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Reinvigorating Thailand's Structural Transformation

Armita Behboodi and Seunghwan Kim

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Prepared by Armita Behboodi and Seunghwan Kim

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ABSTRACT: This paper reviews Thailand's progress in structural transformation and its recent slowdown. It examines the empirical drivers of structural transformation and quantifies their contributions, with the objective of informing policies to reinvigorate the process.

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Reinvigorating Thailand's Structural Transformation

Thailand

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THAILAND

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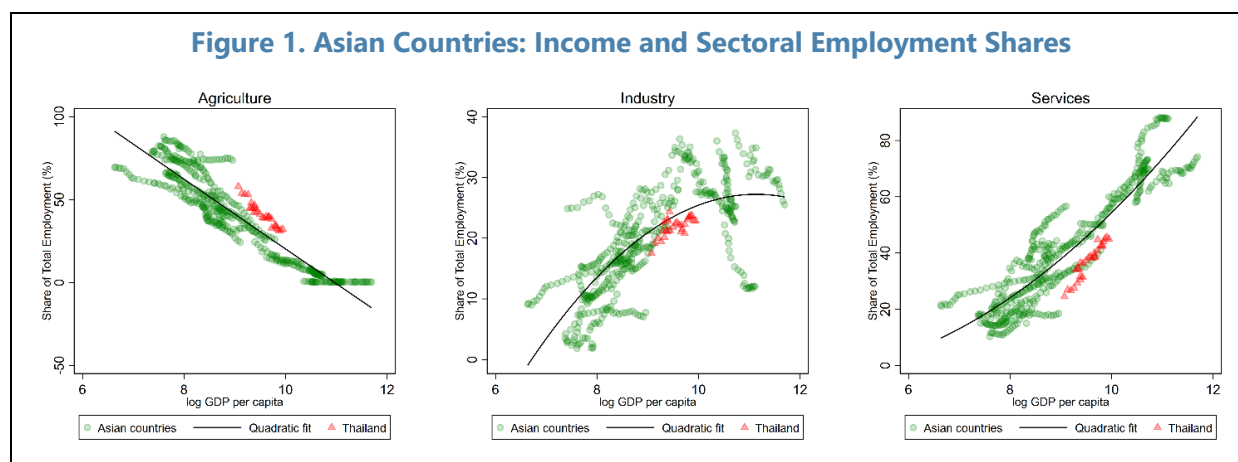
REINVIGORATING THAILAND'S STRUCTURAL TRANSFORMATION

This chapter reviews Thailand's progress in structural transformation and its recent slowdown. It examines the empirical drivers of structural transformation and quantifies their contributions, with the objective of informing policies to reinvigorate the process.

A. Background

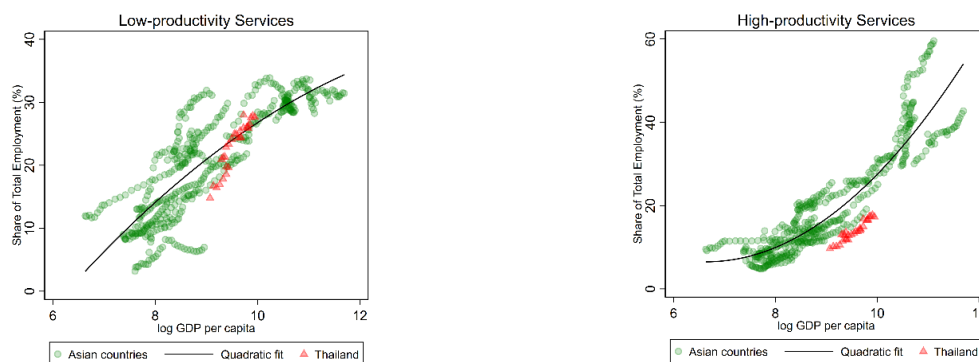
1. Structural transformation, the reallocation of labor from lower- to higher-productivity sectors, is a well-documented feature of economic development.¹ While the pace and pattern vary across countries and regions, broad trends have been identified. As economies grow and incomes rise, the share of agricultural employment typically declines, the share of industry increases and then stabilizes, and the services sector expands steadily throughout the development process (Bah, 2011; Dabla-Norris et al., 2013; Herrendorf et al., 2013; IMF, 2024).²

2. Thailand has largely followed this trajectory, albeit with notable idiosyncrasies. The share of employment in agriculture remains persistently high relative to countries at similar income levels. Although on a declining trend, approximately one-third of Thai workers are still employed in agriculture. Consequently, employment in industry and services is relatively low for Thailand's income level. Within the services sector, a disproportionately large share of workers are employed in low-productivity services (i.e., trade services and other services), while employment in high-productivity services including finance and business services remains relatively low (Figure 1).



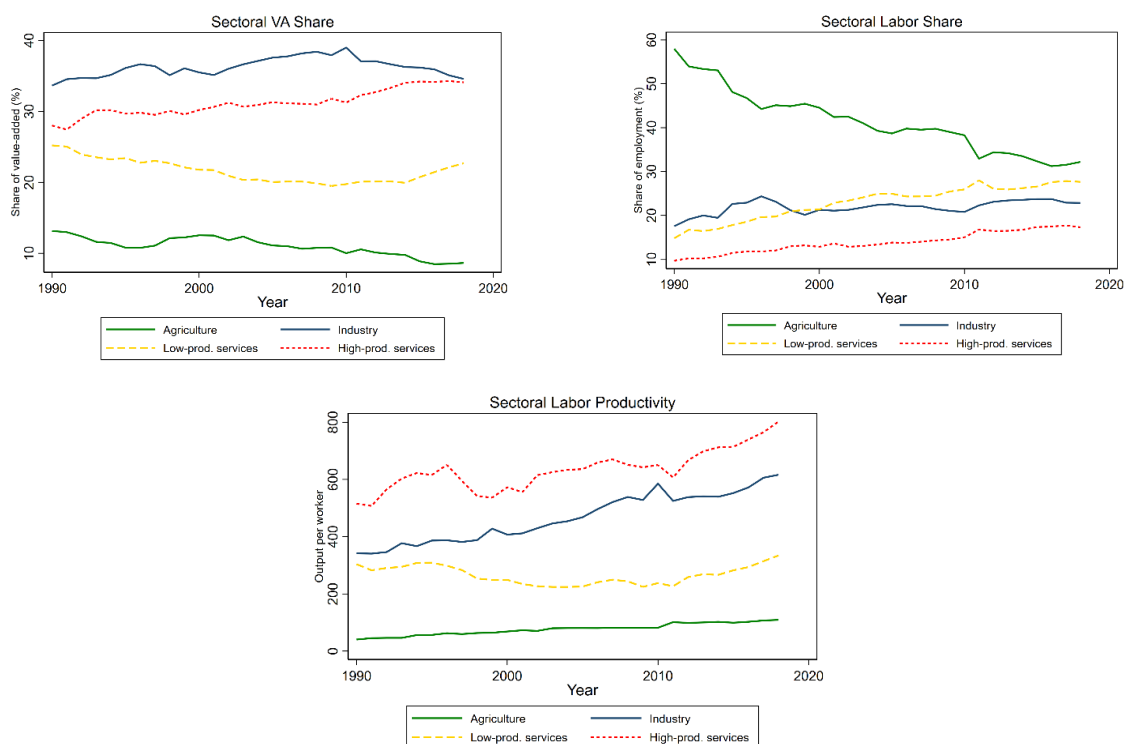
¹ This chapter focuses on sectoral labor reallocation as the primary lens for analyzing structural transformation, although it can be examined through other dimensions such as shifts in value-added or non-labor resources.

² Although this pattern is relatively well established among advanced economies, developing countries exhibit substantial heterogeneity in their structural transformation paths. Notably, Asian countries have followed a trajectory similar to that of advanced economies (Bah, 2011).

Figure 1. Asian Countries: Income and Sectoral Employment Shares (Continued)

Note: Each marker indicates a country's sectoral employment share and its income level at a given year from 1990 to 2018.
Source: UNU-Wider Economic Transformation Database, IMF staff calculation.

3. More generally, there is a notable imbalance between sectoral labor and output shares in Thailand. Industry and high-productivity services account for the majority of value-added, whereas low-productivity services and agriculture contribute substantially less. However, the distribution of employment is the reverse: agriculture, though declining over time, continues to employ the largest share of workers, followed by low-productivity services, whereas industry and high-productivity services employ a smaller portion of the labor force. This dichotomy has resulted in a wide and growing labor productivity gap across sectors in Thailand (Figure 2).

Figure 2. Thailand: Sectoral Value-Added, Employment Shares, and Productivity

Source: IMF staff calculation.

4. Although this implies an inefficient labor allocation in Thailand, it also suggests potential scope for productivity gains. Facilitating the reallocation of workers to higher productive sectors would enhance overall labor productivity, thereby enabling Thailand's economy to achieve stronger growth. In this context, the following sections assess Thailand's progress in structural transformation, identify the key drivers, and suggest policies to support the reallocation of labor toward higher-productivity sectors.³

B. Assessing Thailand's Structural Transformation

Measuring Structural Transformation

5. Following IMF (2013) and Klyuev (2015), the covariance between sectoral employment share and labor productivity is calculated to quantify structural transformation. Rather than focusing on individual sectors, this indicator provides a snapshot of the overall efficiency of labor allocation of an economy at a given point in time.⁴

Formally, the covariance term is defined as:

$$\text{Covariance} = \sum_i^n (s_i - \bar{s})(p_i - \bar{p})$$

where s_i is the employment share of sector i , p_i is the sector's labor productivity (i.e., value-added per worker), and n is the number of sectors. Intuitively, the covariance is positive when more productive sectors employ a larger share of labor, and negative when less productive sectors employ a larger share of labor. Thus, it serves as a measure of the efficiency of labor allocation across all sectors. The term can be simplified as:

$$\sum_i^n (s_i - \bar{s})(p_i - \bar{p}) = \sum_i^n s_i (p_i - \bar{p}) - \bar{s} \sum_i^n (p_i - \bar{p}) = \sum_i^n s_i p_i - \sum_i^n s_i \bar{p} = P - \bar{P}$$

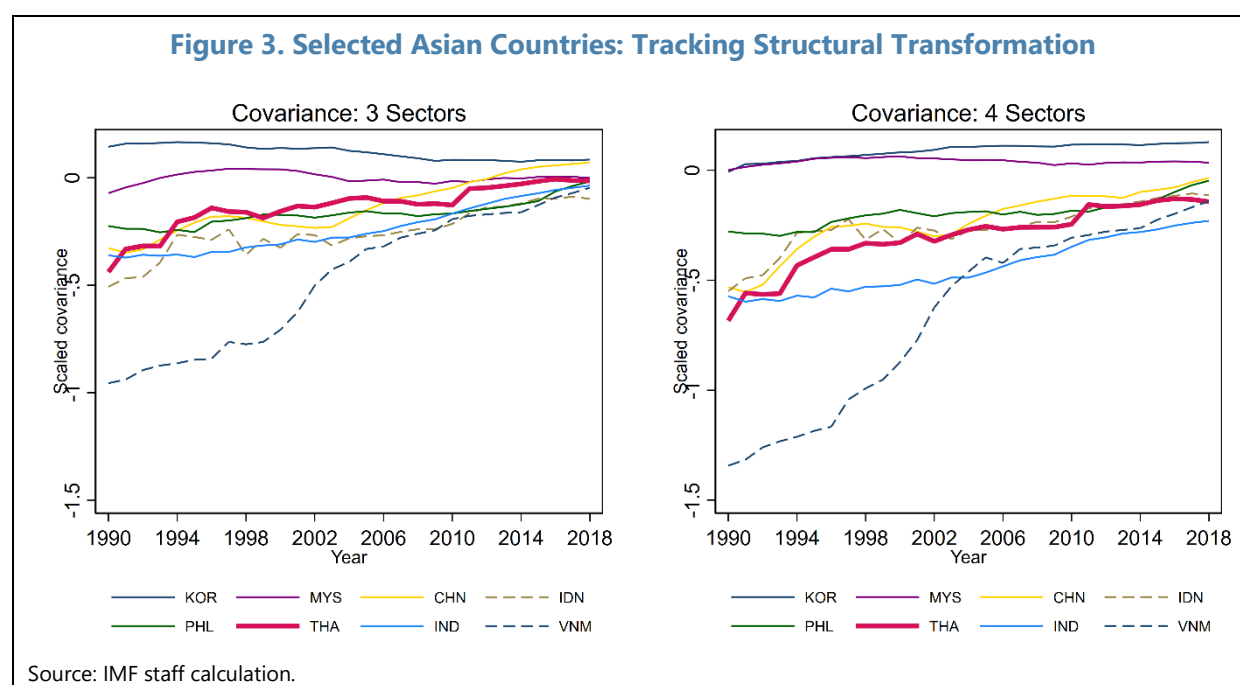
where P is aggregate labor productivity and $\bar{P}$ is the simple average of sectoral productivity. This shows that the overall efficiency of sectoral labor allocation (covariance) can be expressed as the difference between the economy-wide productivity (P) and the average productivity of individual sectors ($\bar{P}$). This is consistent with the decomposition of productivity growth into within-sector productivity gains and between-sector labor reallocation effects (McMillan, Rodrik, and Gallo, 2013).

³ While this chapter focuses on sectoral labor allocation, other factors such as capital resource allocation could also affect overall productivity. See for example, IMF (2025a).

⁴ Compared to more conventional approaches that focus on sectoral labor shares, this approach offers a more comprehensive perspective covering labor allocation across all sectors, focusing on the mismatch between sectoral productivity and labor distribution. Additionally, the indicator remains agnostic about which sector employs larger share of labor—an advantage given that the path of structural transformation can vary across countries (IMF 2024).

Evolution of the Covariance Term

6. The evolution of the covariance term demonstrates progress in structural transformation. Following Klyuev (2015), Figure 3 plots evolution of the covariance term for selected Asian countries using the latest data from the UNU-Wider Economic Transformation Database (ETD). For cross-country comparability, the covariance is scaled by aggregate labor productivity. Covariance is computed using both 3-sector and 4-sector classifications, with the latter distinguishing between low- and high-productivity services. The charts show that most countries exhibit negative values of covariance, indicating that less productive sectors attract a disproportionately large share of employment. However, these values have improved significantly over time. This pattern is consistent with the broader trend of structural transformation in Asia, where labor shifts out of agriculture and into industry and services as economies develop.



7. The extent and pace of improvement vary across economies and over time. Korea and Malaysia have consistently recorded covariance close to or above zero during the period, indicating labor allocation patterns that are more favorable to aggregate productivity. The Chinese mainland has experienced substantial improvement, with its covariance term now approaching the levels observed in Korea and Malaysia. Vietnam has registered the most dramatic gains, suggesting significant productivity improvements driven by structural transformation.⁵ In contrast, Thailand experienced notable progress in the early 1990s, but the momentum has since slowed. Since the mid-2010s, Thailand's covariance term has plateaued and even declined slightly in recent years, indicating possible stagnation in structural transformation.

⁵ While Vietnam experienced productivity gains from sectoral labor reallocation, its TFP growth has been negative over the last two decades with large dispersion of productivity across firms and resource misallocation (IMF, 2025).

8. The covariance metric also depends on the level of sectoral disaggregation. When using a 3-sector classification, Thailand's covariance term appears relatively high—comparable to Malaysia's. However, a more granular 4-sector analysis reveals a different picture. Thailand's labor allocation efficiency is significantly lower, falling below that of the Philippines and Indonesia, and close to Vietnam's level. This divergence reflects a substantial imbalance within Thailand's services sector, where high-productivity services employ a relatively small share of labor, while low-productivity services absorb a much larger share of labor—a pattern that is masked in the 3-sector analysis.

C. Drivers of Structural Transformation

Empirical Approach and Data

9. To investigate the determinants of structural transformation, a cross-country panel regression model is estimated. The dependent variable is the scaled covariance term, as described above. Independent variables are grouped into country fundamentals and policy-related factors, encompassing a broad set of potential determinants of labor reallocation. A fixed-effects estimator is employed to control for unobserved, time-invariant country characteristics, and year dummies are included to account for common macroeconomic shocks. The model is specified as:

$$s_{it} = F'_{it}\gamma + X'_{it}\beta + \alpha_i + \delta_i + \varepsilon_i$$

where s_{it} is the scaled covariance for country i in year t , F_{it} and X_{it} denote country fundamentals and policy-related variables that potentially affect labor reallocation, and α_i and δ_i are country and year fixed effects.

10. Covariance terms are calculated using data from the ETD. The ETD provides annual data on sectoral employment and value-added for 12 disaggregated sectors across 51 economies from 1990 and 2018. For each country-year, sectoral labor productivity is measured as value-added per worker, and sectoral employment and value-added shares are computed as each sector's share of total employment and total value-added, respectively. These series are combined to construct the covariance term, which is then scaled by aggregate productivity for comparability across countries and over time. Covariance terms are constructed for both 3-sector classification (agriculture, industry, services) and 4-sector classification (agriculture, industry, low-productivity services, and high-productivity services).

11. For the independent variable, a comprehensive set of determinants is used in the baseline model. Country fundamentals include log GDP per capita (constant PPP, World Development Indicators database (WDI)) and its square term (to capture non-linear effects), log population size, and old-age dependency ratio (both from WDI). Policy variables that could potentially affect labor reallocation are also included. To capture the role of human capital, average years of schooling (UNDP Human Development Index Database) and the Human capital Index (Penn World Tables) are included, which together reflect the quantity and quality of educational attainment. Trade and investment variables include trade-to-GDP ratio and foreign direct investment

(FDI) flows as a percentage of GDP (WDI), terms of trade index (WDI), and real effective exchange rate (REER) (World Economic Outlook Database). To capture agricultural policy orientation, given the lack of data on direct subsidies, agricultural raw materials exports as a share of merchandise exports (WDI) is included. Vulnerable employment as a share of total employment (WDI) is included as a proxy for labor market informality, and domestic credit to the private sector as a percentage of GDP (WDI) as a proxy for financial access. Finally, to capture potential effects of governance quality, the Political Corruption Index (V-Dem Core Indicators) is included. To address potential endogeneity, one-year lagged values are used for policy-related explanatory variables, while contemporaneous values are retained for GDP per capita, population, and the old-age dependency ratio. For ease of interpretation, the Political Corruption Index is rescaled by multiplying its original values by 100.

12. To assess robustness, baseline specification is augmented with additional policy-related drivers. One specification adds the Labor Market Regulations index from the 2024 Fraiser Economic Freedom of the World Dataset to capture the effect of regulations on labor movement. Another includes the Gini Index from the World Income Inequality Database (WIID) to account for potential effects of income inequality. A third model incorporates measures of digital infrastructure, proxied by the share of population with internet access (WDI). The fourth model replaces average years of schooling with more granular educational attainment—enrollment ratios of primary secondary education; and tertiary education (UNESCO). The final specification replaces the Political Corruption Index with the Rule of Law indicator (World Bank World Governance Indicators) to gauge different aspects of governance.

Regression Results

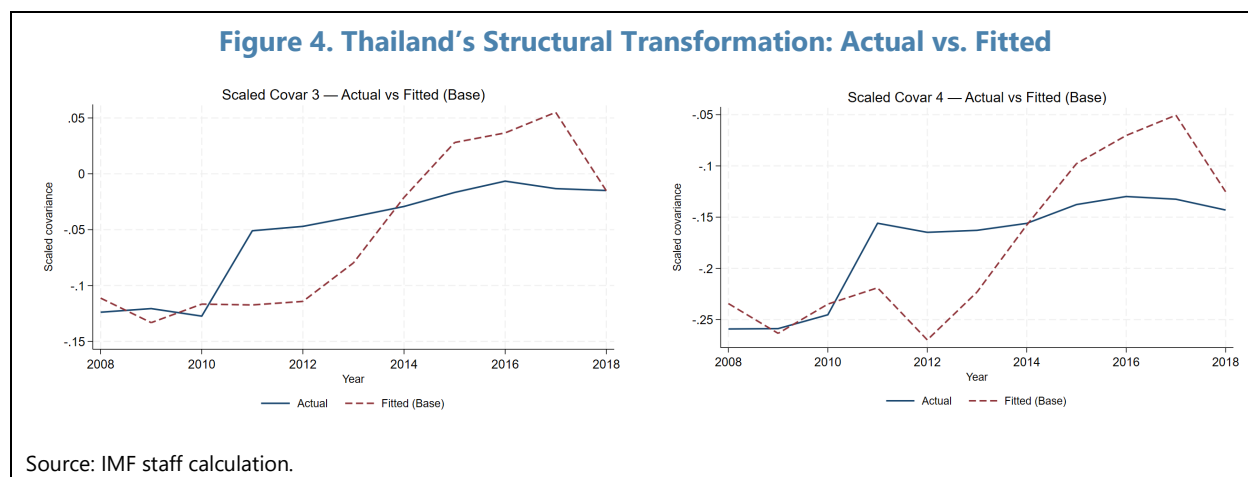
13. The results confirm that structural transformation is closely linked to income and development levels. Log GDP per capita is strongly and positively correlated with the covariance term, while the quadratic term is negatively correlated across all model specifications. This indicates that labor allocation efficiency improves as income rises, but at a diminishing rate. Log population also exhibits a strong positive coefficient, suggesting that larger population is associated with greater labor allocation efficiency. Although seemingly counterintuitive, the positive correlation of the old-age dependency ratio is consistent with previous findings that population aging is associated with lower agriculture value-added share and higher services value-added share (Dabla-Norris et al., 2013). The regression results are included in the Appendix.

14. Policy-related factors influence structural transformation in various ways. Among trade and investment variables, terms of trade and trade openness contribute to higher covariance, consistent with the literature that finds international trade integration as a key driver of structural transformation (IMF, 2024). Conversely, REER appreciation is associated with lower covariance, likely reflecting reduced competitiveness that hampers the development of tradable sectors. Interestingly, FDI inflows do not exhibit a statistically significant effect—which may be due to their heterogeneous effect across industry and service sectors depending on their levels (Dabla-Norris et al., 2013). Consistent with expectations, average years of schooling is positively and significantly correlated with covariance across all model specifications, although the Human Capital Index does not show statistical significance. Employment informality, proxied by the share of vulnerable employment, is

negatively correlated with the covariance term, though statistical significance appears only in the second and sixth specifications. The share of agricultural exports is also negatively associated with the covariance term, likely reflecting that greater reliance on agriculture impedes labor transition to higher-productivity sectors. Credit access, measured by the private credit-to-GDP ratio, is positively correlated, suggesting that improved credit access may facilitate more efficient labor allocation.⁶ The results also show that governance matters. Corruption is negatively associated with covariance across all specifications, supporting the view that government failures impede labor reallocation toward higher-productivity sectors (Sen, 2016). In alternative specifications, improved labor market regulation is associated with higher covariance. Among education variables, primary and secondary education enrollment is more strongly correlated with covariance than tertiary education enrollment. The coefficient for internet access is positive but not statistically significant. Stronger rule of law is positively associated with structural transformation, reinforcing the important role of governance.

D. Understanding the Recent Slowdown

15. Applying the estimated model, we examine how the identified drivers have contributed to the recent slowdown in Thailand's structural transformation. Plotting the actual covariance terms along with the fitted values from the model demonstrates increasing downward pressures since the mid-2010s (Figure 4). To identify the sources of this headwind, contributions of individual drivers are examined. Specifically, for each driver, changes in their values between 2010-2014 and 2014-2018 are computed. These changes are then multiplied by the estimated coefficients from the model to assess their impact.



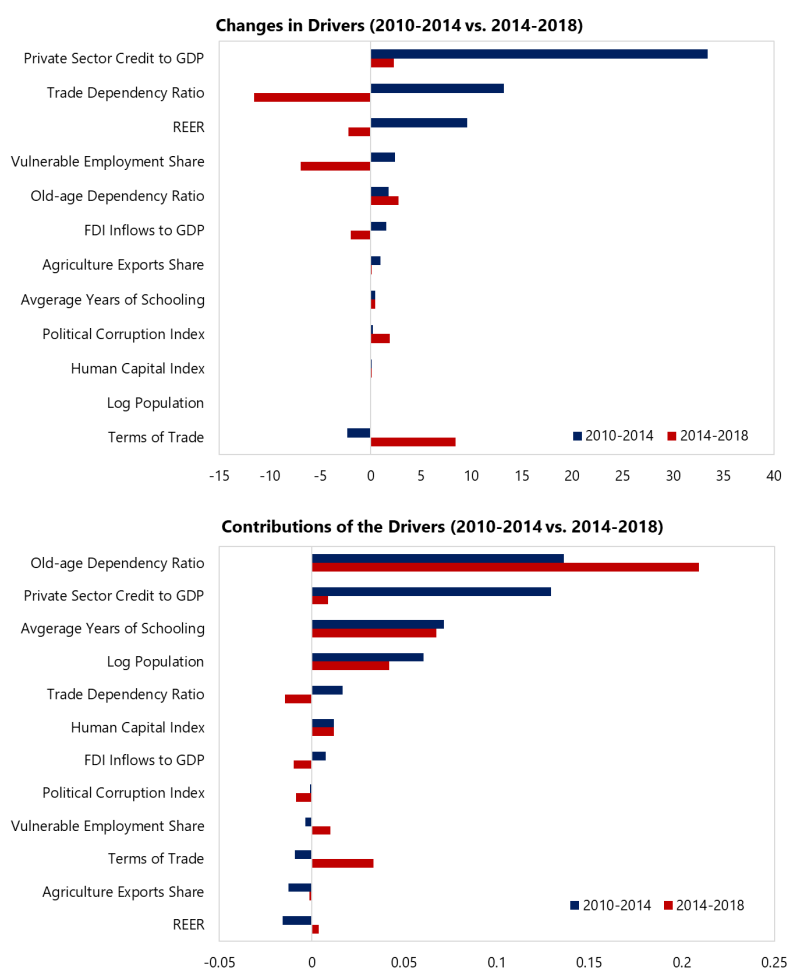
16. The comparison of the two periods shows substantial shifts in drivers. Private sector credit growth slowed markedly in the latter period, and progress in trade openness reversed. The REER depreciated, the share of vulnerable employment declined, and terms of trade improved—all in contrast with the preceding period. Other changes include an acceleration in the old-age-dependency ratio, a reversal in FDI growth, slower growth in agriculture export share, a

⁶ That said, high household debt could potentially impede structural transformation by constraining disposable household income and resources needed for investment in human capital.

more moderate increase in average years of schooling, deterioration in governance (higher corruption), and slower population growth (Figure 5, upper panel).

17. These factors collectively influenced Thailand's structural transformation. Beyond income growth, slower private sector credit expansion, a weaker rise in average years of schooling, decelerating population growth, reduced trade openness, and deteriorating governance all contributed to a lower covariance term, thereby slowing structural transformation relative to the previous period. In contrast, population aging, a decline in vulnerable employment, improved terms of trade, and REER depreciation had a mitigating effect, supporting Thailand's structural transformation. The agricultural export share continued to exert a negative impact, though its drag diminished, resulting in a modest reduction in its effect (Figure 5, lower panel).

Figure 5. Thailand: Changes in Drivers of Structural Transformation and Their Contributions



Source: IMF staff calculation.

Notes: Both charts exclude log GDP per capita and its square term.

E. Policy Implications

18. The analysis highlights several policy priorities to promote structural transformation.

Accelerating trade liberalization, including deeper integration into global and regional markets, can facilitate the reallocation of labor toward more productive sectors. Investing in education, particularly at the primary and secondary levels, is essential for building a workforce capable of transitioning to higher-productivity employment. Enhancing financial inclusion and expanding access to credit for productive investments can broaden opportunities to improve labor allocation efficiency. Reducing corruption and enhancing the rule of law could create a predictable environment conducive to efficient labor reallocation. Reducing informality through expanded social insurance coverage would support the integration of informal workers and their transition to formal, higher-productivity sectors. Improving labor market flexibility—by streamlining hiring and dismissal procedures and clarifying labor regulations—can lower barriers to formal employment growth. Furthermore, reinforcing these reforms with complementary measures to broaden financial access for firms and foster a more diversified financial structure could improve capital allocation efficiency,⁷ thereby further boosting productivity gains.

19. Thailand can draw valuable lessons from regional peers. East Asian economies such as Korea, and other ASEAN countries including Malaysia, have implemented effective strategies to help advance structural transformation. These experiences offer useful benchmarks:

- **Korea—Human capital investment underpinning the growth strategy.** Korea’s economic development has been strongly driven by sustained investment in human capital (World Bank, 2023). Average years of schooling increased from 5.4 in 1970 to 12.7 in 2023, supported by consistent public financing and ongoing efforts to align human resource development policies with evolving industrial needs. STEM capabilities were enhanced through the establishment of flagship research institutions and targeted R&D initiatives, such as the Brain Korea 21 program. To address skills mismatches, vocational training was strengthened through Meister high schools,⁸ co-designed with industry partners. Support for workers adapting to technological change and industrial restructuring was reinforced through the Employment Insurance System.
- **Malaysia—Inclusive finance creating an enabling environment.** Bank Negara Malaysia has adopted multi-year strategic frameworks to promote financial inclusion, with clear objectives and measurable targets. Under the current Financial Inclusion Framework (2023–2026), key goals include expanding financial access to all subdistricts, increasing e-payment transactions,

⁷ Investment efficiency declined in Thailand after the global financial crisis, similar to other countries in the region, reflected in the high and rising incremental capital–output ratio (IMF, 2025a).

⁸ Meister high schools are a new vocational education model introduced by the Korean Ministry of Education to develop a skilled workforce for emerging industries. They recruit talented middle-school graduates from across the country through a rigorous selection process. The curriculum is tailored to specific skill requirements of participating industries, which actively contribute to both its design and implementation. This industry-driven approach has resulted in notably high employment rates with longer job duration among graduates (World Bank 2023).

enhance SME financing ecosystem, doubling microinsurance/microtakaful⁹ subscriptions, and raising insurance/takaful penetration. As a result, nearly all subdistricts now have access to basic financial services via agent banking and mobile banks. The operationalization of digital banks and the launch of the DuitNow real-time retail payment platform have further broadened financial access, particularly for low-income households and micro-enterprises. The framework also emphasizes financial literacy, digital onboarding, and inclusive product innovation, with a focus on vulnerable groups and gender equity.

- **Vietnam—Continued progress in trade integration and government reform.** Vietnam’s structural transformation has historically been propelled by strong integration into global trade. Following the Đổi Mới reforms, the government enacted the Foreign Investment Law to attract FDI, joined the WTO, and signed 17 Free Trade Agreements in effect, which enabled strong participation in global value chains and sustained investment inflows. Recently, the authorities have launched an ambitious reform agenda that includes significant restructuring of government organizations to streamline operations and enhance efficiency—though implementation remains key (IMF, 2025). These efforts have been complemented by continued efforts in basic education to build human capital. However, persistent skill mismatches constrain productivity gains and underscore the need for better vocational training and upskilling of labor to support labor productivity growth.

F. Conclusion

20. This chapter examines the drivers of structural transformation and identifies key factors behind its recent slowdown in Thailand. While structural transformation is closely associated with structural factors such as income levels and demographic trends, policy-related factors—particularly in trade, education, credit access, governance, and labor markets—also play a critical role. In Thailand’s case, a decline in informal employment and more favorable terms of trade have supported labor reallocation toward more productive sectors in recent years. However, the deceleration in credit provision, limited progress in educational attainment, reversal in trade liberalization, and deterioration in governance have all contributed to the slower pace of structural transformation.

21. The analysis highlights several policy measures that could help reinvigorate Thailand’s structural transformation. Advancing trade liberalization, investing in education and skills development, enhancing financial inclusion, and improving access to credit are key policy priorities. In addition, continued efforts to reduce labor informality and improve labor market flexibility can further facilitate productive labor reallocation. Lessons from regional peers offer valuable insights for effective policy design and implementation.

⁹ Microtakaful is a form of Islamic microinsurance designed to provide affordable risk protection to low-income individuals and communities, in line with Shariah principles. Instead of paying premiums to a commercial insurer, participants contribute to a common fund used to support members in need.

22. Thailand's structural transformation has slowed but remains incomplete. With targeted and well-coordinated policies that promote labor movement toward its most productive uses, Thailand can unlock substantial productivity gains—which would provide a much-needed boost to its economic growth.

Appendix I. Tables

Table 1. Thailand: Regression Results for 4-Sector Covariance

	(1) Base	(2) Spec 2	(3) Spec 3	(4) Spec 4	(5) Spec 5	(6) Spec 6
Log GDP per capita	7.7069*** (1.4912)	4.2247*** (0.3778)	7.5886*** (1.4734)	8.1503*** (1.8815)	4.6009*** (0.7451)	7.4166*** (1.3609)
Square of Log GDP per capita	-0.4075*** (0.0783)	-0.2257*** (0.0202)	-0.4016*** (0.0775)	-0.4294*** (0.0999)	-0.2476*** (0.0388)	-0.3959*** (0.0744)
Log population	2.5526*** (0.2912)	2.8893*** (0.2687)	2.5212*** (0.2715)	2.5537*** (0.3038)	2.9342*** (0.4475)	2.4946*** (0.3157)
Old-age dependency ratio	0.0768*** (0.0142)	0.0536*** (0.0068)	0.0756*** (0.0138)	0.0747*** (0.0122)	0.0607*** (0.0088)	0.0598*** (0.0088)
Terms of trade (lagged)	0.0039*** (0.0008)	0.0027*** (0.0004)	0.0040*** (0.0008)	0.0042*** (0.0008)	0.0031*** (0.0006)	0.0034*** (0.0009)
Trade dependency ratio (lagged)	0.0013*** (0.0004)	0.0017*** (0.0004)	0.0013*** (0.0004)	0.0012** (0.0005)	0.0007 (0.0010)	0.0010* (0.0005)
FDI inflows to GDP (lagged)	0.0050 (0.0032)	-0.0004 (0.0017)	0.0046 (0.0032)	0.0050 (0.0035)	-0.0047 (0.0031)	-0.0008 (0.0016)
REER (lagged)	-0.0017** (0.0007)	-0.0008** (0.0003)	-0.0016** (0.0007)	-0.0025*** (0.0006)	-0.0013 (0.0012)	-0.0018*** (0.0006)
Average years of schooling (lagged)	0.1549*** (0.0390)	0.0822*** (0.0248)	0.1523*** (0.0384)	0.1370*** (0.0315)		0.1321*** (0.0378)
Human capital index (lagged)	0.1068 (0.1091)	-0.1336 (0.0928)	0.1140 (0.1079)	0.1650 (0.1380)	-0.1084 (0.1297)	-0.0254 (0.1067)
Share of vulnerable employment (lagged)	-0.0014 (0.0038)	-0.0088*** (0.0020)	-0.0016 (0.0039)	-0.0020 (0.0049)	-0.0067 (0.0043)	-0.0040* (0.0021)
Share of agricultural raw material exports (lagged)	-0.0132** (0.0063)	-0.0094* (0.0054)	-0.0131** (0.0063)	-0.0130** (0.0058)	-0.0077* (0.0042)	-0.0133** (0.0060)
Domestic credit to the private sector to GDP (lagged)	0.0039*** (0.0010)	0.0038*** (0.0008)	0.0037*** (0.0009)	0.0039*** (0.0009)	0.0044*** (0.0011)	0.0037*** (0.0006)
Political corruption index (lagged)	-0.0045*** (0.0014)	-0.0020*** (0.0005)	-0.0047*** (0.0013)	-0.0037*** (0.0011)	-0.0059*** (0.0012)	
Labor market regulation index (lagged)		0.0287* (0.0140)				
Gini index (lagged)			0.0046 (0.0033)			
Share of population with internet access (lagged)				0.0012 (0.0017)		
Primary and secondary enrollment ratio (lagged)					0.0124*** (0.0036)	
Tertiary enrollment ratio (lagged)					0.0007 (0.0021)	
Rule of law (lagged)						0.2912** (0.1220)
Obs.	865	688	865	828	509	691
Countries	44	44	44	44	41	44
Within R ²	0.624	0.626	0.625	0.642	0.724	0.674
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Driscoll–Kraay Standard errors in parentheses (* p < 0.10, ** p < 0.05, *** p < 0.01)

Table 2. Thailand: Regression Results for 3-Sector Covariance

	(1) Base	(2) Spec 2	(3) Spec 3	(4) Spec 4	(5) Spec 5	(6) Spec 6
Log GDP per capita	6.5674*** (1.3976)	3.4181*** (0.5063)	6.5922*** (1.3770)	6.9032*** (1.6514)	4.0609*** (0.6913)	6.0828*** (1.3761)
Square of Log GDP per capita	-0.3408*** (0.0727)	-0.1738*** (0.0255)	-0.3420*** (0.0718)	-0.3562*** (0.0877)	-0.2166*** (0.0362)	-0.3174*** (0.0741)
Log population	1.7690*** (0.2358)	1.7324*** (0.2893)	1.7756*** (0.2309)	1.7420*** (0.2636)	1.6982*** (0.3559)	1.4211*** (0.3128)
Old-age dependency ratio	0.0597*** (0.0128)	0.0348*** (0.0080)	0.0599*** (0.0126)	0.0576*** (0.0113)	0.0400*** (0.0078)	0.0393*** (0.0103)
Terms of trade (lagged)	0.0028*** (0.0007)	0.0018*** (0.0003)	0.0028*** (0.0007)	0.0030*** (0.0006)	0.0023*** (0.0005)	0.0023*** (0.0007)
Trade dependency ratio (lagged)	0.0012*** (0.0004)	0.0013*** (0.0003)	0.0012*** (0.0004)	0.0011*** (0.0004)	0.0000 (0.0007)	0.0006 (0.0005)
FDI inflows to GDP (lagged)	0.0015 (0.0033)	-0.0035 (0.0021)	0.0016 (0.0034)	0.0017 (0.0035)	-0.0068** (0.0031)	-0.0039* (0.0021)
REER (lagged)	-0.0009 (0.0008)	-0.0008 (0.0005)	-0.0010 (0.0008)	-0.0017*** (0.0006)	-0.0006 (0.0009)	-0.0014* (0.0007)
Average years of schooling (lagged)	0.1293*** (0.0316)	0.0683*** (0.0201)	0.1299*** (0.0310)	0.1193*** (0.0261)		0.1103*** (0.0315)
Human capital index (lagged)	0.1792* (0.0909)	-0.0149 (0.0391)	0.1776* (0.0907)	0.2149** (0.1029)	0.0478 (0.1089)	0.0519 (0.0738)
Share of vulnerable employment (lagged)	0.0032 (0.0038)	-0.0042** (0.0019)	0.0032 (0.0037)	0.0025 (0.0044)	-0.0049 (0.0042)	-0.0002 (0.0023)
Share of agricultural raw material exports (lagged)	-0.0115** (0.0042)	-0.0102** (0.0039)	-0.0115** (0.0042)	-0.0121*** (0.0039)	-0.0142*** (0.0045)	-0.0130*** (0.0043)
Domestic credit to the private sector to GDP (lagged)	0.0028*** (0.0006)	0.0026*** (0.0005)	0.0028*** (0.0007)	0.0027*** (0.0006)	0.0032*** (0.0008)	0.0024*** (0.0003)
Political corruption index (lagged)	-0.0030** (0.0011)	-0.0010** (0.0004)	-0.0029** (0.0011)	-0.0023*** (0.0008)	-0.0028*** (0.0009)	
Labor market regulation index (lagged)		0.0361*** (0.0117)				
Gini index (lagged)			-0.0010 (0.0029)			
Share of population with internet access (lagged)				0.0011 (0.0012)		
Primary and secondary enrollment ratio (lagged)					0.0088*** (0.0027)	
Tertiary enrollment ratio (lagged)					0.0005 (0.0016)	
Rule of law (lagged)						0.2987*** (0.0948)
Obs.	865	688	865	828	509	691
Countries	44	44	44	44	41	44
Within R ²	0.624	0.626	0.625	0.642	0.724	0.674
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Driscoll-Kraay Standard errors in parentheses (* p < 0.10, ** p < 0.05, *** p < 0.01)

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