Growth Without Transformation: Industrial, Productivity and Employment Policy Pathways to Structural Change in Emerging and Developing Economies

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ABSTRACT

Over the past three decades, a sizeable group of emerging and developing economies has posted strong rates of GDP growth without a matching change in what they produce or in the kinds of work their people do. Labour has left the farm, but in many cases it has settled into informal trading, casual services and very small household enterprises rather than into factories, modern services or formal firms. This article asks why aggregate growth so often fails to become structural transformation, and which combination of industrial, productivity and employment policies can close the gap. It is written as an integrative analytical review and comparative synthesis. It reads published shift-share decompositions of labour productivity growth as diagnostic "signatures" of how each economy has changed, and then matches those signatures to the institutional configurations of eight economies: South Korea, Taiwan (China), Viet Nam, Bangladesh, Ethiopia, Nigeria, Brazil and Mexico. Pairing macro-level decomposition with institutional case matching shows not only that growth and transformation have come apart, but also through which institutions they come apart. Five mechanisms stand out: commodity- and consumption-led growth that crowds out tradable activities; a shrinking manufacturing escalator; a "missing middle" of productive medium-sized firms; capital-biased technology; and weak state coordination capacity. The article concludes that development should be judged by the composition, and not merely the pace, of growth. It proposes an integrated package that joins performance-disciplined industrial policy, broad productivity diffusion and an explicit good-jobs strategy on a base of stable macroeconomic management. It also sets out concrete institutional blueprints for firm formalisation and for a transformation council designed to resist capture, with specific application to Nigeria.

Keywords: structural transformation; economic growth; industrial policy; productivity; employment; informality; premature deindustrialisation; state capability; Nigeria

INTRODUCTION

Background

For much of the twentieth century, economists who studied poor countries shared a quiet assumption: if an economy grew, its structure would change along the way. Rising output would pull workers out of low-yield farming, factories would multiply, towns would grow into cities, and the average job would become more productive and better paid. Lewis (1954) gave this idea its classic form in his model of a dual economy, in which a modern sector expands by drawing on a reservoir of underemployed rural labour. Kuznets (1966, 1973) reinforced it, treating rapid change in the sectoral make-up of production and employment as one of the hallmarks of modern economic growth. In this tradition, growing and transforming were effectively the same process seen from two angles.

That assumption has not survived the evidence of recent decades. From the early 2000s until roughly the middle of the 2010s, many low- and lower-middle-income countries, especially in Sub-Saharan Africa, achieved their best growth performance since independence. When researchers traced where that growth came from, however, the picture was less encouraging. McMillan and Rodrik (2011) and McMillan et al. (2014) found that after 1990

the movement of workers between sectors actually lowered aggregate productivity in large parts of Latin America and Africa, because labour was flowing from relatively productive activities into less productive ones. Diao et al. (2019) later showed that Africa's growth spurts did involve a shift of labour out of agriculture, but that productivity in the sectors receiving those workers stood still or declined. Using firm-level data for Tanzania and Ethiopia, Diao et al. (2025) describe this combination of shrinking agricultural employment, improving farm productivity and weakening manufacturing productivity as Africa's "manufacturing puzzle". A related concern is what Rodrik (2016) calls premature deindustrialisation. Countries industrialising today reach their peak manufacturing shares of employment and output earlier, at lower levels and at much lower incomes than the pioneers did. Where manufacturing once served as a dependable ladder out of poverty, the ladder now appears shorter and harder to climb.

Nigeria shows clearly how headline growth and structural change can drift apart. Following the 2025 revision of its national accounts to a 2019 base year, the National Bureau of Statistics put nominal GDP for 2024 at roughly ₦372.8 trillion. Under the new base, the leading activities were crop production (17.58%), trade (17.42%), real estate (10.78%), telecommunications (6.78%) and crude oil and gas (5.58%), with manufacturing absent from the top five (Africa Check, 2025; Channels Television, 2025). The labour market looks similar: the Nigeria Labour Force Survey recorded informal employment at 93% of all jobs in the second quarter of 2024, with 85.6% of workers self-employed (National Bureau of Statistics [NBS], 2024). An economy with this structure can post positive growth year after year while the productivity of the typical worker barely moves.

Statement of the Problem

The central problem is that output growth in many emerging and developing economies has become detached from productive structural change. Growth fuelled by commodity windfalls, rent-financed public spending, remittances or credit-driven consumption can lift GDP without building the tradable, high-productivity activities on which long-run convergence depends. When this happens, growth spells tend to be brief (Hausmann, Pritchett, & Rodrik, 2005), most employment remains informal and poorly paid, and economies stay exposed to sharp reversals whenever commodity prices or capital flows turn against them. Policy choices have made the difficulty worse. For roughly two decades after 1980, mainstream advice held that once macroeconomic balances were restored, prices liberalised and trade opened, markets would settle the sectoral composition of output on their own. Deliberate efforts to shape that composition were widely regarded as wasteful or corrupt. That view has since softened: advanced economies now pursue industrial strategies openly, and a new body of rigorous research surveyed by Juhász et al. (2024) paints a more favourable, if conditional, picture of what such policies can deliver. Yet many developing-country governments still operate without a coherent framework that ties industrial, productivity and employment policies to the specific goal of transforming the economy, as opposed to simply raising its growth rate. This article responds to that gap.

Approach and Methodological Niche

The article is an **integrative analytical review and comparative synthesis**. It does not estimate new econometric models. Instead, it does something the existing literature rarely does: it combines two kinds of evidence that are usually reported separately. The first is the macro-level shift-share decomposition of labour productivity growth, which splits aggregate gains into a within-sector component and a structural-change component. These decompositions show *what* happened in an economy, but they are silent on *why*. The second is institutional case evidence on how states designed, disciplined and coordinated their industrial, productivity and employment policies. Case studies explain *why*, but they seldom connect their narratives to a common quantitative yardstick.

By matching the decomposition "signature" of each economy to its institutional configuration, the article can ask a sharper question than either strand can ask alone: which institutional arrangements are consistently present when both components of productivity growth are strong, and which are present when one or both are weak? This pairing is the article's methodological contribution. It turns a broad literature review into a structured comparison and lets the policy recommendations rest on recurring institutional patterns rather than on single success stories.

Objectives and Research Questions

The broad objective is to explain why GDP growth often fails to generate structural transformation in emerging and developing economies, and to identify the policy combinations most capable of reconnecting the two. The specific objectives are to: (i) distinguish conceptually between growth and transformation and specify how transformation can be measured; (ii) identify the mechanisms that detach growth from structural change; (iii) assess the effect of industrial policy on transformation outcomes; (iv) examine how productivity policies influence the gains that arise when labour moves between sectors; (v) evaluate the contribution of employment policies, including firm formalisation, to inclusive transformation; and (vi) propose an integrated policy framework, with concrete institutional blueprints, suited to the fiscal and institutional realities of developing economies, with specific lessons for Nigeria.

Five research questions follow. Why do many emerging and developing economies sustain GDP growth without a corresponding shift of labour and output toward higher-productivity activities? To what extent does industrial policy account for cross-country differences in structural transformation? How do productivity-enhancing policies shape the gains from sectoral reallocation? Which employment policies make transformation faster and more inclusive? And what policy and institutional architecture best suits economies with limited fiscal space and state capacity?

Guiding Propositions

The study is guided by four propositions, stated in null form and examined through the comparative evidence in Section 4:

- **$H0_1$:** GDP growth, on its own, has no significant association with structural transformation in emerging and developing economies.
- **$H0_2$:** Industrial policy has no significant effect on structural transformation outcomes.
- **$H0_3$:** Productivity policy has no significant effect on the contribution of sectoral reallocation to aggregate productivity growth.
- **$H0_4$:** Employment policy has no significant effect on the inclusiveness of structural transformation.

Scope, Significance and Structure

The analysis covers emerging and developing economies broadly, mainly from 1990 to the present, the period for which harmonised sectoral data are available. East Asia serves as the benchmark region for successful transformation; Sub-Saharan Africa and Latin America represent regions where growth and transformation have diverged. Nigeria receives particular attention because of its size, its reliance on oil and the depth of its informal economy. The article speaks to several audiences. Policymakers in finance, trade, industry and labour ministries gain a way to assess growth by its composition rather than its speed alone. Researchers gain a synthesis that links three bodies of work usually treated separately: the macro literature on structural change, the micro literature on firm productivity and the new literature on industrial policy. Development partners gain clearer guidance on where external support is most likely to spark lasting transformation. Section 2 reviews the conceptual, theoretical and empirical literature. Section 3 sets out the integrative review and case-matching methodology. Section 4 presents the mechanisms, the comparative evidence, the case-matching synthesis and the institutional blueprints. Section 5 concludes with recommendations and implications for Nigeria.

LITERATURE REVIEW

Conceptual Review

Economic growth. In standard usage, economic growth describes a persistent increase in real output per head. It is a single aggregate figure: it says how much more an economy produces, but nothing about what is produced,

by whom, or with what technology. Two countries can therefore post identical growth rates while undergoing entirely different economic experiences.

Structural transformation. Structural transformation refers to the shift of economic activity across the broad sectors of agriculture, industry and services, and increasingly within them, from low- to high-productivity uses. Herrendorf et al. (2014) document strikingly regular patterns: as incomes rise, agriculture's shares of employment and value added fall, the services share rises, and manufacturing follows a hump-shaped path, first expanding and later contracting. Transformation has two faces. One is static reallocation, as workers move toward sectors with higher productivity levels. The other is dynamic upgrading, as productivity rises within sectors and economies diversify into more complex products (Hidalgo & Hausmann, 2009; McMillan et al., 2014).

Industrial, productivity and employment policy. Industrial policy covers deliberate public efforts to alter the sectoral composition of the economy in favour of particular activities, through tax incentives, directed credit, trade measures, public procurement and dedicated infrastructure. Productivity policy is broader. It targets output per worker in all sectors through technology diffusion, skills, infrastructure, competition and management practices. Employment policy aims to expand productive work and help workers reach it, through support for labour-intensive activities, training, job matching, formalisation incentives and social protection.

THEORETICAL FRAMEWORK

The Lewis dual-economy model. Lewis (1954) portrayed a developing economy as having two parts: a traditional sector, mostly subsistence farming, in which the marginal product of labour is very low, and a modern capitalist sector with high productivity whose profits are reinvested. Because labour can be drawn from the traditional sector at a roughly constant wage, the modern sector can grow without pushing wages up until the surplus is absorbed. In this model growth *is* structural transformation: every worker who moves from farm to factory lifts average productivity. The productivity gaps the model assumes remain large. Gollin et al. (2014) show that value added per worker in agriculture is several times lower than in non-agricultural activities across developing countries, even after correcting for hours and human capital. The model's weakness is its assumption that a modern sector exists and can take in labour. Where it cannot, migrants end up in an urban informal economy that shares many traits of the rural economy they left. Gollin et al. (2016) show that many resource-exporting countries have urbanised without industrialising, producing "consumption cities" built around the spending of resource rents rather than around production.

Kuznets, Chenery and the patterns of development. Kuznets (1966, 1973) put structural change at the heart of modern economic growth. Chenery and Syrquin (1975) converted these observations into benchmark "patterns of development" describing how production, trade, investment and employment typically change as incomes rise. These patterns remain the yardstick for judging whether a country's transformation is normal, delayed or unusual. The present concern about premature deindustrialisation is, in essence, the finding that many developing countries have departed from these patterns in an unfavourable direction.

Kaldor's growth laws. Kaldor (1966) regarded manufacturing as the engine of growth for three linked reasons: faster manufacturing growth is associated with faster GDP growth; manufacturing output growth raises manufacturing productivity through increasing returns (Verdoorn's law); and manufacturing expansion lifts productivity elsewhere by absorbing workers whose marginal product was low. Szirmai (2012) and Szirmai and Verspagen (2015) tested these ideas for developing countries between 1950 and 2005 and found that manufacturing does act as an engine of growth, especially where human capital is adequate. Rodrik (2013) added that formal manufacturing industries show unconditional convergence in labour productivity toward the global frontier, whatever the surrounding policy environment. Economies as a whole fail to converge because too few workers are employed in those industries.

Structuralist and self-discovery theories. Structuralist writers, from Prebisch and Hirschman to Amsden (1989) and Wade (1990), argued that markets in developing countries do not by themselves produce the coordination, learning and linkages that industrialisation demands. Amsden showed how the Korean state

disciplined large business groups by tying support to export performance; Wade described how the Taiwanese state "governed the market". Hausmann and Rodrik (2003) recast the argument in terms of information spillovers: discovering which new products a country can make profitably is costly, and the knowledge gained benefits imitators, so private investors do too little of it. Industrial policy, in this view, should reward experimentation and then cut support to failures. Hausmann et al. (2007) found that the sophistication of a country's exports predicts its later growth, while Hidalgo and Hausmann (2009) developed a theory of economic complexity in which accumulated capabilities make diversification into related products easier.

New structural economics. Lin (2012) argues that a country's most suitable industrial structure is determined by its factor endowments, and that governments should help firms enter industries in line with latent comparative advantage rather than leap into capital-intensive sectors that defy it. His exchange with Chang (Lin & Chang, 2009) over whether policy should follow or defy comparative advantage frames much of the modern debate about industrial strategy.

Framework adopted. The article adopts an integrated framework that draws on each tradition. Structural transformation, the outcome of interest, results from two processes: the reallocation of labour between sectors and productivity growth within them. Aggregate GDP growth may accompany either, both or neither. Industrial policy shapes which modern tradable activities emerge; productivity policy determines whether farms and firms in all sectors move toward the frontier; and employment policy determines whether workers leaving traditional activities find productive jobs. The effectiveness of all three is conditioned by state capability, macroeconomic stability (including a competitive real exchange rate), commodity dependence, human capital and the global trade and technology environment. Table 1 summarises how these constructs are operationalised.

Table 1. Constructs and indicators used in the synthesis

Construct	Role in the framework	Indicators drawn from the literature
Structural transformation	Outcome	Sectoral shares of employment and value added; structural-change and within-sector terms of productivity growth; export sophistication and complexity
Industrial policy	Explanatory	Targeted incentives, directed credit, trade measures, zones, procurement, local content; presence of performance conditions
Productivity policy	Explanatory	Agricultural extension and inputs, firm upgrading, technology diffusion, competition, power and logistics
Employment policy	Explanatory	Labour-intensive sector support, formalisation incentives, training, apprenticeships, job matching, social protection
Enabling conditions	Moderating/control	GDP growth, real exchange rate, inflation, commodity dependence, state coordination capacity

Source: Author's

Empirical Review

Structural change and aggregate productivity. Harmonised sectoral databases made systematic analysis possible. The GGDC 10-Sector Database, described by Timmer et al. (2015), allowed researchers to split productivity growth into within-sector and between-sector parts. Its successor, the GGDC/UNU-WIDER Economic Transformation Database, offers consistent annual employment and value-added data for 12 sectors

in 51 economies from 1990 to 2018 (Kruse et al., 2023). McMillan and Rodrik (2011) and McMillan et al. (2014) studied 38 countries between 1990 and 2005 and found that structural change added to productivity growth in Asia but subtracted from it in Latin America and Sub-Saharan Africa. Countries with large natural-resource export shares were more prone to growth-reducing structural change, whereas those with competitive currencies and flexible labour markets did better. Timmer et al. (2015) confirmed that labour leaving agriculture in Africa and Latin America largely entered market services with weak productivity growth. For Africa's post-2000 boom, Diao et al. (2019) found that structural change had turned positive but within-sector productivity in the receiving sectors was flat or falling, unlike in Asia, where both components were strong.

Premature deindustrialisation. Rodrik (2016) showed that manufacturing employment and output shares now peak earlier and at lower incomes than they did historically, and attributed this to globalisation, which concentrated manufacturing in highly competitive East Asian producers, and to labour-saving technical change. Felipe et al. (2019) found that nearly every country that is rich today sustained a manufacturing employment share of at least 18% for a period, and that employment share, rather than output share, better predicts later prosperity. By contrast, Kruse et al. (2023) detect a manufacturing renaissance in several developing countries since the 2000s, though they note that industrial expansion in Sub-Saharan Africa has been led mainly by small, often unregistered firms that add jobs without matching productivity gains.

Firm-level dynamics. These macro patterns have a micro foundation. Using firm panels for Tanzania (2008–2016) and Ethiopia (1996–2017), Diao et al. (2025) find a split between larger, more productive firms that create few jobs and small firms that absorb labour but show no productivity growth. They link the weak job creation of large firms to capital-intensive technologies shaped by global trends. Hsieh and Klenow (2009) found that misallocation of capital and labour across firms within narrow industries explains much of the productivity gap between China and India and the United States. La Porta and Shleifer (2014) argued that informal firms are typically small and unproductive and rarely grow into formal businesses, so development proceeds mainly through the expansion of formal firms.

Export sophistication and complexity. Hausmann et al. (2007) showed that countries exporting more sophisticated goods later grew faster, controlling for income and human capital. Hidalgo and Hausmann (2009) found that economic complexity predicts future growth better than many conventional indicators. Commodity exporters, whose export baskets are narrow and made up of goods that many countries produce, tend to have low and stagnant complexity. This helps explain why commodity-led growth leaves few lasting capabilities behind.

Evidence on industrial policy. Earlier reviews, notably Harrison and Rodríguez-Clare (2010), found weak support for traditional infant-industry protection but a stronger case for softer policies that tackle coordination failures without distorting trade. The past decade has changed the picture. Juhász et al. (2024) review a new generation of quasi-experimental studies and conclude that the recent evidence is broadly more positive. Lane (2025) evaluates South Korea's Heavy and Chemical Industry drive of 1973–1979 and finds that it expanded the targeted industries, altered their dynamic comparative advantage, benefited downstream users and left lasting effects after support ended. Criscuolo et al. (2019) show that a British regional investment subsidy raised manufacturing employment and investment, and Aghion et al. (2015) find that Chinese subsidies raised productivity when directed at competitive sectors. On governance, Rodrik (2004) and Rodrik and Sabel (2019) stress an iterative partnership between government and business, while Cherif and Hasanov (2019) identify three principles behind the Asian successes: support for sophisticated domestic producers, export orientation and strict accountability.

Gaps in the Literature

Three gaps emerge. First, the macro literature on structural change, the firm-level productivity literature and the industrial policy literature have developed largely in isolation; in particular, decomposition results are rarely matched systematically to the institutions that produced them. Second, employment is still often treated as a by-product of industrialisation rather than as a policy objective in its own right, even though output and jobs are increasingly moving apart. Third, little work translates this evidence into practical institutional designs for large, commodity-dependent and highly informal economies such as Nigeria. The article addresses these gaps by

combining the three strands in a single framework, matching decomposition evidence to institutional cases, and deriving operational blueprints.

METHODOLOGY

Research Design: An Integrative Analytical Review and Comparative Synthesis

The research questions concern mechanisms, policy combinations and the conditions under which policies succeed, rather than the size of one causal coefficient. The article therefore uses an integrative analytical review combined with a comparative synthesis. An integrative review critiques and combines representative literature from different traditions in order to generate a new framework or perspective (Torraco, 2005; Snyder, 2019). It differs from a systematic review, which pools comparable estimates of a single effect, and from a narrative review, which summarises without a structured analytical procedure. The design proceeds in three linked stages.

Stage 1: integrative evidence review. Evidence from cross-country productivity decompositions, firm-level panels, quasi-experimental policy evaluations and historical case studies is assembled and critically appraised. Stage 1 establishes what the literature robustly shows about each mechanism and each policy domain.

Stage 2: decomposition reading. Published shift-share decompositions are used to classify each economy, or the region it belongs to, by the sign and strength of its within-sector and structural-change components (Section 3.3). This gives every case a common quantitative "signature".

Stage 3: institutional case matching. Each case is then examined through a structured, focused comparison (George & Bennett, 2005). The same questions are put to every case: What was the macroeconomic and exchange-rate regime? Which instruments were used? What mechanism disciplined supported firms? How were ministries and the private sector coordinated? What did the firm-size structure look like? The answers are then pattern-matched against the decomposition signatures (Yin, 2018). Institutional features that recur where both productivity components are strong, and are absent where they are weak, are treated as candidate conditions for transformation. They form the basis of the blueprints in Section 4.

The value of this design lies in the pairing. Decompositions alone cannot distinguish an economy that lacks good policies from one that has them but cannot enforce them; case narratives alone cannot show whether a celebrated policy actually moved aggregate productivity. Matching the two exposes that difference.

Sources of Evidence and Selection Criteria

The study relies entirely on secondary evidence from four categories of source: (i) peer-reviewed journal articles in development economics, growth theory and industrial organisation; (ii) working papers from established research networks, including the National Bureau of Economic Research, the Centre for Economic Policy Research and UNU-WIDER; (iii) official statistics and reports from national statistical offices, especially Nigeria's National Bureau of Statistics, and from the World Bank, the International Monetary Fund and the International Labour Organization; and (iv) harmonised sectoral datasets, principally the GGDC 10-Sector Database and the GGDC/UNU-WIDER Economic Transformation Database, which underpin most of the decompositions cited. Three criteria guided inclusion: relevance to at least one mechanism or policy domain in the framework; transparency of data and, for causal claims, a credible identification strategy; and a verifiable publication record. Where findings conflicted, the article reports the disagreement rather than selecting one side.

The Shift-Share Decomposition

To draw a precise line between growth and transformation, the article adopts the shift-share decomposition of aggregate labour productivity growth used by McMillan and Rodrik (2011) and McMillan et al. (2014). Aggregate labour productivity P is the employment-weighted sum of sectoral productivities p, where θ is each sector's share of total employment. The change in aggregate productivity over an interval of k years is:

$$\Delta P_t = \Sigma_i \, \theta_{i,t-k} \, \Delta p_{i,t} + \Sigma_i \, p_{i,t} \, \Delta \theta_{i,t}$$

The first term captures within-sector productivity growth, weighted by each sector's initial employment share. The second captures structural change: the productivity gain or loss that results from labour shifting between sectors with different productivity levels. Transformation in this article's sense requires both terms to be positive and meaningful. Growth that shows up mainly as higher commodity prices, with little movement in either term, represents growth without transformation. A positive structural-change term combined with a weak or negative within-sector term, the pattern Diao et al. (2019) observed across much of Africa, signals labour moving into sectors that are failing to modernise.

The equation also links the macro and micro levels of the analysis. The within-sector term is an aggregate of what happens inside firms: whether they adopt better technology and management, grow to efficient scale and formalise. The structural-change term depends on whether the receiving sectors contain firms able to absorb labour productively. Equation (1) therefore serves as the bridge between the macro evidence and the firm-level constraints examined in Section 4.

Selection of Country Cases

Cases were chosen to maximise variation in the outcome, so that institutional differences can be set against contrasting decomposition signatures (Table 2).

Table 2. Country cases and reasons for inclusion

Case	Reason for inclusion
South Korea and Taiwan (China)	Benchmarks of rapid, sustained transformation led by export manufacturing
Viet Nam	A contemporary example of transformation through integration into global value chains
Bangladesh	Labour-intensive, export-led industrialisation in a low-income setting
Ethiopia	An ambitious state-led industrialisation effort in Sub-Saharan Africa
Nigeria	A large, oil-dependent and highly informal economy with growth but limited industrial change
Brazil and Mexico	Early industrialisation followed by premature deindustrialisation

Source: Author's

Evaluating the Propositions and Limitations

Because the design is qualitative and comparative, the propositions are assessed by pattern matching rather than formal statistical tests. For each proposition, the article asks whether the weight of published quantitative evidence and the comparative case record are consistent with the null. A null is rejected where evidence from multiple independent studies and cases consistently points the other way, and retained or qualified where the evidence is mixed or context-dependent.

The approach has limits. Because no new econometric models are estimated, the conclusions depend on the quality of the underlying research. Sectoral data in developing countries, particularly on informal activity and services, remain imperfect, and national accounts revisions such as Nigeria's 2025 rebasing can change measured sector shares markedly. Industrial policy episodes are also specific to their time and place, so lessons from 1970s East Asia may not transfer directly to today's technological and trade environment. The article mitigates these limitations by triangulating across sources, by matching each case against the same set of questions, and by stating the conditions under which each lesson is likely to apply.

RESULTS AND DISCUSSION

Mechanisms Separating Growth from Transformation

The integrative review identifies five mechanisms. The first two operate mainly at the macro level and act on the structural-change term of Equation (1); the next two operate at the firm level and act on the within-sector term; the fifth, state capability, conditions all of them.

Commodity- and consumption-led growth. Where growth rests on higher prices or volumes of oil, minerals or cash crops, the extra income arrives mostly as rents to the state and a few firms, and is spent largely on non-tradable services and imports. Corden and Neary's (1982) analysis of the booming-sector problem, popularly called Dutch disease, explains the result: the resource boom pushes up the real exchange rate and pulls resources into non-tradables, squeezing manufacturing and other tradable activities. Output rises, but the economy's structure tilts away from the activities that historically drove transformation. Rodrik (2008) showed that an undervalued real exchange rate supports growth in developing countries mainly by enlarging the tradable, especially industrial, sector. The exchange rate is thus a structural variable as much as a macroeconomic one, and commodity windfalls, large aid or remittance inflows and volatile capital inflows can all undermine transformation even while raising measured GDP.

A shrinking manufacturing escalator. Manufacturing has become a weaker mass employer. Rodrik (2016) links premature deindustrialisation to globalisation, which let a few highly competitive East Asian producers capture much of world manufacturing, and to labour-saving technology, which cut the number of workers needed per unit of output everywhere. Baldwin (2016) adds that global value chains now let countries join an industry by performing a single production task. Entry becomes easier but shallower, and countries may end up assembling components designed elsewhere while acquiring few capabilities. Hallward-Driemeier and Nayyar (2018) conclude that these forces make manufacturing-led development harder, though not impossible.

These macro forces explain why fewer workers move into modern sectors. They do not explain why productivity stagnates among those who do. For that, the analysis must move inside the receiving sectors to the firms that employ the workers.

The missing middle. Many developing economies have a sharply skewed firm-size distribution: a vast number of tiny, mostly informal enterprises, a handful of large formal firms, and very few in between. Small firms soak up labour but seldom grow or raise productivity; large firms are productive but hire relatively few people. The Tanzanian and Ethiopian evidence of Diao et al. (2025) fits this pattern closely and explains how structural change can be positive while within-sector productivity stagnates: workers leaving agriculture do enter manufacturing and services, but mostly the stagnant small-firm segment. If, as La Porta and Shleifer (2014) argue, informal firms rarely graduate to formality, policies built solely around micro-enterprises will not transform an economy. What is needed is room for productive medium-sized formal firms to emerge and grow, alongside efforts to raise productivity among small producers. Section 4.5 returns to the practical question of how formalisation can be made attractive.

Capital-biased technology. Modern production technologies are designed in high-wage economies where capital is cheap relative to labour. Firms in low-wage countries that adopt them inherit their capital intensity, so the most productive local firms often employ few workers per unit of output. Rodrik (2018) argues that automation and digital technologies are likely to deepen this bias and erode the advantage that cheap labour once gave latecomers. The result is a real trade-off: maximising productivity in the modern sector does not necessarily maximise the absorption of surplus labour, so employment cannot be left entirely to industrial policy.

Weak state capability. Transformation requires coordinating complementary investments by different actors: a new export industry needs power, transport, skills, standards certification, finance and regulatory predictability at the same time. Where the state cannot identify binding constraints and coordinate responses, private investors face risks they cannot manage alone; Hausmann, Rodrik, and Velasco (2005) proposed growth diagnostics for exactly this reason. Evans (1995) described the ideal developmental state as combining close ties to business

with enough independence to discipline it, a condition he called embedded autonomy. Many states have the ties without the independence, which turns industrial policy into a channel for distributing rents. Resource rents make matters worse by weakening the state's dependence on taxing a broad productive base (Ross, 2012).

The five mechanisms reinforce one another. Resource rents strengthen the currency and weaken manufacturing; weak manufacturing leaves labour flowing into informal services; firm dualism keeps productivity low within those services; capital-intensive technology limits job creation by the few firms that succeed; and weak coordination prevents a joined-up response. This helps explain why, as Hausmann, Pritchett, and Rodrik (2005) found, growth accelerations are common but rarely sustained.

Comparative Country Evidence

East Asia. South Korea and Taiwan moved from largely agrarian economies in the 1950s to diversified industrial exporters within a generation. Korea used control of credit, import licences and tax breaks to steer resources toward targeted industries, but made support conditional on performance, most visibly through export targets reviewed at monthly export-promotion meetings chaired by the president (Amsden, 1989; Rodrik et al., 1995). Lane's (2025) evaluation of the Heavy and Chemical Industry drive provides strong empirical support for this reading. Taiwan relied more on small and medium-sized enterprises and on public research bodies such as the Industrial Technology Research Institute, founded in 1973, which acquired foreign technologies and spread them to local firms. Viet Nam, since the Đổi Mới reforms began in 1986 and especially after joining the World Trade Organization in 2007, has attracted large inflows of manufacturing investment in electronics and garments and moved much of its workforce out of agriculture, although the depth of domestic linkages to foreign-owned assembly remains a concern. Three features recur across these cases: sustained export orientation that imposed competitive discipline; heavy investment in education, infrastructure and farm productivity; and a state able both to support and to discipline business.

Bangladesh. Bangladesh shows that a low-income country can still industrialise through labour-intensive manufacturing. Its ready-made garment sector grew from almost nothing in the late 1970s into the country's dominant merchandise export, employing millions of workers, many of them women. Simple, exporter-focused instruments were central, including special bonded warehouses and back-to-back letters of credit that let firms import inputs duty-free without tying up scarce capital. The sector's limitations, including dependence on a single product line, concerns over working conditions and slow upgrading, are equally instructive.

Ethiopia. Ethiopia pursued one of Africa's most deliberate industrial strategies. Its Growth and Transformation Plans, from 2010, financed large investments in infrastructure, electricity and state-built industrial parks such as Hawassa, aimed at export-oriented light manufacturing, and coordination was led from the top through a national export coordination committee chaired by the prime minister (Oqubay, 2015). Growth was among the fastest in the world for over a decade, and Abebe et al. (2022) find evidence of knowledge spillovers from foreign investment to local firms. Yet transformation lagged: manufacturing's share of output and jobs stayed small, and firm-level evidence shows job growth concentrated in small, stagnant firms. Foreign-exchange shortages, heavy public debt, armed conflict from late 2020 and the loss of preferential access to the United States market under the African Growth and Opportunity Act in 2022 set the strategy back. Industrial parks, public investment and high-level coordination proved necessary but not sufficient.

Nigeria. Nigeria grew strongly for much of the 2000s and early 2010s on the back of high oil prices, expanding telecommunications and financial services, and rising consumption. Both the 2014 and 2025 rebasings revealed an economy dominated by agriculture, trade, real estate and communications rather than manufacturing. With informal employment near 93% and self-employment at 85.6% in mid-2024 (NBS, 2024), most workers remain in low-productivity activities, while the oil and gas sector, crucial for revenue and foreign exchange, employs very few. The recessions of 2016 and 2020 underlined the fragility of oil-dependent growth. Nigeria has not lacked industrial policy. The Nigerian Oil and Gas Industry Content Development Act of 2010 sought to deepen local participation in the petroleum value chain; the Nigeria Industrial Revolution Plan of 2014 targeted agro-processing, light manufacturing and solid minerals; and backward integration in cement, supported by import restrictions, turned Nigeria from a large cement importer into a largely self-sufficient producer. But unreliable

electricity, high logistics costs, volatile and at times multiple exchange rates, foreign-exchange rationing, weak inter-agency coordination and inconsistent implementation have repeatedly blunted these efforts. The 2023 removal of the petrol subsidy and unification of official exchange rates tackled long-standing distortions but brought sharp short-term costs through inflation and higher input prices. The problem, in short, is not a lack of policies but a lack of alignment among them and with macroeconomic management, and a lack of performance conditions on support.

Latin America. Brazil and Mexico industrialised substantially between the 1950s and 1970s through import substitution, building domestic capacity but often with little export orientation and weak discipline on protected firms. The debt crisis of the 1980s and the market reforms that followed exposed many of these industries to competition they could not withstand. After 1990, structural change in the region lowered productivity growth as labour moved from manufacturing into informal services (McMillan et al., 2014). Mexico integrated deeply into North American supply chains through export assembly, yet economy-wide productivity growth stayed weak, partly because of a large and persistent informal sector.

Synthesis: Matching Decomposition Signatures to Institutions

Table 3 brings the two strands of evidence together. Each case is classified by the decomposition signature reported in the literature for that economy or its region, and then by its discipline mechanism, its coordination arrangement and its macroeconomic regime.

Table 3. Institutional case-matching matrix

Case	Decomposition signature	Discipline on supported firms	Coordination arrangement	Macro and exchange-rate regime
Korea, Taiwan	Within-sector and structural-change terms both strongly positive (Asian pattern)	Export targets; withdrawal of support for non-performers	Presidential export meetings; technocratic agencies; public research institutes	Competitive exchange rate; macro stability
Viet Nam	Rapid exit from agriculture with rising productivity in receiving sectors	Export market competition via foreign investment	Strong central planning with provincial competition for investors	Managed, competitive exchange rate
Bangladesh	Large labour shift into garments; within-sector upgrading slow	Export market (buyers' standards)	Narrow, sector-specific facilitation (bonded warehouses, back-to-back L/Cs)	Broadly stable; remittance inflows
Ethiopia	Positive structural change; flat or falling within-sector growth (Diao et al., 2019)	Weak; state-led investment ran ahead of firm discipline	High-level committee chaired by prime minister	Overvaluation; foreign-exchange rationing; debt stress

Case	Decomposition signature	Discipline on supported firms	Coordination arrangement	Macro and exchange-rate regime
Nigeria	Labour moving into informal trade and services; weak non-oil within-sector growth	Largely absent; protection and incentives without published targets	Fragmented across ministries, agencies and states	Oil-driven volatility; multiple rates until 2023
Brazil, Mexico	Negative structural change after 1990 (McMillan et al., 2014)	Weak under import substitution; strong only in export assembly	Sectoral, often captured by incumbents	Recurrent crises; later stabilisation

Source: Author's

The matrix supports three inferences. First, where both components are strongly positive, an external and hard-to-manipulate performance test (usually export results) was always present. Second, high-level coordination is not enough on its own: Ethiopia had it, but without macroeconomic stability and firm-level discipline the within-sector term stayed weak. Third, Nigeria's signature reflects the absence of both discipline and coordination, aggravated by an oil-driven macroeconomic regime. These recurring patterns form the empirical basis for the policy domains and blueprints that follow.

Analysis of the Policy Domains

Industrial policy. The evidence supports four design principles. Support should be conditional on performance, with export results providing an objective test (Amsden, 1989; Cherif & Hasanov, 2019). Policy should be experimental and self-correcting, with sunset clauses and independent evaluation so that failures are dropped quickly (Hausmann & Rodrik, 2003; Rodrik, 2004). Targets should stretch existing capabilities without ignoring them, focusing on activities adjacent to what a country already does well (Hidalgo & Hausmann, 2009; Lin & Chang, 2009). And industrial policy should reach beyond manufacturing to agro-processing and tradable services such as software, business process outsourcing, logistics and tourism. Nayyar et al. (2021) show that some services now offer scale economies, innovation and tradability once associated only with manufacturing, although the most productive services demand skills that are scarce in low-income economies. For resource-rich countries, industrial policy must also convert resource rents into capabilities by financing infrastructure, skills and technology, preventing excessive currency appreciation and designing local content rules that build real supplier capacity.

Productivity policy. Productivity policy must lift the lagging majority, not only the frontier. In agriculture, which still employs a large share of workers, higher productivity raises incomes, releases labour and holds down food prices; Gollin et al. (2002) show that farm productivity gains can speed the movement of labour into industry. At the firm level, management and technology adoption matter greatly: Bloom et al. (2013) found that management consulting raised productivity in Indian textile firms by about 17% within a year, and Atkin et al. (2017) found that access to export markets improved the quality and productivity of small Egyptian rug producers. Economy-wide, reliable power, efficient logistics, open competition and finance for medium-sized firms are prerequisites. In Nigeria, dependence on costly self-generated electricity weighs especially heavily on smaller firms.

Employment policy. Because output growth no longer guarantees job growth, employment must be an explicit aim. Rodrik and Sabel (2019) propose a good-jobs strategy built on collaboration between government and firms. For developing economies this implies support for labour-intensive tradable activities; formalisation incentives; vocational training designed with employers; apprenticeships and job matching for young people; and social protection that supports mobility. With the International Labour Organization ([ILO], 2018) estimating that

about 61% of the world's workers are informal, and far more in Africa, employment policy must raise productivity within informal activities while opening paths for the most dynamic informal firms to grow and formalise (McMillan & Zeufack, 2022).

Practical Mechanisms: Making Firm Formalisation Worthwhile

Formalisation links the macro problem of the within-sector term to the micro problem of the missing middle. The evidence on how to achieve it is sobering but useful. Reducing registration costs alone produces only small increases in formality (Bruhn & McKenzie, 2014; Jessen & Kluve, 2021). In Sri Lanka, even paying informal firms to register raised formality but had little effect on the profits of the typical firm (De Mel et al., 2013). In Benin, a bundle that added tax mediation and bank services to free registration produced modest gains (Benhassine et al., 2018). In Brazil, lower taxes for small businesses increased formality mainly by bringing in new firms rather than converting existing informal ones (Rocha et al., 2018). The common lesson is that most informal firms see little value in formal status. Formalisation must therefore work as a gateway to benefits, not as a toll paid to the state.

A practical blueprint, applicable to Nigeria, has four tiers:

1. **Light-touch identity.** Free, fully digital business registration linked to existing national identifiers (in Nigeria, the National Identification Number and Bank Verification Number), with no inspection at entry.

2. **Simple, predictable tax.** A zero or presumptive tax regime below a turnover threshold, with a gradual phase-in above it so that firms are not penalised for growing. Nigeria's 2025 tax reform, which exempts small companies with annual turnover up to ₦100 million from company income tax, moves in this direction (KPMG Nigeria, 2025). The phase-in design should be monitored so that firms do not cluster just below the threshold.

3. **A valuable benefit bundle.** Formal status should unlock things firms want: eligibility for credit guarantees, reserved shares of public procurement, places in supplier development and management-upgrading programmes, and export facilitation. This turns formalisation from a cost into an investment.

4. **Cluster-based delivery and graduation tracking.** Services should be delivered where firms already concentrate, for example in Nigeria's established manufacturing clusters such as leather and garments in Aba and auto parts in Nnewi, and each programme should track whether participating firms grow in employment and productivity, not merely whether they register.

Institutional Blueprint: A Transformation Council that Resists Capture

The case matching shows that performance discipline and coordination capacity are the institutional features most consistently associated with strong decomposition signatures. Many reform programmes therefore propose a high-level transformation council. The risk is that such a council becomes one more layer of bureaucracy or, worse, a vehicle for capture. Capture can come from incumbent firms seeking protection (Stigler, 1971), from political patronage, from turf competition between agencies, or from information asymmetry, when the council depends on the firms it supports for data. Resource-dependent states face these risks in acute form because rents reduce the pressure to discipline anyone (Ross, 2012).

The East Asian and comparative evidence points to design features that counter each of these risks (Campos & Root, 1996; Evans, 1995; Rodrik et al., 1995). Table 4 sets them out as an operational blueprint.

Table 4. Design blueprint for a transformation council in a resource-dependent state

Design element	Blueprint	Safeguard against capture
Mandate and authority	Established in law; chaired by the head of government; a short list of transformation targets (e.g. tradable employment, within-sector productivity, non-oil exports) tied to the budget	A narrow mandate limits scope for patronage; legal standing outlasts electoral cycles
Composition	Ministers of finance, industry, labour, power and transport; rotating representatives of several sectors, organised labour and independent experts; fixed terms	No single business group holds a majority; rotation prevents permanent insider seats
Delivery secretariat	Small, merit-recruited technical unit with its own pay scale, data systems and authority to call agencies to account	Independent analysis reduces reliance on beneficiaries for information
Performance compacts	Support granted through written compacts with measurable milestones (exports, output, jobs, local suppliers); disbursement in tranches; clawback on failure	Benefits flow only against verified results
Alternative performance tests	Where firms serve mainly the home market, measure prices against import parity, capacity use and supplier deepening, verified by third parties	Replaces the export test where it is unavailable
Sunset and evaluation	Every incentive time-bound (three to five years); renewal only after independent evaluation	Prevents permanent rents for incumbents
Transparency	Public register of beneficiaries, incentive values and results; conflict-of-interest declarations; audit by the Auditor-General	Public scrutiny raises the cost of favouritism
Link to resource rents	Commodity revenue allocated to capability-building lines under a fiscal rule, not by discretion	Separates rent distribution from industrial support
Problem-driven iteration	Sector working groups meet regularly to identify binding constraints; quarterly public progress reviews (Andrews et al., 2017)	Keeps attention on results rather than procedures

Source: Author's

In Nigeria, such a council should build on what already exists rather than add a parallel structure. The Presidential Enabling Business Environment Council has shown that time-bound, published reform action plans can shift bureaucratic behaviour. The National Economic Council, which brings together the federal government and state governors, offers a channel for subnational delivery compacts, which matter in a federation where land, licensing and much infrastructure lie with the states. The missing ingredients are the performance compacts, the independent secretariat and the published results that turn coordination into discipline.

Enabling Conditions and the Integrated Framework

The three policy domains work only when two conditions are in place. The first is macroeconomic management that protects tradable activities: avoiding a persistently overvalued currency (Rodrik, 2008), keeping inflation low, ensuring predictable access to foreign exchange and managing commodity revenue counter-cyclically. The second is state capability, as set out in the blueprint above. Taken together, the policies form one framework. Industrial policy creates and expands high-productivity tradable activities through performance-linked incentives, export promotion, serviced economic zones, development finance, public procurement and capability-building local content rules; its success shows in rising manufacturing and tradable-services shares of output and jobs and in more diverse and complex exports. Productivity policy raises output per worker across all sectors through agricultural extension and improved inputs, firm upgrading, supplier development, competition policy and reliable power and logistics; its progress shows in within-sector productivity growth, crop yields and a growing share of medium-sized firms. Employment policy makes transformation job-rich and inclusive by supporting labour-intensive sectors, rewarding formalisation and expanding training, apprenticeships and social protection; its results appear in the formal employment share, youth employment and wage growth in modern sectors. The enabling conditions are tracked through the real effective exchange rate, inflation, policy continuity and the share of programmes that are properly evaluated.

Evaluation of the Propositions

$H0_1$ held that GDP growth alone has no significant association with structural transformation. It is partially retained. In Africa, Latin America and Nigeria, growth has coexisted with weak or even growth-reducing structural change (Diao et al., 2019; McMillan et al., 2014); in East Asia, it went hand in hand with deep transformation. Growth is therefore not sufficient on its own; whether it transforms an economy depends on its sources and on policy.

$H0_2$, that industrial policy has no significant effect on transformation, is rejected. Quasi-experimental evidence from Korea (Lane, 2025), Britain (Criscuolo et al., 2019) and China (Aghion et al., 2015), reviewed by Juhász et al. (2024), shows real effects, conditional on performance discipline and capable implementation, as the case matching in Table 3 confirms.

$H0_3$, that productivity policy has no significant effect on the gains from reallocation, is also rejected. Firm-level experiments show clear productivity gains from management upgrading and access to export markets (Atkin et al., 2017; Bloom et al., 2013), and agricultural improvements speed the release of labour (Gollin et al., 2002). The stagnation of within-sector productivity in Africa shows what happens when such policies are missing (Diao et al., 2019, 2025).

$H0_4$, that employment policy has no significant effect on inclusiveness, is rejected as well, though with less confidence. Output and jobs increasingly diverge (Diao et al., 2025; Felipe et al., 2019), informality is widespread and persistent (ILO, 2018; La Porta & Shleifer, 2014), and Bangladesh's garment sector created mass employment through deliberate policy. Rigorous evaluations of employment and formalisation policy in low-income settings remain limited and show modest effects for single instruments, which strengthens the case for the bundled approach in Section 4.5.

DISCUSSION

The findings confirm the view of McMillan et al. (2014) and Diao et al. (2019) that growth and transformation can diverge, and extend it by showing how five mechanisms reinforce one another across the macro and firm levels. They agree with Rodrik (2016) and Felipe et al. (2019) that manufacturing has become a weaker employer, but also lend support to Kruse et al. (2023), whose evidence of renewed industrialisation in parts of Asia and Africa suggests the manufacturing route remains open where policy and conditions are favourable. On industrial policy, the article aligns with the more positive new literature (Juhász et al., 2024; Lane, 2025) while stressing, with Evans (1995) and Rodrik and Sabel (2019), that governance determines outcomes. The case-matching synthesis makes this point concrete: the Ethiopian and Nigerian cases show that ambition and even

high-level coordination yield little without macroeconomic stability, infrastructure and firm-level discipline. Finally, the article goes beyond much of the literature in treating employment as a co-equal objective. Given capital-biased technology, a transformation strategy that ignores jobs will leave most workers behind even when it succeeds on output.

CONCLUSION AND RECOMMENDATIONS

Summary of Major Findings

1. Growth and transformation are distinct, and the gap between them has widened. Aggregate growth can rest on commodity rents, consumption or movement into stagnant sectors without raising the productivity of the typical worker.

2. Five mutually reinforcing mechanisms explain the gap: commodity-led growth and currency appreciation, premature deindustrialisation, the missing middle in the firm-size distribution, capital-biased technology, and weak state coordination capacity.

3. Matching decomposition signatures to institutions shows that strong transformation consistently coincides with an external, hard-to-manipulate performance test and with coordination that has the authority to discipline as well as to support.

4. Industrial policy can permanently reshape comparative advantage when it is disciplined by performance targets, time-bound and competently administered, as the Korean experience shows. Without these conditions, as in Ethiopia and Nigeria, results are modest.

5. Productivity policy, especially in agriculture and among small and medium-sized firms, determines whether the reallocation of labour produces lasting gains; formalisation succeeds only when formal status unlocks real benefits.

6. The three policy domains are complements. Industrial policy without productivity diffusion creates enclaves; productivity policy without new activities reaches a ceiling; and employment policy without productive sectors merely spreads poverty more thinly.

CONCLUSION

GDP growth is necessary but not sufficient for structural transformation. What turns growth into transformation is a set of coherent, mutually reinforcing industrial, productivity and employment policies, operating in a stable macroeconomic environment and implemented by a state that can both support and discipline business. Economies that have grown without such policies have tended to experience short-lived booms, persistent informality and vulnerability to external shocks. Development policy must therefore change its yardstick, judging success not only by how fast an economy grows but by what kind of growth it achieves and whom it employs.

Recommendations

1. **Adopt transformation targets.** National plans and budget frameworks should track manufacturing and tradable-services employment shares, within-sector productivity growth, export diversification and formal employment alongside GDP growth.

2. **Condition industrial support on performance.** Every major incentive should be granted through a compact with measurable export, productivity or supplier-development milestones, published results, clawback provisions and a sunset clause.

3. **Protect the tradable sector through macroeconomic policy.** Governments should avoid prolonged currency overvaluation, maintain unified and predictable foreign-exchange markets, and manage resource revenue under a fiscal rule.

4. **Invest in cross-cutting infrastructure.** Reliable electricity, transport, logistics and digital connectivity should be prioritised, since these constraints bind across all sectors and hurt small firms most.

5. **Modernise agriculture.** Extension services, improved inputs, irrigation, storage and market access should be expanded and linked to agro-processing value chains.

6. **Build the missing middle through tiered formalisation.** Free digital registration, a phased simple-tax regime and a benefit bundle of credit, procurement, supplier development and management upgrading should help medium-sized formal firms emerge and grow.

7. **Pursue a good-jobs strategy.** Governments should support labour-intensive tradable activities, expand vocational training and apprenticeships designed with employers, and connect young people to work.

8. **Create a capture-resistant transformation council.** A statutory council chaired by the head of government, served by an independent delivery secretariat and bound by the transparency, sunset and evaluation rules in Table 4, should identify and remove binding constraints.

Implications for Nigeria

Nigeria's large domestic market, young population and resource base give it both the urgency and the potential for rapid transformation. Five priorities follow. First, the macroeconomic reforms of 2023 should be consolidated through a credible disinflation path and predictable access to foreign exchange, so that manufacturers and exporters can plan with confidence. Second, oil and gas revenues should be channelled under clear rules into power, transport and skills rather than recurrent spending. Third, industrial support should concentrate on sectors with emerging capabilities and strong domestic demand, including agro-processing, light manufacturing, construction materials and creative and digital services, and should be tied to export, price and productivity performance. Fourth, with more than nine in ten workers informal, the tiered formalisation pathway, building on the 2025 small-company tax exemption, should sit at the centre of policy rather than at its margins. Fifth, the fragmentation of responsibility across federal ministries, agencies and state governments calls for a transformation council built on the Presidential Enabling Business Environment Council and the National Economic Council, with real authority, an independent secretariat and published results.

Contribution and Further Research

The article makes four contributions. Methodologically, it shows how an integrative analytical review can pair macro-level decomposition evidence with institutional case matching to explain not only whether growth transforms an economy but why. Substantively, it integrates three bodies of research, on structural change, firm productivity and industrial policy, that are usually discussed separately, and it raises employment from a by-product to a co-equal objective of transformation policy. Practically, it translates the evidence into operational blueprints for formalisation and for a capture-resistant transformation council. And it applies the resulting framework to Nigeria. Future research should pursue rigorous, quasi-experimental evaluations of industrial, productivity and formalisation policies in Sub-Saharan Africa, where such evidence remains scarce; new country-level decompositions using the Economic Transformation Database would allow the case-matching approach to be tested more formally. Research should also investigate which services can play the role once filled by manufacturing, particularly for workers with limited schooling. Finally, the effects of automation, artificial intelligence and the green transition on the feasibility of labour-intensive industrialisation deserve close study, since they will shape the options open to today's developing economies.

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