

## STRUCTURAL CHANGE, INSTITUTIONS AND EMPLOYMENT

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The aim of this paper is to consider the role of institutions in the process of structural change of modern economies with regard to composition and level of employment.

The analysis starts from abandoning the standard neoclassical growth theory in which technical progress and demand expansion are considered uniform throw-out the economy. This feature is common both to neoclassical models, in which the aggregate production function implies variable coefficients of production but is framed within the hypothesis of neutral technical progress a la Hicks, and to models a la Leontieff, where the production system shows fixed coefficients of production and where growth is supposed to leave the internal proportions unchanged.

But In the real world, technical progress is not uniform in all sectors neither is the growth of demand uniform in all sectors. The combination of disproportional change in technology and disproportional changes in demand results in a disproportional growth of the economy and in a deep change in the structure of the economy. In the original Pasinetti's approach to structural economic dynamics it is the increase in productivity that, according to Engels law, causes a change in the composition of aggregate demand and consequently different rates of investment and growth in different sectors and problems for employment stability.

This simple chain of effects needs to be updated by inserting the effect of institutional factors, such as the free trade regime, the degree of monopoly, the degree of income inequality, the industrial and innovation policy of the State, public consumption and welfare state policy, the evolution of cyber-physic systems. All these factors may deeply influence on one side the intensity and the direction of technical progress in each sector and on the other side the composition of final demand . Furthermore, the impact of all these factors on the change of the structure of production and on the rate of aggregate growth reflects itself on the composition and on the level of employment. But this last effect is in turn influenced by institutional factors concerning labour market policy and regulation.

The paper aims at detecting the nature and the strength of these forces and the way in which they interact. A look at the empirics of structural change in some countries will support the analysis. Finally, some indications may be drawn about the possibility open (or left, in a globalized market) to every single country for governing the process of structural change of its own economic system.

Key words: Structural change, Technical progress, Institutions, Employment

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