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Does Export Diversification Transform Employment? Evidence from Sectoral Dynamics in Sub-Saharan Africa

Kouakou Martinien Koffi[*]
Alassane Ouattara University, Bouaké, Côte d'Ivoire
Email: martinienkoffikkm@gmail.com

Koffi Christian Biakpo
International Polytechnic Institute of Elites of Abidjan (IIPEA), Côte d'Ivoire
Email: biakpochrist@gmail.com

Yapo Kambo Paul Rodrigue Alle
Alassane Ouattara University, Bouaké, Côte d'Ivoire
Email: paul01alle@gmail.com

Abstract: This study examines the effect of export diversification on the sectoral dynamics of employment in Sub-Saharan Africa, using a panel of 31 countries over the period 2005-2023. Relying on the System-GMM estimator, complemented by a fixed-effects specification as a robustness check, the results show that employment displays strong dynamic persistence, reflecting labour market rigidities. Export diversification is found to promote total employment, driven mainly by gains in agricultural and services employment, while it reduces industrial employment. These findings point to differentiated sectoral effects of diversification and suggest that diversification is not automatically accompanied by job-creating industrialization. They underline the need to accompany export diversification with industrial policy, skills development, productive capacity building, and deeper regional integration through the AfCFTA.

Keywords: Export Diversification, Employment, Sub-Saharan Africa, System-GMM

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[*] Corresponding author.