

The Effect of Premature Deindustrialization on Labor Productivity and Economic Growth in Asia

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Abstract

In this paper, we focus on the issue of premature deindustrialization in Asia. In particular, we revisit three agenda given by Felipe, Mehta and Rhee (2014).² Our preliminary empirical examination provides the evidence to support them. First, the peak employment share for the industrial sector has declined. It is evident from the different turning points for the employment share for East Asia and South Asia. Second, the turning points of the inverted U curve for both employment and GDP have declined over time. In this inquiry, our estimation provides the evidence for employment but not for GDP. Third, the inverted U-shaped curve is more evident in employment than that in output.

Moreover, our regression analysis for labor productivity in Asia provides interesting insights. The positive association between the income level and labor productivity in industry, the higher education and investment may promote the income convergence in the region in the long run. Moreover, trade openness contributes to labor productivity in industry that implies the positive impacts of globalization in the Asian region.

Key Words: Economic Development, Structural Change, Labor Productivity, Asia

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² Felipe, Jesus, Aashish Mehta, and Changyong Rhee (2014), “Manufacturing matters ...but it’s the jobs that count”, *ADB Economics Working Paper Series, No. 420*, November, p.5.