14.2%. Thus, the slight improvement in overall productivity is of concern since one of the most effective ways to have higher levels of income is through increases in productivity. The large number of Jordanians migrating to other countries looking for employment might also be connected to the relative high level of poverty in the country. In fact, the net inflow of remittances in 2006 was valued at US\$2.5 billion, which was 17.5 % of the GDP in that year.

Given this situation, Jordan must give equal attention to both employment and productivity. More jobs must be provided to its people, and productivity in all sectors must be enhanced, so that Jordan can move from being a lower-middle-income country to becoming an upper-middle-income one. It is noted that income inequality has increased in Jordan, where the Gini coefficient increased from 36.4 in 1997 to 38.9 in 2003. Financial and technical assistance must be given to the poor, and strategies for a better redistribution of wealth must be constructed and carried so that the disparity in income can be reduced.

3.4.4 CAMEROON (CENTRAL AFRICA)

The average growth rate for Cameroon over the years has been moderate. For the most recent period of 2001-2005, the GDP grew at 3.6% per annum, on average. The growth was mainly attributed to the increase in employment, while the contribution of productivity to GDP growth was much lower. Although agriculture, industry and services sectors all recorded an increase in value-added growth between 1993 and 2005, productivity gains were only observed in the agricultural sector. The increase in employment was the highest in the services sector.

Agriculture is an important sector in Cameroon where 70% of its labor force is in this sector (in 2001) and it contributed 43.7% to GDP in 2004.

Positive productivity growths in agriculture, together with employment expansion were greatly beneficial to the economy. This can be seen through a reduction in the national poverty rate from 53.5% in 1996 to 40.2% in 2001. The share of working poor below US\$2 per day reduced from 86.7% to 73.8%, respectively. Although the rate was still high, the gains in employment and productivity can be said to assist in reducing the level of poverty.

The labor force participation rate in Cameroon has been decreasing to 66.7 % for 2001-2005. It is quite puzzling as to the reason for the decline. Unemployment rate was not high, registering at 7.5% in 2001. Migration, based on remittances data, does not indicate that there was an exodus of workers to other countries. However, it is observed that there was positive net inflow of remittances starting from 2003, of which previously it was negative. This can be taken as a positive indication of optimism in the economy and an increase in income for the country.

For Cameroon to develop further, it must be able to grow more rapidly by creating more opportunities for employment and increasing productivity in all sectors. This can be done by providing the skills and training to workers, and allocating more funds to education, and research and development. This is necessary since although the gross primary enrolment ratio is over 100%, the gross secondary enrolment is less than 25 % in 2006. Adult literacy rate was also relatively low at 67.9 % in 2001.

3.4.5 NIGERIA (WEST AFRICA)

Nigeria is classified as a low income country. It has a high poverty rate where 92.3% of the population is below US\$2 a day (in 2003). In this group, 95% are in fact employed. The slow economic growth – the average GDP growth was 1.5% for 2001-2005 – does not contribute much in reducing the incidence of poverty. Employment elasticity is larger than one, which means that the growth in employment surpassed that of output. This implies that over that period, average productivity had declined. This situation does not provide an optimistic outlook on the development of the nation. The performance of the three sectors was also unimpressive, with the very modest increases in value-added totally driven by increases in employment, with the exception of the agricultural sector. However, though this sector recorded an increase in productivity over the period 1993-2005, the growth was minimal at 0.24%.

There has been a slow decline in the labor force participation rate. Between 1997 and 2001, the rate was 66.34%, which was lower than the earlier period, while in the later period 2001-2005, it reduces further to 65.42%. Perhaps this is due to the fact that employment does not entail an

increase in income large enough to break away from poverty. This may also explain the large number of migrants, over 1.04 million in 2003, from Nigeria living and working abroad. It is also reflected in the inflow of remittances which have steadily increased over the years, where in 2006, the net inflow of remittances comprised of 2.9% of Nigeria's GDP.

The main thrust of the economy must be in improving efficiency and productivity. For the economy to develop, political stability must be ensured and there has to be improvement in the macroeconomic management of the country. A more substantial financial funding must be given to build on and strengthen the human capital. Education plays a key role in this endeavor especially in increasing secondary school enrolment since the gross enrolment ratio was less than 33% in 2005. Training and skills must be given to the people so that the nation can prosper in the future.

3.4.6 EGYPT (NORTH AFRICA)

Egypt's average annual GDP growth showed a decreasing trend, from 4.8% during the period of 1993-1997, to 4.7% during 1997-2001, and to 3.9% in 2001-2005. Nevertheless, employment and productivity growths were positive. However, productivity growth also exhibited a downward trend with an average of 2.2% growth during the period of 1993-1997 to 1.3% in 2001-2005. There was a small increase in employment growth over the study period.

The results for the sectors indicate that there were positive employment and productivity growths in all the three sectors. Services sector registered the highest average productivity growth (0.68%) while agriculture sector gained the highest average productivity growth (0.34%).

The labor force participation rate has shown a very small increase from 45.9% in 1997-2001 to 46.2% in 2001-2005. The low labor force participation rate was highly related to the number of migrations abroad. In 2003, there were a total of 2.2 million Egyptians migrating to other countries. Even with less than 50% of the people being in the labor force, this country has a relatively high unemployment rate. Over the years, the unemployment rate has been fluctuating, with the rate registering at 10.3% in 2006. Perhaps the low participation rate in the labor market can be attributed to the high levels of unemployment in the country.

A positive finding is that the incidence of poverty has decreased over the years. In 1995, the population below US\$1 a day was 3.8%, while in 2000 it has reduced to 3.2%. In addition, the share of working poor at US\$1 a day in total employment has also decreased from 6.3% in 1995 to 5.2% in 2000. The reduction in the poverty level may be associated to the increase in overall productivity over this period.

For Egypt to progress it needs to expand employment and raise productivity. These efforts may attract more people to enter the labor force and contribute to the economy. Jobs offered must be attractive to encourage more Egyptians to work in the country and retain the human resources available especially the skilled workers. In the long run this will be beneficial to the economy and increase the income of the people, especially those earning below poverty line to enjoy a better living. As Gini index has increased from 32.6% in 1995 to 34.4% in 2000, a more effective policy of income redistribution must be carried out.

3.4.7 UGANDA (EASTERN AFRICA)

The average annual GDP growth for Uganda, although relatively high, was on a decreasing trend from 8% in the period 1993-1997 to 5.8% in 2001-2005. Employment growth improved to 3.42% while productivity growth declined to 2.38% in the period 2001-05. The sectoral analysis indicates that services sector registered the highest employment growth with 9.30%, while the agriculture sector recorded no improvement in employment in that period.

Although services appeared to attract a large number of workers, a greater proportion of Uganda labor force is still concentrated in agriculture.¹² Majority of the workers lived in poverty. In 2002, the population below US\$2 a day was 95.7% and the share of working poor at below US\$2 a day in total employment was approximately 95%, which was indicative of those being employed in very low-paying jobs.

It is only benefiting for the country to focus on the agricultural sector, with strategies to increase the levels of productivity. Uganda is endowed with significant natural resources, including ample fertile land, regular rainfall and mineral deposits. Productivity in the agricultural sector was on a decline during the period of 1993 to 2005. In addition, serious efforts must be taken to ensure a better redistribution of the nation's wealth since the disparity in income has increased over the years, with a Gini index of 43.1 in 1999 to 45.8 in 2002. A better strategic planning and a more stable government are needed to ensure the effectiveness of these efforts and for the country to move forward since Uganda is often associated with political instability and erratic economic management.¹³

¹² In 1999, it is estimated that 82% of the labor force were employed in the agricultural sector. http://www.search.com/reference/Economy_of_Uganda.

¹³ http://www.search.com/reference/Economy_of_Uganda.

3.4.8 KYRGYZSTAN (COMMONWEALTH OF INDEPENDENT STATES)

Kyrgyzstan showed improvement in the average annual GDP growth, from a negative GDP growth of -2.80% in 1993-1997 to 3.30% in 2001-2005. Over the two periods, employment growth increases while productivity growth declined to 0.92% in 2001-2005. Across the three sectors, employment and productivity growths were positive. The highest employment growth was in the services sector with 0.50 %. Meanwhile, the industrial sector registered the highest relative productivity growth of 0.44%.

The labor force participation rate has decreased from 65.8% in 1993-1997 to 64.5% in 2001-2005. The decreased in the labor force participation rate may be attributed to migration of its citizen to other countries as shown by a large net inflow of remittances worth US\$594 million in 2006. In relation to this, the unemployment rate has also declined from 12.5% in 2002 to 8.5% in 2004.

Meanwhile, the positive productivity growth experienced by the country may be linked to the reduction in the poverty level and an improvement in the standard of living. Population below US\$2 a day declined from 34.7% in 2000 to 23.5% in 2003. The share of working poor at US\$2 a day in total employment reduced from 49.7% in 2000 to 33.4% in 2003.

Overall, Kyrgyzstan has experienced economic progress over the years. The improvements in employment and productivity have benefited the country, which are reflected in the decline in poverty rate as well as reduction in income inequality. A better planning with more consistent efforts will help to reduce further the unemployment and poverty rates.

4. DISCUSSION AND CONCLUSION

This paper analyzes the performance of OIC member countries with respect to their GDP, employment and productivity growths. It was found that in general, increases in employment surpassed those of non-OIC member countries during the period of study. However, productivity growths were lagging behind. Expansion in employment is important especially for countries that faced high unemployment rates with excessive levels of poverty. Providing the poor with jobs would assist in generating income and alleviating the incidence of poverty.

Nevertheless, in many of the OIC developing countries, and elsewhere, the positive job growth incorporates the increase in employment in the informal economy. The informal sector represents an important part of the economy and plays a major role in employment creation, production

and income generation. However, most of the workers in these sector have very minimal or no legal or social protection, and earn, on average, less than workers in the formal economy. Policy-makers must ensure that the working conditions in the informal economy must be upgraded, training and skills of the workers must be developed, and labor legislation be drawn up. Self-employment and business start-ups should be facilitated through interest-free credit programs such as micro-financing. In addition, technical assistance should be provided to informal entrepreneurs.

Increases in employment opportunities alone will not be able for any country to sustained long-term growth. In addition, to be able to compete with the rest of the world, it is crucial that OIC member countries promote higher productivity. One of the key elements is improving workers productivity by providing education to the younger generations and providing skills and training to those in the labor force. As shown in van Leeuwen and Foldvari (2008), consistent with the Lucas model (Lucas, 1988), accumulation of human capital affects economic growth for developing countries. Haldar and Mallik (2010) also found that human capital investment has significant long-run effect on per capital GDP. Countries must also invest in research and development to increase the quality of products and to have a more efficient use of materials. Productivity can also be enhanced by having better organization and greater utilization of capacity. Barriers to the development of programs to improve productivity such as high costs and ineffective government structures must be removed.

OIC as an organization can play a major role in coordinating and encouraging high-income member countries to invest their capital in low-income member countries. Investment and physical capital positively contribute to GDP growth (Hakro, 2009). Although providing aid for social services is important, funds should also be directly used to improve infrastructure and create business and employment. Additionally, the sharing of technology and technical know-how between member countries would greatly benefit individual countries as well as OIC as a group.

Nonetheless, any strategies that are formulated must not only focus on sectors that are undergoing dynamic positive changes. Less dynamic sector but where labor tends to concentrate, such as agriculture that usually still remains the biggest employment provider in many developing economies, should not be neglected in the effort to reduce poverty and income disparity.

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