



Re-Centring Employment in Growth Strategies in the Global South

Sabina Dewan

The Global South is home to 85 percent of the global working-age population.¹ Many developing countries have large and growing youth populations that offer considerable productive potential. However, this potential can only be realised if economies generate sufficient good-quality employment. Unfortunately, making the necessary investments in human capital and providing enough quality jobs is becoming increasingly difficult in the Global South.

There are several contributing factors. First, a confluence of forces; including technological advancement and trade shocks, climate change, and the energy transition, are disrupting labour markets at an unprecedented scale and pace. Second, many developing countries have largely foreclosed on the manufacturing-led industrialisation pathways that historically underpinned growth and development.² These economies are undergoing structural change but without transformation; shifts in economic structure are not accompanied by transformation to higher levels of labour productivity that characterised the development trajectories of industrialised countries. Third, the challenge is compounded by the demographic surge underway in many countries across the Global South. While investments in human capital and the development of labour and social protection systems are essential to help workers adapt to evolving labour markets, such efforts are increasingly constrained by global uncertainty. Fourth, fiscal limitations and emerging debt crises further restrict the scope for investment in education, training, and the provision of social and labour protections.

Taken together, these constraints not only undermine livelihood and employment outcomes, but also risk exacerbating inequality, deepening socio-economic insecurity, and impeding economic growth in the Global South.³ These disruptions are contributing to increased precarity in the world of work. This chapter examines these dynamics, highlighting the complex challenges confronting contemporary labour markets and the urgent need to re-centre employment within growth and development strategies across the Global South. The G20, under South Africa's presidency, reaffirmed its commitment to "advancing decent work policies that foster a future-ready workforce," as part of its broader vision to build more just, inclusive, and resilient societies.⁴ As South Africa transitions the presidency to the United States (US), sustaining this commitment in the Global South may prove more difficult, yet remains critically important.

Labour Market Disruptors and Shifting Paradigms

Is uncertainty the new constant?

The first quarter of the twenty-first century has been marked by a convergence of transformative forces such as climate change, technological

acceleration, demographic transitions, the COVID-19 pandemic, trade disruptions, and geopolitical tensions, that have reshaped the patterns of living and working.⁵ Disruptions have occurred in the past, but the current juncture in our history is distinctive in both the simultaneity and intensity of these overlapping phenomena, as well as the unprecedented scale and pace at which they are altering economies and labour market dynamics.

This phenomenon is what historian Adam Tooze and others, describe as a 'polycrisis',⁶ that is, a period characterised by multiple, interconnected crises spanning economic, political, ecological, social, and geopolitical domains, occurring concurrently and in rapid succession. The cumulative impact of these crises is greater than the sum of their individual effects, producing compound disruptions. This is true of labour markets, as complex ecosystems, facing interdependent crises that converge to amplify disruptions. The implications for developing countries in the Global South are especially acute, given existing vulnerabilities and limited capacities to adapt to systemic disruptions.

Is there structural change without transformation?

Structural transformation refers to the movement of labour from low to higher productivity activities, both across and within economic sectors.⁷ In many developing nations, agriculture continues to be a dominant source of employment, yet agricultural work is characterised by widespread informality and low-productivity.⁸ The migration of workers away from agricultural employment into manufacturing and service sectors, typically associated with higher productivity and greater formalisation represents a structural transformation. This process may also occur within sectors as economies transition from basic production to higher value-added activities.

Yet, developing nations today are navigating a markedly altered global economic landscape. The manufacturing-led industrialisation pathways that facilitated economic growth in countries such as South Korea, Taiwan, and Singapore during the latter part of the twentieth century are increasingly inaccessible.⁹ This shift has disrupted the conventional development trajectory, which was historically characterised by a sequential transition from agriculture to manufacturing to services.¹⁰

In the context of 'premature deindustrialisation',¹¹ many countries in the Global South are adopting alternative development strategies that rely on service-led growth.¹² However, the service sector generally exhibits limited capacity to absorb enough low-skilled labour. This poses particular challenges for developing countries that face both a labour surplus and growing youth populations.

Will countries start to grow old before growing rich?

As industrialised economies such as Germany, Japan, and the US, along with emerging markets like China, grapple with the challenges of ageing populations, a different demographic reality is unfolding across much of the developing world. Many developing countries possess large and expanding youth populations. Countries such as India, Indonesia, and Nigeria are projected to reach the peak of this demographic expansion within approximately 15 to 20 years, while others such as Angola and Zambia remain at earlier stages of their demographic transition.¹⁴

Conventional understanding suggests that such a 'youth bulge' can yield a demographic dividend. At this stage in a country's demographic trajectory, the working-age population exceeds the dependent population. The advantage materialises only if economies can harness the productive capacity of youth through strategic investments in human capital and the creation of quality employment opportunities. This imperative is further underscored by the need to support workers in adapting to evolving labour market demands. Whether it involves the transition from fossil fuels to clean energy; the search of new employment following displacement due to automation; or the acquisition of new skills to participate in an artificial intelligence (AI)-driven economy, each scenario highlights the critical role of public institutions in facilitating worker transitions. Yet development and reinforcement of institutional capacity to support these transitions is increasingly constrained in the Global South. The absence of social infrastructure is particularly concerning at a time of such economic and geopolitical volatility.

Who pays the bill?

In recent years, the COVID-19 pandemic, various geopolitical and economic disruptions, and the ensuing economic slowdowns has led to constrained revenue while public expenditures surged across many countries. In many countries fiscal pressure has ballooned into a debt crisis. Labour market disruptions and structural shifts in the Global South necessitate increased investment in health, education, skills development, labour market and social protections. However, many of these countries are struggling with widening fiscal deficits and mounting debt obligations that prevent them from making these critical investments.¹⁵ Net interest payments on public debt held by developing countries reached US\$921 billion in 2024. This was a 10 percent increase compared to net interest payments in 2023. In 2024, 61 countries were spending a staggering 10 percent or more of their government revenues to service their debt.¹⁶

Changing Patterns of Work

Is labour market precarity rising?

Whether the aggregate impact of these troubling trends will result in job creation or destruction remains a subject of considerable debate.¹⁷ Beyond economic forecasts that are often based on assumptions that do not reflect real-world complexities, there is no definitive method for predicting the net impact of these transformations on employment.¹⁸ What is evident is that persistent uncertainty is fuelling fragility in the global economic and labour market outlook for 2025.¹⁹ The forecast for global Gross Domestic Product (GDP) has been revised downward from 3.2 percent to 2.8 percent,²⁰ corresponding to a decline in projected global employment growth from 1.7 to 1.5 percent in 2025.²¹

Moreover, informal employment typically characterised by low productivity and poor working conditions,²² not only persists at high levels across much of the Global South, but is also increasing in prevalence. Informal employment accounts for approximately 89 percent of total employment in low-income countries, 81.6 percent in lower-middle-income countries, 49.7 percent in upper-middle-income countries, and 15.9 percent in high-income

countries.²³ Available data indicates that formal employment growth has decelerated while informal employment growth has accelerated. Between 2010–2015 and 2024, annual formal employment growth dropped from 1.8 percent to 1.5 percent, while informal employment growth rose from 0.8 percent to 1.1 percent.²⁴ This trend reflects a narrowing differential between formal and informal employment growth rates, and a slower pace of labour market formalisation. In 2024 alone, a 0.5 percentage point reduction in formal employment growth coincided with the emergence of an estimated 23 million additional informal workers worldwide, largely concentrated in low-income countries.²⁵

How is the nature of work changing?

Many of the transformative forces previously discussed such as technological advancement, climate change, the energy transition, trade shocks, and the COVID-19 pandemic, are changing the nature of work often contributing to greater precarity. For example, the transition from coal to renewable energy in India illustrates the complexity of achieving a just energy transition. Coal India, a nationalised enterprise typically provides greater entitlements and protections for formally employed workers than those offered by private companies.²⁶ This disparity represents one of several institutional challenges in facilitating a just transition from fossil fuels to renewable energy sources.²⁷

Recent years have also witnessed a rise in non-standard forms of work encompassing a range of employment models that diverge from traditional full-time, permanent positions. These include short-term contracts, reduced-hour schedules, on-demand labour, and multi-employer configurations. Platform-mediated gig work is a prominent example of this form of work.²⁸

Unlike the traditional economy, where government regulations govern labour practices, the platform-based service sector is largely shaped by the rules set by the platform owners. These companies determine eligibility criteria, behavioural standards and the scope of worker entitlements.²⁹ Most platforms classify their workers as independent contractors rather than employees. Consequently, the majority of platform-based work is regulated by commercial service agreements instead of standard employment contracts governed by labour laws and with associated social protections.

This form of platform-enabled gig work is expanding rapidly as more sectors rely on it to manage economic volatility rather than investing in permanent employees.³⁰ This shift is reconfiguring the landscape of worker protections and entitlements in the economy, shifting the balance toward more precarious work.³¹

Recommendations

The global climate is currently characterised by greater uncertainty than perhaps at any other time in modern history. As multiple forces disrupt labour markets, livelihoods and employment are becoming increasingly precarious. This threatens widening socioeconomic disparities, intensifying inequality, and constraining economic development and growth across the Global South.

Addressing these challenges requires a multi-pronged strategy, including the following policy priorities:

Strengthen local ecosystems for job creation and income generation.

Amid global volatility, strengthening local ecosystems for job creation and income generation is increasingly critical. In contexts where national policy space is constrained, local strategies that leverage place-based strengths and resources, and that are tailored to a particular region based on its existing industries, skills base, and resources is key to stabilising employment.

Invest in human capital development.

The confluence of technological advancements and demographic shifts in developing economies underscores the need for substantial investment in human capital development. This includes reforming and modernising education and training systems to improve youth employability. Moreover, as major forces continue to reshape the economic landscape; creating opportunities in some sectors while eliminating them in others, governments must prioritise worker retraining and reskilling initiatives to align capabilities with emerging labour market demands.

Build better data systems to support adaptive regulatory frameworks.

Ongoing labour market disruptions necessitate adaptive regulatory frameworks informed by regular data collection. Collection of more granular, disaggregated data at sub-national levels, and the use of alternative data can help inform policy and implementation. For example, mandating data-sharing and transparency from technology firms that operate digital platforms can enhance the evidence base for policymaking.

Prioritise interest over commercial considerations.

Robust enforcement of competition law and regulatory instruments is essential to curb the growing consolidation of data, capital, and power in large corporations, particularly in the technology sector. Policymakers should reassess corporate taxation structures, and other forms of regulation to prevent companies from engaging in rent-seeking behaviour and labour arbitrage.

Strengthen labour market institutions.

Governments must reject the premise that any employment is preferable to unemployment. Low-quality employment exacerbates income inequality, squanders productive potential, and diminishes aggregate demand—all of which are detrimental to economic growth. Effective labour market institutions provide the foundation for sustainable employment systems that balance efficiency with equity. This requires addressing critical areas such as labour regulations, wage systems, and social protection. Labour regulations, entitlements and compliances should empower and protect workers. At the same time, they should be simple and clear enough so as not to deter business and investment. Wage setting mechanisms should ensure that all workers can meet their needs and should be adjusted periodically to account for changes in the cost of living. Social protection coverage should be expanded, particularly the provision of healthcare. Social protection systems should move toward universal provision of benefits that are not tied to employment.

Further these goals through international platforms like the G20.

The G20, as an important forum for international economic cooperation. The forum's commitment to quality job creation, social protection, and inclusive growth, as articulated in employment ministerial declarations, provides a framework for coordinating policy responses and facilitating knowledge exchange on labour market governance, skills development, and social protection systems across diverse economic contexts. These priorities must be sustained across successive presidencies, with particular attention to the structural constraints and policy needs of countries in the Global South.

By implementing these policy recommendations, governments can respond more effectively to global employment disruptions and foster more stable, equitable, and resilient labour markets in the Global South. When applied holistically, these strategies can help mitigate socioeconomic disparities, reduce inequality, and promote sustainable economic development and growth.

Sabina Dewan is Founder and Executive Director, JustJobs Network, a global institution that produces cutting-edge, actionable research on employment and labour market governance.

Endnotes

- 1 “Statistics on the Population and Labour Force,” ILOSTAT, 2024, <https://ilostat.ilo.org/topics/population-and-labour-force/>
- 2 Dani Rodrik, “Premature Deindustrialization,” *Journal of Economic Growth* 21, no. 1 (November 27, 2015): 1–33, <https://doi.org/10.1007/s10887-015-9122-3>
- 3 Sabina Dewan and Ekkehard Ernst, “Rethinking the World of Work,” *International Monetary Fund - Finance & Development* (International Monetary Fund, December 2020), <https://www.imf.org/external/pubs/ft/fandd/2020/12/pdf/rethinking-the-world-of-work-dewan.pdf>
- 4 “Fancourt Declaration: G20 Labour and Employment Ministerial Declaration,” *G20 South Africa 2025*, July 31, 2025, <https://www.g20.utoronto.ca/2025/G20-2025-Labour-and-Employment-Ministerial-Declaration.pdf>
- 5 “Transformations in Technology, Transformations in Work,” *JustJobs Network* (JustJobs Network, October 2016), https://justjobsnetwork.org/files/transformations-in-technology-transformations-in-work_oct_2016.pdf
- 6 Adam Tooze, “Chartbook #130 Defining Polycrisis - From Crisis Pictures to the Crisis Matrix.,” *Chartbook*, June 24, 2022, <https://adamtooze.substack.com/p/chartbook-130-defining-polycrisis>
- 7 Kunal Sen, “The Determinants of Structural Transformation in Asia: A Review of the Literature,” *ADB Economics Working Paper Series*, no. 478 (March 2016), <https://www.adb.org/sites/default/files/publication/182271/ewp-478.pdf>
- 8 Sabina Dewan and Peter Peek, “Working Paper No. 83 - Beyond the Employment/Unemployment Dichotomy: Measuring the Quality of Employment in Low Income Countries,” *Policy Integration and Statistics Department, International Labour Office*, November 2007, <https://www.ilo.org/publications/working-paper-no-83-beyond-employmentunemployment-dichotomy-measuring>
- 9 Rodrik, “Premature Deindustrialization.”
- 10 Sen, “The Determinants of Structural Transformation in Asia: A Review of the Literature.”
- 11 Rodrik, “Premature Deindustrialization.”
- 12 Dani Rodrik and Rohan Sandhu, “Servicing Development: Productive Upgrading of Labor-Absorbing Services in Developing Economies,” *Global Policy*, February 28, 2025, <https://doi.org/10.1111/1758-5899.70003>
- 13 Dewan and Ernst, “Rethinking the World of Work.”
- 14 Dewan and Ernst, “Rethinking the World of Work.”
- 15 “International Debt Report 2024,” *World Bank* (World Bank, 2024), <https://hdl.handle.net/10986/42444>
- 16 “A World of Debt 2025 - It Is Time for Reform,” *UN Trade and Development (UNCTAD)* (UN Trade and Development (UNCTAD), 2025), <https://unctad.org/publication/world-of-debt>

- 17 Daniel Aaronson and Kenneth Housinger, "The Impact of Technology on Displacement and Reemployment," *Economic Perspectives* 23, no. 2 (1999), <https://www.chicagofed.org/publications/economic-perspectives/1999/2qepart2>
- 18 Sabina Dewan, Mathangi Krishnamurthy, and Devesh Taneja, "Digitalisation and the Indian Labour Market: Trends, Challenges, and Opportunities," *JustJobs Network* (Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, 2021), https://justjobsnetwork.org/files/digitalisation-and-the-indian-labour-market-trends-challenges-and-opportunities_oct_2022.pdf
- 19 "World Employment and Social Outlook: May 2025 Update," *International Labour Organization (ILO)* (ILO, May 28, 2025), https://www.ilo.org/sites/default/files/2025-05/WESOUUpdate_May2025_1.pdf
- 20 "World Employment and Social Outlook: May 2025 Update."
- 21 "World Employment and Social Outlook: May 2025 Update."
- 22 Dewan and Peek, "Working Paper No. 83 - Beyond the Employment/Unemployment Dichotomy: Measuring the Quality of Employment in Low Income Countries."
- 23 OECD, "Informality and Globalisation: In Search of a New Social Contract" (OECD Publishing, 2023), https://www.oecd.org/content/dam/oecd/en/publications/reports/2023/04/informality-and-globalisation_d7548f2e/c945c24f-en.pdf
- 24 "World Employment and Social Outlook: May 2025 Update."
- 25 "World Employment and Social Outlook: May 2025 Update."
- 26 Chandra Bhushan, Srestha Banerjee, and Shruti Agarwal, "Just Transition in India: An Inquiry Into the Challenges and Opportunities for a Post-coal Future" (Sustainability Innovations and Advisories Pvt. Ltd., 2020), <https://iforest.global/report/just-transition-in-india-an-inquiry-into-the-challenges-and-opportunities-of-a-post-coal-future/>
- 27 Sabina Dewan, "Energy Transition Can Only Work if We Deal With Labour Disruptions," *Context by Thomson Reuters Foundation*, December 29, 2023, <https://www.context.news/just-transition/opinion/energy-transition-can-only-work-if-we-deal-with-labour-disruptions>
- 28 Sabina Dewan, "Managing Technology's Implications for Work, Workers, and Employment Relationships in ASEAN," *The Association of Southeast Asian Nations (ASEAN)* (ASEAN, 2020), <https://asean.org/wp-content/uploads/2021/10/Managing-Technologys-Implications-for-Work-Workers-and-Employment-Relationships-in-ASEAN.pdf>
- 29 László Szerb et al., *The Digital Platform Economy Index 2020*, *SpringerBriefs in Economics*, 2022, <https://doi.org/10.1007/978-3-030-89651-5>
- 30 Sabina Dewan and Praavita Kashyap, "Opportunities and Challenges for Decent Work in the Platform Economy in Asia and the Pacific," ILO Working Paper (International Labour Organization, forthcoming 2025).
- 31 Hennie Bester, Albert Van Der Linden, and Sabina Dewan, "Policy Options for Regulating Platform Work" (Cenfri and JustJobs Network, November 2020), https://cenfri.org/wp-content/uploads/Policy-options-for-regulating-platform-work_Nov-2020-2.pdf