

There is no doubt that open unemployment in Ceylon has become a factor of major economic and social importance. Indeed the embarrassment it caused the previous government and their inability to solve the problem it posed contributed materially to the victory of the opposition partly at the May, 1970 general elections. The latest data on unemployment rates in Ceylon relate to 1968 and show that some 15 percent of the labour force in urban and 10 percent in rural areas were unemployed in the straightforward sense of being available for work but finding none. These rates are certainly among the highest in Asia and are one reason why Ceylon has been selected by the International Labour Office for a 'pioneer country study' under the World Employment Programme.

Among Asian countries Ceylon is reasonably well provided with statistical data on unemployment and these show clearly that the problem is very highly concentrated among certain groups. The unemployed are not those who had been thrown out of work and they are not casual labourers who perform a few hours of work on one day and none on the next. Rather, fully three quarters of the unemployed are aged under 25 and have no previous work experience. In these younger age groups unemployment rates can reach over 50 percent, as shown in Table 1, while the statistics also show clearly the fall which occurs in the older age-groups.

At first sight the extreme concentration of unemployment among young labour force entrants seems no more than the natural consequence of Ceylon's sluggish rates of economic growth (particularly in the early 1960's) and of an acceleration in the growth of the population of working age, (from 1.5 percent in the 1950's to 2.7 percent in the 1970's). However, this cannot be the entire explanation. Firstly, although there are statistical difficulties in studying trends in the Ceylon unemployment situation, the overall unemployment rate appears to have only risen slightly over the last ten years. Secondly, there is in Ceylon no official dole or unemployment assistance, therefore unless family support is available every adult worker must find some work, however unproductive or unremunerative its nature.

TABLE 1

RATES OF UNEMPLOYMENT, SELECTED AGE-GROUPS

Age-group	<u>URBAN</u>						<u>RURAL</u> (1)					
	<u>Male</u>			<u>Female</u>			<u>Male</u>			<u>Female</u>		
	<u>A</u>	<u>B</u>	<u>T</u>	<u>A</u>	<u>B</u>	<u>T</u>	<u>A</u>	<u>B</u>	<u>T</u>	<u>A</u>	<u>B</u>	<u>T</u>
15-19	3.9	40.1	44.0	1.2	51.3	52.5	3.1	30.1	33.2	4.4	21.3	25.7
20-24	4.5	26.7	31.2	4.2	41.8	46.0	3.4	19.6	23.0	2.8	25.5	28.3
25-44	3.4	2.0	5.4	1.3	9.7	11.0	3.0	1.3	4.3	2.4	4.3	6.7
ALL 15+	4.9	8.0	12.9	2.5	23.4	25.9	2.5	7.6	10.1	2.6	11.5	14.1

Source: Ministry of Planning and Employment, Labour Force Survey, 1968

(1) including estates

A = previously employed

B = not previously employed

T = total

But in Ceylon, as elsewhere, the earnings associated with work in those occupations to which entry is relatively open, in the service sector or in extremely sub-divided peasant agriculture, are so meagre that little is foregone by remaining unemployed, so long as other support is forthcoming. In addition the range in possible earnings possible for workers with the same education and skill level is wide. An 'O' level school leaver could earn at least twice as much as a clerk than he could as a shop assistant, and an unskilled worker earns much more with the government than elsewhere. Thus, even where other sorts of work are available the income foregone may be small, while the reward for patience, in the form of the right job, may be high.

This is one side of the problem and fits particularly the phenomenon of educated unemployed^{ment}. Fully 13 percent, for example, of the unemployed are young females with 'O' levels and above who have very definite job desires and are only in a somewhat special sense "involuntarily unemployed". The relatively recent emergence of unemployed graduates, who also face a very wide range of earnings prospects, could also be accounted for by this kind of explanation. But it is also true that the role played by family enterprises in Ceylon is considerably more limited than in some neighbouring countries so that access even to work-sharing occupations is not all that easy. Unemployed estate workers (who account for 10 percent of the open unemployed) are an extreme example of this since until their names are put on the checkroll, individually they can do nothing.

It is important to realise that the Ceylon unemployment problem is not restricted to particular social classes despite the reliance of the unemployed on family support. The unemployed come from all household income groups, although disproportionately from the middle levels, and are not all seeking "white collar" jobs. Thus of the first time job-seekers in 1968 only 20 percent of males (47 percent of females) wanted clerical or teaching jobs. And although the education level of the male first time job-seekers (and more so for females) was significantly above the average for their age-group as many as 26 percent had had under 5 years schooling.

The high rural unemployment rates in Ceylon are particularly striking. They suggest ^{strongly} ~~in particular~~ that urban unemployment is not the result of migration denuding the rural areas of younger workers. Indeed in overall terms rural-urban migration has been slight, partly because movement has been encouraged to new eastern rural areas (but also partly because the urban-rural distinction has become very blurred in south-west Ceylon, where population density is highest). However, the traditional dichotomy of urban unemployment, (and wage labour), and rural underemployment, (and family labour), retains some validity in that open unemployment rates in rural areas fall with distance from Colombo.

The implications of the characteristics of unemployment in Ceylon are threefold. Firstly unemployment rates are unlikely to spiral endlessly because of the need among adult workers to find some employment. Secondly unemployment is frequently a rational response on the part of young labour force entrants to the labour market situation they face. Thirdly the open unemployment situation is by its nature incapable of serving as more than a partial guide to the overall problems of labour utilisation. When, after a certain age, the unsuccessful job-seeker departs from the ranks of the open unemployed and accedes merely to membership of some overcrowded occupation, this marks no improvement in the overall situation. Indeed an increase in the size of the labour force could result, not in more unemployment, but in lower earnings from work-sharing activities.

This last point naturally ties in with the main message of Gunnar Myrdal's important work, Asian Drama, that problems of employment (or underemployment), i.e. problems of work duration and efficiency, of low incomes and low productivity, are equally if not more significant than problems of open unemployment in less developed Asia. The policy maker has to bear in mind the possibility that alleviating the open unemployment problem could actually worsen the situation of the underemployed. It ^{could} ~~can~~ be argued that in Ceylon the back of the unemployment problem will only be broken when labour force entrants can go directly to the

jobs of their choice; normally these jobs are in the high earnings, modern sectors where not only is productivity far above the average for the economy but also is increasing more rapidly. Yet to attempt to give those sectors the additional support necessary to provide work for all those who want the more attractive jobs they hold out, could only serve to widen the gap in average earnings between sectors and between town and country. Thus if high productivity sectors can only be expanded at the cost of worsening income distribution, and if productivity growth cannot be controlled, the increase in total output required to absorb the open unemployed would be immense and the problem of unemployment might only be solved at the cost of increasing the stagnation of the low productivity sectors.

But of course special steps are needed to tackle the open unemployment problem since a continuation of the past economic and social pattern of development in Ceylon, even at a much faster growth rate, is unlikely to ensure that the desirable jobs will become available fast enough to absorb the increase in the labour force. Firstly serious efforts to promote employment creation in modern sectors would imply removing biases working in favour of capital intensity in the tax structure or in the exchange rate system and encouraging the acquisition of the managerial skills necessary to deploy a large labour force, particularly in the semi-government sector. Perhaps even more important is the firm implementation of an incomes policy designed to maintain a balanced growth of earnings and in particular to prevent excessive increases not required either to attract labour or as an incentive to skill acquisition.

This policy should have an important effect on the supply side by removing a part of the rationale for waiting for the better jobs to appear. But it will be equally necessary to restructure the education system so as to reduce the academic bias and concentration on arts-based 'O' level work (which produces school leavers qualified for posts which do not exist in sufficient numbers) and to break the current too rigid link in people's thinking between educational achievement and occupation. In addition there is a need for adult vocational training ~~system~~ to enable more of the unemployed to set up as independent artisans.

In the short run there will inevitably be a gap into which some form of an energetic Youth Service scheme should best step, (a beginning was made in 1969). The cost of a well designed scheme could be kept low since most of the youth affected would continue to rely on their families for day to day support. Such a scheme would aim to utilise the manpower of the unemployed and would also offer training courses. But it would have to be suited to the aptitudes and talents of the young unemployed since it must be recognised that conventional public works programmes are of limited relevance when dealing with ambitious and educated school leavers. It also follows that a Youth Service scheme could not in itself provide permanent jobs and that the successful elimination of unemployment depends vitally on the simultaneous pursuit of other policies.

The obvious temptation in Ceylon now is to introduce biases in favour of labour absorption which go further than compensating for the biases which work the other way. Fortunately there is scope for raising output and employment together and so avoiding these dangers. Greater support, for example, could be given to exports of manufactures which would create more high productivity jobs while considerable possibilities for intensifying peasant agricultural production and raising incomes still exist.

REPORT ON THE CAMBRIDGE UNIVERSITY CONFERENCE ON
"EMPLOYMENT PROSPECTS FOR THE 1970'S"

September 13-24, 1970

by

Carl K. Eicher

Overseas Liaison Committee

I. INTRODUCTION

The Cambridge University Conference was attended by about 130 participants from 30 countries. The conference was financed by the UK's Overseas Development Ministry and hosted by Jesus College, Cambridge University.

The objectives of the conference were to discuss prospects for employment in the 1970's in light of the crisis of unemployment in many developing countries.

II. THE ILO'S RECENT REPORT ON EMPLOYMENT IN COLOMBIA¹

Since the ILO's recent report on unemployment in Colombia indirectly dominated the Cambridge conference, I shall bring out the findings of the report.

The ILO sent a 27-member mission to Colombia in 1970 to diagnose the causes of unemployment and make policy recommendations to the government. The ILO team was headed by Dudley Seers, Institute of Development Studies, Sussex. Mr. Seers presented a report on the Colombian mission on the first day of the Cambridge conference and boldly asserted that Per Capita GNP should be "dethroned" as the central target in planning. This theme, unfortunately, reappeared throughout the conference and prevented the discussion from moving to a more careful analysis of the causes of unemployment under varying social, political and ideological circumstances and then on to policy guidelines for generating more jobs in developing countries.

A. The main findings of the ILO Employment Team in Colombia were:

1. The planning system over the past twenty years has made good progress in helping increase the rate of growth of per capita GNP.
2. The planning process paid little attention to education and training needs and was cautious on key issues of income distribution and land reform.
3. Income distribution is a key major constraint on job creation in Colombia.
4. Land tenure is at the heart of the rural problem and a central constraint on job creation in agriculture.

¹ ILO, *Towards Full Employment: A Programme for Colombia Prepared by an Inter-Agency Team Organized by the ILO*, Geneva, July, 1970. Available from the ILO office, Washington, D.C., \$4.00

5. A new approach to planning is needed—"employment becomes the target and overall growth the by-product, rather than the other way around."
6. Agriculture and secondary industry must play leading roles in a total economy employment strategy.
7. "It will be impossible to solve the unemployment problem unless the rural economy and more specifically the agricultural sector becomes more dynamic." The rate of growth of agricultural output will have to be stepped up from between 3 and 4 to between 5 and 6 percent a year.

The ILO report on measures to achieve employment generation in the Colombian economy contains *no* reference in its 471 pages to an overall growth rate of per capita GNP which Colombia should try to achieve in the 1970's. The ILO team stressed the need to set full employment as a target for 1980 rather than stressing per capita GNP as a target for the 1970's. However, in subsequent discussion Seers pointed out that full employment could only be achieved in a growing economy. Seers admitted that if the ILO policy proposals were implemented the growth of the Colombian economy would probably increase from its present rate of 4.5 percent per year to around 8 percent per year. Thus, full employment would be generated in the course of a rapidly growing economy. Unfortunately, conference participants picked up Seers' suggestion of "dethroning" GNP and became bogged down in a debate over whether GNP should be dethroned as *the* central target of planning. A careful review of the ILO report on Colombia reveals that the key question is what cluster of policies and institutional reforms are necessary to correct some of the more glaring distortions in the economy, how can political support be mobilized to bring about the structural changes—e.g., land reform—and how can a coherent process be set in motion to secure overseas aid and private investment compatible with a direct attack on employment problems.

III. SUMMARY OF FIFTEEN MAJOR PAPERS PRESENTED AT THE CAMBRIDGE CONFERENCE

Head I—Dimensions of the Employment Problem

PAPER 1. David Morse, former Director General, ILO, "Dimensions of the Employment Problem in Developing Countries"

- a. Open and disguised unemployment represent a waste of some 25–30 percent of their total labor potential in developing countries.
- b. Employment must take its place, alongside the GNP—and of equal prominence—as a central object of concern in development planning and an essential criterion in the examination of progress in development.

PAPER 2. K. N. Raj, Vice Chancellor, University of Delhi, "Employment Plans, Performance and Future Prospects in India"

On the basis of detailed analysis of the Indian data available for the 1950-69 period I conclude that:

- a. No clear evidence that the number of chronically unemployed has been growing or that the intensity of employment has been declining with each successive Five-Year Plan. Such data as are available for the first half of the sixties suggest that there was perhaps some improvement in the employment position during this period both in the rural and urban sectors of the economy.
- b. The urban employment situation has clearly deteriorated since 1966, reflecting the recession in the economy sparked off by the agricultural drought in 1965 and 1966.
- c. Since about one-third of the urban unemployment appears to have been from the "education" segment of the urban labor force in the late sixties, there is a distinct possibility of the number of unemployed among this category growing into explosive dimensions.

PAPER 3. Dharam, P. Ghai, Director of Economic Research, Institute for Development Studies, University of Nairobi, "Employment Performance, Prospects and Policies in Kenya"

- a. Urban unemployment in Kenya is probably well in excess of 15 percent.
- b. Nearly 80 percent of the additional labor force will have to be absorbed in the traditional sector.
- c. During the first plan-1964-1969-the policies adopted to stimulate employment were of an *ad hoc* nature. A more coherent strategy for employment creation in the Second Plan includes: (1) acceleration in the rate of growth of output, (2) a comprehensive income policy and (3) an intensified programme of integrated rural development.
- d. In June 1970 the government announced another tripartite agreement under which both the government and the private firms would be required to increase their labor force by 10 percent. A policy of wage restraint is an integral part of the agreement.

PAPER 4. B. H. Pollitt, "Employment Plans, Performance and Future Prospects in Cuba"

- a. Data are inaccurate; it is difficult to make any generalizations about employment problems in Cuba.
- b. It has been relatively simple to import tractors and machinery for producing sugar; it has been difficult to import mechanized equipment to speed up harvesting.

cf. Todorov

- c. Severe organization and administrative problems are at the heart of Cuba's agricultural development. Examples include large agricultural investments which are made on the basis of limited factual data and the search for the technological "super-weapons."

The author contends that the massive investment in educating young Cubans will pay large social dividends in the 1970's.

PAPER 5. Richard Jolley, "Rural Urban Migration: Dimensions, Causes, Issues and Policies"

- a. The author concludes that economic factors are the predominant cause, but not necessarily the only cause of migration.
- b. The author contends that rural to urban migration is excessive (relative to job migration) in many developing countries and then an adequate solution to employment problems requires nothing less than an overall employment plan for the whole country. However, the author wisely notes that an "adequate" plan will not be forthcoming in most LDCs on account of lack of data, etc. Even if adequate plans could be prepared I think the author places too much emphasis on how adequate plans can solve problems. Some mention should have been made of countries growing rapidly without formal development plans.
- c. Cuba is one of the few countries which has reversed the rural to urban migration cycle. In fact, the proportion of the population living in the rural areas has, it seems, risen by a percentage point or so since the revolution.
- d. Improvement in agricultural incomes is a *sine qua non* component of any strategy of dealing with employment problems in developing countries.
- e. A two-year period of rural service for civil servants can perhaps be linked to measures to raise rural incomes as additional professional workers in rural areas could be a vital component of a policy of giving priority to the rural sector.

Head II—Strategy: Objectives and Choices

PAPER 6. Frances Stewart and Paul Streeten, "Conflicts Between Output and Employment Objectives"

- a. On examination the possible conflicts between employment maximization and growth appear more complex than might be supposed from the frequently repeated assertion that we must sacrifice output in order to expand employment.
- b. Any conflict arising between employment and output objectives is thus likely to be a question of different preferences for an entire time profile of output and employment, with the preferred output path being associated with a rejected employment path.

PAPER 7. Elliot Berg, "Wages Policy and Employment in Less-Developed Countries"

- a. The need for faster growth rates of both output and employment in many LDCs has generated many proposals for restraining wage increases. Berg considered some of the implications of several specific wage guidelines such as the linking of unskilled urban wages more closely to agricultural incomes, and the reduction of differentials for skill and education.
- b. Berg contends that numerous advantages of wage restraint include the slowing of rural to urban migration. However, there are strong trade union pressures for wage increases in many LDCs. However, wage restraint—even if it were followed—is limited by its close dependence on other economic and social policies as "wage restraint can have some impact on employment absorption and output growth in the 1970's but only as one element in a consistent set of policies. . ."
- c. The Berg paper was strongly opposed by many delegates—especially the trade union representatives. Berg's proposal for linking the average unskilled wage in the urban sector to average agricultural wages was taken out of context and strongly criticized. However, Berg's paper is a valuable addition to the literature as it cogently argues against the ILO thesis—until recently—that a high urban wage policy is justified because urban workers are "entitled" to a fair wage. Berg attempted to go beyond this simplistic argument and argue that such ILO policies may have been counter-productive from the point of view of the total society in many LDCs.

PAPER 8. David Turnham, "Political and Social Aspects of Employment Policies and Choices"

- a. A tedious paper which asserts that the underemployed in rural areas hold little political power to press for policies to expand rural employment in agriculture. The author asserts that the openly unemployed in urban areas are likely to possess political power and exert pressure on the government to come forth with more jobs.

Head III—Policies for Rural Employment

PAPER 9. Guy Hunter, "Methods of Rural Development"

- a. Mr. Hunter argues that the solution to unemployment problems in many LDCs should be sought in agriculture. Mr. Hunter advances six propositions on the topic of rural development which he will test in his forthcoming research.

PAPER 10. E. F. Schumacher, "Employment Possibilities of Different Types of Technological and Structural Innovations"

- a. Mr. Schumacher coined the term "intermediate technology" some four years ago and has succeeded in getting ODM (the UK aid agency) to finance the work of a small staff in London called the Intermediate Technology Group.
- b. The author recommends setting up a Development Industries Extension Service (DIES) in many LDCs in order to promote intermediate technology. In fact the author is such a firm believer in a DIES that he asserts that "without a DIES, there is no reasonable chance for the developing countries to arrest, let alone reverse, the trend towards a dual society, oppressed by mass unemployment and rural stagnation, if not decay." (p. 9)
- c. Unfortunately the intermediate technology group was not taken seriously by delegates. Unless the intermediate technology group moves beyond assertions they will most likely fade away in a few years.

Head IV—Policies for Urban Employment

PAPER 11. George Foggon, "Have Employment Exchanges a Role in Developing Countries?"

- a. The author answers the question raised in the topic of his paper with a qualified "yes." He outlines how labor exchanges in developing countries could be made more responsive to the development needs of the countries.

PAPER 12. Dennis Akumu, "The Role of Trade Unions in Influencing and Determining Urban Employment Policies in a Developing Country"

- a. A well argued paper which contends that "the trade union movement in developing nations must involve themselves in every aspect of the nation's economic life."

PAPER 13. T. M. Yesufu, "Social and Economic Policies for Alleviating Urban Unemployment"

- a. Employment creation—in light of massive unemployment in LDCs—must be in the forefront of development objectives.
- b. The policy and strategy of development and employment creation should aim at a solid foundation of improved agriculture, agro-based and agro-oriented industries using intermediate technology and small-scale industries and services.

Head V—International Policies and Their Effect on Employment

PAPER 14. G. Chandler, "The Effect of the Flow of Private Sector Finance on Employment in Less-Developed Countries"

- a. The prime justification of private overseas investment (p.o.i.) lies in its contribution as an effective promoter of economic growth. This should continue to be regarded as its *main* role.
- b. The contribution of P.O.I. in the effective transfer of technical and managerial skills should be maximized.
- c. P.O.I. must be compatible with national policy. However, the type of technology, the degree of skill and the level of employment it brings is likely to be inherent in the industry rather than its source of investment.

PAPER 15. Hans Singer, "International Policies and Their Effect on Employment"

- a. Although difficult to quantify the author feels confident that the percent of unemployed in industrial/urban sectors is between 25–30 percent in many LDCs.
- b. The possible contribution of rich/poor countries relations to LDC employment can be analyzed under the headings of (1) trade, (2) aid, (3) private investment, (4) science and technology, and (5) international liquidity.
- c. Trade has the potential of allowing many LDCs to seek an outlet for their abundant labor through trade. Unfortunately there are many trade barriers which constrain trade between LDCs and DCS.
- d. Research is needed to identify the types of industries which are particularly labor intensive. Larry of the NBER has found that labor intensive products in the U.S. include: apparel and related products; leather and leather products; lumber and wood products; textile mill products; furniture and fixtures; rubber and plastic products.
- e. How can the AID/employment ratio be improved? Measures include:
 - (1) Allocate aid to local costs—perhaps as a fixed percentage.
 - (2) Increase aid to expand, repair or maintain existing projects.
 - (3) Public works.
- f. Private foreign investment has a built in bias towards a small but well paid labor force. Much attention should be directed to how the employment content of private foreign investment can be increased.

g. Science and Technology—the richer countries have less than one-third of the world's population and account for about 99 percent of the world's scientific and technological innovation.

h. Singer's paper was an important contribution to the conference.

IV. *RESPONSE OF DELEGATES TO THE FIFTEEN PAPERS*

Over the eleven days the debate centered on policy questions even though there was a dearth of empirical data. The lack of factual information plus the sparse representation from Latin America and the large number of labor leaders and labor commissioners prevented a careful diagnosis of the causes of the problems in different areas of the world. As a result many delegates left the conference with a feeling that the basic issues had not been debated.

One of the recurring themes of the debate was the relationship between output and employment. For example, the chairman repeatedly asked the delegates to comment on whether GNP should be dethroned and employment generation become the central target in planning. However, one African summed up this matter by noting that rarely does a country have the freedom to pursue one target. For example, he noted that presently the UK was trying to cope with inflation, balance of payments problems, geographical income disparities, etc. This view sums up the dilemma very well. Only an academic can try to force the debate—either GNP or employment—rather than realizing that in practice a blend of targets will have to be considered and these targets will have to be adjusted over time.

The conference did agree that reliance on output expansion would not solve many unemployment problems and that single-minded economists who promoted high growth rate plans should recognize that unemployment remains high in many countries—Kenya, Jamaica, etc.—which have achieved GNP growth rates of 6–8 percent over the past ten years.

The conference produced a major split over the causes and solutions to employment problems. One group of delegates—the structuralists—argued that the monopolistic land tenure patterns, dominance of foreign private firms in LDCs, etc., require changes in the structure of the economy and are a prerequisite for employment generation. Another group of delegates argued that there is substantial scope for employment generation provided that the distortions or biases in the economy are corrected. Such distortions included trade union pressures which elevate money wages above the real cost to society of employing labor, subsidies for using capital-intensive technology, and the capital bias of technology—particularly mechanical technology—which is exported from developed to developing countries. Representatives from ODM argued that these distortions were often underplayed by representatives of developing countries and that there is substantial scope for employment generation in many countries if the countries improve their own policies to remove these biases and distortions. Parenthetically, it should be noted that the thrust

of *Employment Generation in African Agriculture* lies in the significant scope for generating employment in African agriculture through the elimination or reduction in the distortions in the economies.¹

There was an impasse among delegates between the structural and distortion approaches without realizing, in my judgment, that a combination of approaches will often be needed to generate employment in many countries. For example, in the ILO report on Colombia² major attention is directed to overcoming land tenure problems (structural changes) as well as correcting capital investment allowances (distortions) which offer incentives for firms to replace labor with machines.

On family planning, the conference was disappointedly quiet. In fact, the chairman refused to entertain a proposal that family planning should be included in the list of recommendations emerging from the conference. The chairman claimed that family planning was not an appropriate agenda item because the title of the conference was restricted to employment problems in the 1970's and since family planning would reduce the supply of labor until the 1980's (the newcomers to the labor force over the 1970-85 period were already born) there was no reason to discuss family planning. The inability of the conference to examine some of the connections between population growth to employment problems was a major shortcoming of the conference.

The Intermediate Technology Group was formed in the UK about four years ago by Mr. Schumacher as an organization to further the research and the exchange of information on intermediate technology. ODM is helping to finance the work of the Intermediate Technology Group. Unfortunately, the Intermediate Technology Group has relied on slogans and does not seem to have advanced any cogent analysis of the relationships between intermediate technology and employment.

The conference devoted considerable time to an analysis of the determinants of migration. Numerous members of the conference rejected the Todaro model of migration which introduces the probability of finding a job as a major determinant of migration under circumstances where there are positive earnings in agriculture and open unemployment in the urban areas. Although many discussants criticized the Todaro model it was generally agreed that "in spite of these criticisms, the development of a systematic if simple framework for analysis is a great step forward, since it makes possible the rigorous investigation of the quantitative importance of different factors influencing the overall rates of migration" (Jolly Paper, No. 5).

Unfortunately the delegates from trade unions, labor exchanges and labor commissions rejected the possibility that a high urban wage policy may stimulate rural to urban migration. Obviously much more research is needed on migration in developing countries; the Todaro model, in my judgment, provides a very useful starting point in

¹ Carl K. Eicher, et al., *Employment Generation in African Agriculture*, East Lansing: Michigan State University, Institute of International Agriculture, July 1970.

² *op. cit.*

such research. The Todaro model is not meant to guide policy at this point in time. It should be a stimulus to collect data in order to test the model in countries at different stages of development.

V. SUMMARY

1. **The Meaning of Development.** The conference served to remind delegates that we seriously need to reexamine our assumptions about the meaning of development and the indicators which have been used to measure development over the past two decades. External donors are remarkably silent on this issue and perhaps are unduly wedded to the conventional wisdom of the 1960's. For example, the Pearson report promotes the target of six percent growth and the need for massive increases in capital aid from external donors. Although it is easy to counter the six percent target by contending that employment should be the central target of planning, it seems realistic that one of the key components in planning should be to insure work is generated for the masses "which is socially productive and yields enough income for a reasonable standard of living."¹ Tanzania is one of the few African countries with political leadership focused on how the masses can participate in the development process, how regional income inequalities can be tackled and how the educational system can be reoriented to the financial constraints and to the predominantly agrarian nature of the Tanzanian society. Unfortunately Tanzania refused to send a delegation to the Cambridge conference and the Tanzanian case was not discussed. Although there are many inconsistencies in Tanzania's Second Five-Year Plan (promotion of animal powered and tractor schemes by different Divisions within the Ministry of Agriculture) President Nyerere's introduction to the Second Plan is one of the most articulate statements that I have read on the meaning of development.
2. It was agreed that slowing of population growth and devising more labor intensive technology were long-run solutions to the employment problems. In the short and intermediate run the reliance on output expansion will be an inappropriate method of coping with employment problems in many developing countries. Singer has estimated that population is now growing at three percent per year in developing countries as compared with a one percent growth rate in western Europe at the end of the 19th century. Also, Singer estimates that it costs three times as much as it did in 1900 to create one job. Hence, he estimates that it now costs nine times more to create jobs as it did in 1900.
3. The question of whether structural change or correcting distortions is *the* solution to employment problems is a vast oversimplification of reality. Distortions are often "swept under the rug" by

¹ ILO Report on Colombia, *op. cit.*, p. 15.

planners in developing countries. There are substantial opportunities for labor absorption through the correction of distortions—particularly in countries which have a fairly equitable system of land tenure—e.g., much of tropical Africa. However, the correction of distortions in many countries will be insufficient. For example, in Ecuador it is estimated that four percent of the population own 60 percent of the land. The correction of distortions will likely produce token scope for labor absorption in such an economy.

In real world situations both the removal of distortions and structural changes will be required. Whether political support for structural changes will be present is a matter which must be analyzed from country to country and time period to time period.

4. Even though the conference recommended moving away from reliance on output expansion as a means of solving employment problems it was acknowledged that a growing economy was an important method of absorbing labor. However, unequal income distribution in many developing countries casts serious doubt on output expansion as the overriding target in planning. More research is needed on the identification of rural-urban income inequalities and geographic and ethnic income inequalities within agriculture. Conventional government programs to expand output in agriculture are unlikely to affect the bottom one-third of the rural population. Under these circumstances government action may have to be placed on measures—rural public works—which directly assist the bottom one-fourth to one-third of the population.
5. There is token indigeneous research to guide social and economic policies in Africa. Topics such as migration, the creation of technology to match local factor endowments, attitudes to family planning in rural areas, micro level studies of major crop and livestock producing areas, etc., are receiving token attention by *African* researchers. There are few, if any, African sociologists, for example, who are actively advising an African government on matters of unemployment. Research on economic and social policy—employment, income distribution, urbanizations, etc.—is obviously an extremely high priority research topic for Africans and for donor agencies.

A13

EMPLOYMENT PROBLEMS AND PROSPECTS

1. Magnitude of the Problem

Urban Unemployment

A growing body of data indicate alarmingly high rates of open unemployment (ranging as high as 20 percent) in the major cities of LDCs. Among the 28 USAID - recipient countries shown in Table D-1 twenty-three have experienced open urban unemployment rates above 5 percent. These include Colombia (Bogota), Ghana, and Indonesia, with recent urban unemployment rates of 16, 12, and 8 $\frac{1}{2}$ percent, respectively.

Moreover, some of available time series suggest that if recent trends continue, urban unemployment rates in the seventies will increase, on average, by half a percentage point per year in such countries as Chile, Panama, and the Philippines (calculated from Table D-2). Of special interest are predictions in the FY 1972 Country Field Submissions for Colombia and Morocco. The former predicts an increase in open urban unemployment from 13 percent in 1969 to over 15 percent in 1972. The latter concludes that even if 1968-1972 development plan targets are met, unemployment will increase by 25 percent from present levels. Another estimate, based on urban unemployment data from 14 LDCs, predicts an increase of almost 75 percent in LDC unemployment rates from 1970 to 1980.¹

"Open" or "full-time" unemployment is only part of the urban employment problem. "Under-employment" in low income activities is growing rapidly in urban marginal services (for example, in Latin America, the economically active population in the latter category is estimated to be growing almost three times as fast as in basic services, government, and trade).²

Rural Unemployment

In contrast, rates of open unemployment are significantly lower in the rural sector. Only 5 out of 13 countries for which data are available showed levels of rural unemployment above 5 percent (see Table D-1). These include Jamaica, Malaysia and the Philippines with

1/ See also Hans W. Singer, "Brief Note on Unemployment Rates in Developing Countries," Manpower and Unemployment Research in Africa, April, 1970, pp. 1-3.

2/ See United Nations, Economic Survey of Latin America, 1966, p. 31.

rates of 12.4, 7.4 and 6.9 percent, respectively. These rates give no indication, however, of the extent of underemployment in the countryside. Survey data indicate that 10.7 percent of males and 17.5 percent of females in the rural labor force in Ceylon worked less than 20 hours a week in 1968. In India 41.2 percent of the rural labor force worked less than full time in 1958/59. The figure for the Philippines was 30.4 for the male rural labor force.^{3/}

Taken together, total unemployment and under-employment in LDCs represent a glaring waste of their most abundant resource.

Underlying Factors

Underlying this "unemployment explosion" is the recent "population explosion." But family planning is a long run employment policy since changes in population growth affect labor force growth with a 15 year time lag. For LDCs as a whole, the average annual rate of labor force growth is expected to increase from 1.7 percent in the 1950-1965 period to 2.3 percent during 1970-1980 (in contrast to a decline from 1.1 to 1.0 percent in developed countries).^{4/} The acceleration is sharpest in North Africa where the rate of annual labor force growth is expected to more than double (from 1.1 to 2.6 percent). In the densely populated areas of "Middle South Asia" (including Ceylon, India and Pakistan), substantial acceleration is also expected (from 1.4 to 2.0 percent). Even where labor force growth is already high, such as in "Tropical South America," further acceleration is expected (from 2.7 to 3.0 percent).

^{3/} David Turnham, The Employment Problem in Less Developed Countries: A Review of Evidence (Paris: OECD, June, 1970), p. 77.

^{4/} Labor force data are derived from data given in J. N. Ypsilantis, "World and Regional Estimates and Projections of Labour Force," ISLEP/A/VII.4/Add.1, 1966 (mimeo), as reported in David Turnham, op. cit., p. 34.

Rates of population increase have universally been substantially higher in urban areas than in rural areas (7 versus 0.5 percent in Colombia, for example), and large cities have grown more rapidly than small cities (see Tables D-3 and 4). These phenomena reflect both high rates of natural increase in urban population and high rates of rural-urban migration.^{5/}

But industrial employment growth has typically lagged behind urban population growth (see Table D-3). Consequently, the services sector has played an important role in absorbing the urban labor force. And as labor force growth continues to accelerate, an increasing proportion of its urban component will probably become unemployed or underemployed in marginal services.

Employment is not however, a strictly urban problem. Changes in agricultural employment opportunities obviously affect rural-urban migration and urban unemployment. It is typical for 50 percent or more of the population to be rural (reaching 85 percent in the case of Indonesia) and for agriculture to account for similarly high shares of the labor force. The agricultural share of total production is also substantial (above 50 percent in Nigeria and India) despite the low productivity which characterizes LDC agriculture (see Table D-5).

Even if urban employment increases at the high rate of $4\frac{1}{2}$ percent a year in a country with 80 percent of its labor force still in agriculture (such as Nigeria) and its total labor force growing at an annual rate of 3 percent, it will take 50 years to reduce the proportion in agriculture to 60 percent. In the meantime, the absolute size of the agricultural labor force would have increased threefold! ✓ Thus, employment policies for most LDCs will have to be designed for both the urban and rural sectors.

^{5/} That migration should continue in the face of substantial urban unemployment has been attributed to a continuing, extremely large income differential (as high as 300 or 400 percent) between rural and unskilled urban wage labor. Other attractions of the urban environment have been cited as well. See Turnham, op. cit., pp. 97-105, 152-159.

2. Policy Options

The major alternatives for addressing the problem are correction of price distortions, possible subsidization of employment, increased public works, the decentralization of growth, and agrarian reform. All have been talked about often -- few have been tried on a sustained basis.

A fundamental difficulty in obtaining labor-intensive LDC industrial investment is the relatively cheap cost of capital and the relatively high cost of labor in capital-scarce, labor-abundant countries. There is considerable evidence that capital costs are heavily subsidized in the form of overvalued currencies which lower the cost of imported equipment, preferential or zero tariffs for capital equipment, fixed rates of interest at unrealistically low levels for loans on capital equipment, and special incentives, such as tax holidays or rapid depreciation write-offs, given to investment in capital equipment.^{6/} Capital-intensive production is also encouraged by bank discrimination in favor of large over small-scale industrial enterprises in the granting of credit.

Labor costs are kept artificially high through trade union and government actions on wages without offsetting programs to increase productivity. The result is to check employment growth, encourage capital-intensive techniques and stimulate rural-urban migration.

LDC governments and donor institutions have only begun to recognize the importance of these price distortions for LDC employment growth. To date there has been little empirical study of the employment effects of actual attempts to reduce these price distortions.

Casual empirical observation suggests that some Asian countries which have implemented exchange reform, import liberalization, and/or interest rate and credit reform policies in recent years have also manifested relatively rapid rates of growth of industrial employment (see Korea, Pakistan, and Turkey in Table D-3). These policies have had a positive impact on employment directly by increasing the price of capital relative to labor, and by stimulating exports, import substitution, and domestic and foreign saving. The Philippines, however, manifests a relatively slow rate of industrial employment growth and

^{6/}Some of these distortions are explicitly recognized in the FY 1972 Country Field Submissions of Colombia, India and Turkey. Further discussion and evidence may be found in Turnham, op. cit., pp. 137-8.

persistent high rates of urban unemployment, despite exchange reform and import liberalization during the early sixties. This poor employment performance has been attributed by one observer to "effective minimum wage legislation" and "incredibly low interest rates."^{7/}

A recent ILO study on Colombia explicitly notes the existence of such price distortions as fixed interest rates; preferential tariffs for capital goods imports; the existence of high wage differentials between organized workers in government and large-scale industry, on the one hand, and those in small-scale enterprises and agriculture, on the other; and labor legislation which encourages overtime and discourages employment by requiring high separation payments. It calls for elimination of subsidized imported capital and for a Presidential commission to look at questions of wage policy and labor legislation.^{8/} The report of Raul Prebisch to the IDB also stresses the growing employment problem and identifies many of the same underlying factors.^{9/}

In agriculture, major interest centers on the employment effect of the new high-yielding varieties (HYV) of wheat and rice. While their adoption is still somewhat limited (see Table D-7) it is already apparent that the employment effects are likely to be determined mainly by the nature of government policies affecting the process, since either capital intensive techniques (large scale mechanization) or labor intensive approaches can be adopted.

According to Lester Brown ... "Wherever data are available, they indicate that an acre planted to the new seeds requires more labor than an acre planted to the traditional ones."^{10/} The possibilities for multiple cropping resulting from the HYV shorter maturity time

^{7/}Jeffrey G. Williamson, "Relative Price Changes, Adjustment Dynamics and Productivity Growth: The Case of Philippine Manufacturing," Center for Economic Development and International Economics, Social Systems Research Institute, University of Wisconsin (EDIE 6913, n.d.), p. 11, and "Dimensions of Post-war Philippine Economic Progress", Quarterly Journal of Economics, February, 1969, p. 107.

^{8/}Oficina Internacional del Trabajo, Hacia el Pleno Empleo (Spanish edition, Geneva, 1970), pp. 187-225

^{9/}Prebisch, R., Change and Development - Latin America's Great Task, IDB, July 1970

^{10/}Lester Brown, The Green Revolution, Employment and the Urban Crisis (mimeo), p. 3.

would enhance the year around employment potential of the new grains. The impact of mechanization shows quite different effects. Bose and Clark have calculated that tractorization of large farms in West Pakistan can reduce labor usage by as much as 50 percent per acre. It has also been suggested that the rapid increase in tractor mechanization and consequent displacement of labor in recent years has partly been the result of the underpricing of capital owing to an overvalued currency.^{11/}

Additional bias towards capital-intensive techniques results from the role played by international lending agencies in supporting mechanization. Loans are still proposed and granted that stimulate and subsidize large scale mechanization at the expense of labor absorption. Many, if not most, of these loans are directed to medium and large farmers who may find high levels of mechanization attractive not only from an economic standpoint but also from the political one of avoiding the difficulties of dealing with large labor aggregates on their farms. Examples include the IBRD loans for tractors in the Punjab and Gujirat states, A.I.D.'s Shashemene loan, and a proposed agricultural inputs loan (large tractors) to the Dominican Republic. Pressures arising from the rural labor sector that push the price of labor upward further emphasize any trends towards mechanization. As a result of larger crops, seasonal labor shortages and higher wage rates may result. In the Punjab ...

The trouble did not start until last August when the Harijans -- the Untouchables -- wanted five rupees for a day's labor and we farmers who owned the land would only give them four. They used to get two in the old days. At harvest time neither the farmers nor the Harijans could agree to a fixed rate for cutting weed /sic/ ... One of my neighbors bought the first tractor in 1962; there are 16 in the village now and more on order.^{12/}

^{11/}S.R. Bose and E.H. Clarke, II, "Some Basic Consideration on Agricultural Mechanization in West Pakistan," Pakistan Development Review, Autumn 1969, p. 296, and H. Kaneda, "Economic Implications of the 'Green Revolution' and the Strategy of Agricultural Development in West Pakistan," Pakistan Development Review, Summer 1969, p. 130. It should be noted that these studies refer both to wheat and rice (in irrigated areas).

^{12/}Richard Critchfield, "The Green Revolution and the Spectre of Urban Revolt", The Sunday Star, Washington, D. C., August 2, 1970

The danger does not lie in the use of equipment but in the provision of machinery in countries where no general policy on mechanization exists. Depending on the climate, soil and crop timing some mechanized equipment is essential in various stages of the production process but without careful analysis the pressures will lead to undifferentiated provision of sophisticated equipment.

Subsidization of Employment

The beauty of a policy aimed at eliminating obvious price distortions is that the resulting improved allocation of resources will result in increased output as well as employment. But some would argue that as long as substantial unemployment persists, pricing policies should be biased in a labor-intensive direction. This could be accomplished, for example, by granting subsidies to enterprises or farmers for expanding employment, by granting small scale firms preference in access to credit, or, at the extreme, prohibiting the purchase of capital equipment unless its use lowers the cost of production even when labor is assigned a "shadow price" of zero. These policies may be difficult to administer but perhaps not more so than the plethora of tax benefits on capital. However, a first objective should be to eliminate obvious factor price distortions.^{13/}

¹³Examples have, however, been cited in a variety of industries (construction, shoes, bakeries, ceramics) where, even at prevailing prices for capital and labor, less efficient (in terms of output per unit of capital) capital intensive techniques have been chosen over more efficient labor intensive techniques. Since factor prices are not a consideration here, the inference drawn is that the capital-intensive technique must have been chosen on the basis of ignorance or a penchant for the most modern technology and that the solution is to promote and disseminate information about efficient, labor intensive techniques. One must be careful, however, in coming to such conclusions. The capital-intensive technique may be rationally justified to the extent it is, for example, viewed as more dependable than labor or as insurance against future wage increases.

See K. Marsden, Progressive Technologies for Developing Countries, ILO (Geneva, 1969) MER/WEP. 1969(5), mimeo. Also, W. P. Strassmann, Construction Productivity and Employment in Developing Countries, ILO (Geneva, 1969) MER/WEP. 1969(11), mimeo.

Public Works

In cities where urban unemployment is a critical political and social problem, it may be expedient to commence labor-intensive urban public works programs in sanitation, streets, housing, etc. It should be recognized, however, that complimentary inputs as well as wage costs of such a program may create serious fiscal problems and a diversion of resources from other projects with perhaps greater (or more rapid) monetary returns. The desirability of these programs depends largely on political and social objectives and judgments.

At any rate, the FY 1972 Country Field Submissions for both India and Morocco note that the unemployment problem is so critical in cities such as Calcutta, Casablanca and Rabat that pressures are increasing for labor-intensive urban public works. Such projects as housing, clinics, schools and parks are envisioned by the Promotion National program in Morocco.

One danger in urban public works programs is that they may attract an even greater stream of rural migrants. This highlights once again the importance of employment policies designed for the agricultural sector.

Rural public works programs create employment and income in rural areas, can be used to decentralize the political process and may serve to retard urban migration. The Comilla Thana irrigation program in East Pakistan has been considered successful in promoting rapid output and income growth while checking unemployment. But it has required close and careful management. The proposed extension of the program to the entire East Wing will involve administrative and fiscal demands which may prove difficult to meet.

The production increases resulting from the Green Revolution may enhance the economic feasibility of public works programs both in the rural and urban sectors. The policy options suggested by these developments are clearly indicated by Falcon:

What has been seriously underestimated, I believe, is the investment and employment uses to which wheat and rice, the wage goods, can be put ... with significant increases in production, foodgrain prices in a closed economy would fall ... With adequate stocks of grain, the government can have a much more expansionary fiscal and monetary policy ... directed toward labor intensive public projects ... (this would

also) shift the demand curve for grains, helping to counteract some of the decline in prices (thus further stimulating increases in production).^{14/}

The administrative feasibility of such an approach has been tested successfully in Morocco and Tunisia where PL 480 commodities have been used as wage goods to partially finance a large rural public works program. Started in 1961, the Moroccan program had provided, by 1965, 200 days of employment per year to 64,000 men in developing rural infrastructure.^{15/}

In the short run such a solution could also take care of small farmers and tenants who may be bypassed by the Green Revolution. In the longer run, however, massive rural public works are not a sole and permanent solution to rural population pressures and land tenure problems.

Decentralized Growth

One way to check rural migration to large cities is to divert it through employment creation in market towns and small cities. Colombia is considering such a decentralization of its growth pattern as one means of coping with urban unemployment (see FY 1972 CFS, Annex G, which discusses a proposed urban sector loan directed to selected medium-sized but "dynamic" cities.) Again, the resource costs involved in such a shift must be weighed against the expected benefits.

Agrarian Reform

"The size of farm operating units in agriculture is a basic determinant in the development of a labor intensive agriculture."^{16/}

Data from India, Chile and the United States reveal that small farm units utilize more labor per unit of land.^{17/} Moreover, data from Brazil, Colombia, India and the Philippines indicate that

^{14/}W.Falcon, The Green Revolution: Generations of Problems, (mimeo) 1970, pp. 19-20

^{15/}Floyd L. Corty, Analysis of PL 480 - Assistance to Morocco, (USAID/Morocco 1966), pp. 44-46

^{16/}P. Dorner and D. Kanel, "The Economic Case for Land Reform", AID Spring Review on Land Reform, 1970

^{17/}Ibid, p. 16

output per hectare is consistently larger in the smallest farm group.^{18/} Land reform policies are usually aimed at creating a large layer of small and medium size farms. The cases of Taiwan and Japan are commonly cited as examples of small farm, highly productive, labor-intensive systems which developed partly as a result of land reforms. Thus, employment and output maximization need not be inconsistent in agriculture.

Other Policies

Nearly all social and economic policies affect present and future employment problems. Population and education policies are obvious long-term determinants; government employment policies and factory operations regulations are shorter term in nature.

While it may be possible to manipulate other policies and practices to maximize employment and reduce urban concentration, knowledge of the institutional factors is scanty. Unless the various aspects of the problem are better understood, neither LDC decision makers nor those in aid institutions will be able to design programs to ameliorate the problem. Operationally oriented research and pilot programs are urgently needed.

Summary

Several considerations implicit in the above deserve emphasis:

-- Employment maximization, particularly at undistorted factor prices, should imply an increase and not a reduction in output growth.

-- In the present employment crisis, industry can no longer be viewed as the inevitable absorber of a labor "surplus" in agriculture. It simply does not.

-- The "green revolution" and appropriate factor pricing policies, judicious agrarian reform, and careful regional planning furnish an opportunity to provide productive, remunerative employment in agriculture and to check the flow to the cities. This, in turn, will reduce demands on limited supplies of capital to finance urban infrastructure.

^{18/}Dorner and Kanel, Ibid, pp. 24-28

-- The severity of the employment problem obliges all aid donors to take explicit account of the employment implications of the investment programs and policies they support as well as their own loans. Rather than simply providing project equipment on the basis of engineering studies employing existing IDC factor prices and DC technology, they should take account of the subsidized price of capital and the social benefits of additional employment of labor and should investigate alternative labor-intensive technologies.

-- A great deal of systematic, quantitative research into the nature of and possible policies for coping with the employment problem is required on a country-by-country and sector-by-sector basis. Several international organizations and university research centers are now devoting major research efforts to this problem. These include the Development Centre of the OECD, the ILO, the Economic Growth Center at Yale University, and the Department of Agricultural Economics at Cornell University (the latter two under A.I.D. contract). The OECD center envisions research on the employment problem in agriculture and on public works as an employment policy. It has already completed a review of the employment problem: David Turnham, The Employment Problem in Less Developed Countries: A Review of Evidence (Paris: OECD, June 1970). The ILO, as a part of its World Employment Program, has begun a series of case studies of the employment problem in selected IDC's: the first of these, on Colombia, has been completed and is cited above. The Yale program includes studies of various aspects of the employment problem in India, Colombia, Chile, Taiwan, and other countries.

Table D-1

RECENT OPEN URBAN UNEMPLOYMENT RATES,SELECTED LDC's (USAID RECIPIENTS)(from Sample Surveys unless noted otherwise)¹

<u>Country</u>	<u>Percent of Labor Force</u>	
	<u>Urban</u>	<u>Rural</u>
Morocco, 1960 (census)	20.5	5.4
Guyana, Georgetown, 1965 (census)	20.5	-----
Jamaica, Kingston, 1960 (census)	19.0	12.4
Colombia, Bogota, 1967	16.0	-----
Ceylon, 1968 (census)	14.8	10.4
Philippines, 1967	13.1	6.9
Uruguay, Montevideo, 1963 (census)	13.1	2.3
Korea, 1966	12.6	3.1 (1965)
Nigeria, "large towns", 1963 (population over 14)	12.6	-----
Ghana, "large towns", 1960 (census)	11.6	-----
Malaysia (West), 1967	11.6	7.4
Bolivia, La Paz, 1966	10.5	-----
Singapore, 1966	9.1	-----
Indonesia, 1961 (census)	8.5	-----
Panama, Panama City, 1966	8.4	2.8 (1967)
Venezuela, 1969	7.9	3.1 (1968)
Honduras, Tegucigalpa, 1961 (census)	7.8	3.4
Chile, Greater Santiago, 1969	7.1	2.0 (1968)
Tanzania, 1965	7.0	3.9
El Salvador, San Salvador, 1961 (census)	6.6	-----
Ecuador, Quito, 1962 (census)	5.7	-----
Costa Rica, San Jose, 1966/67	5.6	-----
Nicaragua, Managua, 1963	5.5	-----
Peru, Lima/Callao, 1967	4.2	-----
Brazil, Sao Paulo, 1968	4.1	-----
India, 1966/67 ^a	4.0	3.9 (1961/62)
Pakistan, 1969 ^b	3.7	-----
Thailand, Bangkok/Thonburi, 1966	2.8	-----

Source (unless otherwise noted): David Turnham, The Employment in Less Developed Countries: A Review of Evidence (Paris: OECD, 1970), pp. 74-77, 193-195, and 213-220.

^aIncludes adjustment for underestimation (see Turnham, op. cit., p. 201).

^bI.L.O. estimate as reported in USAID, Pakistan Country Field Submission, FY 1972, Annex III, Table L, (unclassified).

¹The mean and median rates of urban unemployment among the 28

Table D-1 continued

countries were 9.8 and 8.4%, respectively. It will be noted that Brazil, India and Pakistan are near the bottom of Table D-1 with urban unemployment rates of around 4%. These relatively low figures undoubtedly reflect differences in definition and survey methods among countries, hide higher unemployment rates in cities such as Calcutta, and, of course, do not include underemployment. They also hide important differences in the structure of urban unemployment. In India, for example, the rate of urban unemployment in 1960/61 among illiterates was 1.2 percent, whereas it was 7.0 percent for those with some secondary education. See David Turnham, op. cit., pp. 61-63.

Table D-2

Time Series of Open Urban Unemployment
Rates, Selected LDC's, Sample Survey Statistics

<u>Year</u>	<u>Per Cent of Labor Force</u>				
	<u>Chile</u> <u>(Santiago)</u>	<u>Colombia</u> <u>(Bogota)</u>	<u>Korea</u>	<u>Panama</u>	<u>Philippines</u>
1963	5.1	8.7	8.1	5.8	6.3
1964	5.3	7.2	7.7	7.4	6.4 ^{a/}
1965	5.4	8.8	7.4	7.6	7.1
1966	5.4	11.5 ^{b/}	7.1	5.1	7.1
1967	6.1	12.7	6.2	6.2	8.0
1968	6.0 ^{a/}	11.6	5.1	9.1	7.8 ^{a/}

Source: David Turnham, op. cit., Table 1, p. 56.

a/ Monthly dates different from those used elsewhere in series.

b/ Age 14 and over until 1965; age 10 and over thereafter.

Table D-3
ANNUAL RATES OF GROWTH OF
RURAL AND URBAN POPULATION AND
MANUFACTURING EMPLOYMENT,
SELECTED LDC's

<u>Country</u>	<u>Population</u>		<u>Urban</u>	<u>Employment</u>	
	<u>Period</u>	<u>Rural</u>		<u>Period</u>	<u>Manufacturing</u>
Brazil	1950-60	1.6	5.4	1953-63	1.8 ^f
Chile	1952-60	-0.1 ^a	4.1	1953-63	1.9 ^f
Colombia	1960-70 ^b	0.5	7.0	1959-68	1.0
Ghana	1960-70 ^c	1.5	5.9	-----	---
Guatemala	1950-64	2.0	5.3	1959-68	0.4
India	1960-70 ^d	2.1	3.6	1959-67	3.5
Korea	1955-60	2.0	5.6	1963-69	13.3
Pakistan	1951-61	1.8	4.6	-----	---
	1961-70 ^e	2.3	6.0	1959-67	4.5
Philippines	1948-60	2.3	5.0	1958-68	1.8
Turkey	1960-65	1.7	4.1	1959-68	7.6
Venezuela	1950-61	0.5	6.3	1961-68	3.0

Sources: Population Growth Rates from U.N., Compendium of Social Statistics, 1967, Series K, No. 3 (New York, 1968), Table 1. Exceptions noted below.

^aDecrease in rural population due in part to reclassification of non-agricultural rural areas.

^bColombian data calculated from USAID, Colombia Country Field Submission, FY 1972, Annex A, Table V. A.

^cUSAID Mission, Ghana.

Table D-3 continued

^d Indian data calculated from USAID, India Country Field Submission, FY 1972, Annex D, Table I-A.

^e Calculated from U.S. Bureau of Census projections reported in USAID, Pakistan Country Field Submission, FY 1972, Annex III, Table A.

Manufacturing employment growth rates calculated from I.L.O., Yearbook of Labour Statistics, 1969 (Geneva, 1970), Table 6-A; and U.N., Monthly Bulletin of Statistics.

^f The Growth of World Industry, 1925-1965, National Bureau of Economic Research (New York, 1967).

Table D-4

Annual Rates of Population Increase by Size
of Locality, Selected IDC's

	<u>100,000 and over</u>	<u>50,000- 99,999</u>	<u>20,000- 49,999</u>	<u>10,000- 19,999</u>	<u>under 10,000</u>
Brazil 1950-60	6.7	6.1	6.1	6.1	3.1
Chile 1952-60	4.3	6.0	5.8	-12.9	1.6
Colombia 1938-51	8.1	3.6	3.1	1.6	0.4
Ghana 1948-60	-----8.5-----		15.7	10.9	3.3
Guatemala 1950-64	3.7		-----2.3-----		
India 1951-61	4.1	2.5	5.1	5.4	1.6
Indonesia 1930-61	6.0		-----1.3-----		
Pakistan 1951-61	6.0	----	3.1	----	2.7
Philippines 1948-60	4.9	5.8	3.7	2.1	-0.4
Turkey 1955-60	6.7	9.9	4.5	a/	2.2
Venezuela 1950-61	9.0	10.9	5.1	4.7	0.7

Source: U.N., op. cit., Table 7.

a/ Population decreased to zero in this category.

Table D-5

The Role of Agriculture in Selected Countries

	<u>Population</u>			<u>Percent of Labor Force in Agriculture</u> (4)	<u>GDAP GDP Percent</u>
	<u>1969 Level</u> (1)	<u>Growth Rate 1966-1969</u>	<u>Percent Rural</u>		
Brazil	90.4	2.8	54	52	28
Colombia	20.5	3.2	48	47	29
India	540.3	2.5	82	73	54 (2)
Pakistan	128.4	2.7	87	69	47 (2)
Turkey	34.4	2.5	66	72	36 (2)
Indonesia	115.7	2.5	85	66	52 (3)
Ghana	8.6	2.7	77	56	n.a.
Nigeria (5)	52.8	2.7	84	80	56 (4)
Chile	9.4	1.9	32	28	8 (3)
Guatemala	5.2	2.8	66	65	27 (3)
Morocco	15.1	3.1	68	54	27 (4)
Korea	31.2	2.4	68	52	29 (3)
Mexico	48.9	3.5	47	47	15 (3)

(1) In millions

(4) 1966-67

(2) Includes forestry and fisheries

(5) AID - Economic growth trends PPC/SRD 1970

(3) 1968

Source: Mike Lerner - Economic Trends - SRP 1970

Table D-6

USE OF NEW GRAIN VARIETIES, SOUTH AND SOUTHEAST ASIARICE

Country	Total Rice Area 1968/69 (Thousand Acres)	Area of New Varieties 1966/67 (Thousand Acres)	Area of New Varieties 1968/69 (Thousand Acres)
Burma	12,297	#	470
Ceylon	1,637	-	17
India	91,344	2,142	6,500
Indonesia	20,950	-	416
Laos	1,550	#	4
Malaysia (West)	1,182	104	225
Nepal	-	-	105
Pakistan (East)	21,212	#	300
Pakistan (West)	3,743	10	761
Philippines	7,904	204	2,592
Vietnam (South)	5,528	-	109
Total	167,347	2,460	11,499

WHEAT

	Total Wheat Area 1968/69	Area of New Varieties 1966/67	Area of New Varieties 1968/69
Afghanistan	5,500	4	300
India	39,432	1,278	10,000
Iran	4,925	-	25
Lebanon	151	-	1
Nepal	371	16	133
Pakistan	14,977	250	6,020
Turkey	20,015	1	1,780
Total	85,371	1,549	18,259

Less than 1,000 acres

Source: Walter Falcon, The Green Revolution: Generations of Problems,
AAEA Meetings - 1970 - (mimeo), p. 3.



Office Memorandum

TO : The Managing Director

DATE: April 15, 1971

FROM : Ernest Sture

SUBJECT : Ouchy - Meeting on Unemployment

Attached are some notes on the problem of unemployment in developing countries which might be of use to you. These notes were prepared under Mr. Mookerjee's supervision.

Att: (1)

Notes for the Lausanne Meeting on "Underemployment
in the less developed countries in the 1970s"

1. Population growth

The impending employment crisis in the developing countries arises largely from population growth. Labor force in less developed countries will increase by 167 million in the 1970s, compared to the increase of 119 million in the 1960s and 78 million in the 1950s. These prospective entrants to labor force in the 1970s were born during the 1955-64 years and any reduction in birth rates during the 1970s will only affect the addition to labor force after 1985. An effective population policy must therefore be an integral part of any long-term strategy for solving the employment problem.

2. Nature of the less developed countries unemployment problem

To the new job seekers during the 1970s must be added those who were unemployed at the beginning of the period. The extent of unemployment in the developing countries is extremely difficult to quantify because the problem has two aspects: (a) open unemployment as in the developed countries. Available statistics relate mainly to this but it is only a small part of the over-all employment problem confronting the developing countries; (b) disguised unemployment including those who are at work and may in fact work very long hours but whose productivity is so low that they barely manage to eke out a meagre living. In the circumstances of most developing countries, excess supply of labor leads not so much to open unemployment as to disguised unemployment. In this sense, disguised unemployment is in effect a synonym for extreme poverty. Existing studies on different aspects of the employment problem in developing countries reveal the following features.

(i) Open unemployment tends to be concentrated in the cities, though varying widely in amount from place to place, with rates of over 20 per cent reported from some African towns, while rates of 10 per cent to 15 per cent are fairly common in some Asian and Latin American cities;

(ii) Urban population is in most countries growing twice as fast as total population, making the employment creation pressure there steadily greater;

(iii) Disguised unemployment is greatest in the rural areas but also substantial in most cities, concentrated in both cases in traditional sectors;

(iv) In most countries the traditional sector is the predominant element not only in agriculture but also in industry, commerce, and services;

(v) Even high rates of growth of GNP like 6-8 per cent have produced relatively small increases in employment in the modern or in the nonagricultural sectors in most countries.

3. Agriculture

In 1970, about two thirds of the total labor force of developing countries was employed in agriculture. Even if the transfer of labor to the nonagricultural sector were to accelerate substantially in the 1970s, agriculture will continue to provide employment for the bulk of the labor force at the end of the decade. Hence the creation of employment opportunities in that sector must occupy a central place in any employment strategy. An important development in the late 1960s was the spread of the "green revolution" embodied in the new seed-fertilizer-water technology. This

new technology has the potential for the creation of substantial employment opportunities, and policies need to be directed to this end and in particular to avoiding excessive mechanization. Such policies include the realistic pricing of resources, such as credit and agricultural inputs. The creation in many developing countries of a dynamic agricultural sector with growing employment opportunities would, moreover, require far-ranging reforms involving redistribution in the ownership of cultivable land and restructuring of tenurial arrangements.

4. Industry

Even rapid growth of industry has not had a perceptible influence on the employment problem mainly because this sector accounts for a small proportion of employment and also because the pattern of investment and the choice of technology have been such that employment grew at a much slower rate than output. Policy measures designed to promote industrialization such as the provision of cheap credit and tax concessions frequently create a bias in favor of capital-intensive technology. Overvaluation of currency also encourages the import of labor-saving machinery. Preferential tariff and licensing treatment to machinery imports further tilts the scales against labor-using industry and technology. Advanced labor legislation, minimum wage laws and high payroll taxes on employers tend in the same direction. In conclusion, while it is true that industrialization by itself cannot at this stage provide a major part of the required opportunities, a much needed change in economic policies toward establishing realistic prices and conditions for the use of capital and labor can be expected to bring about a significant improvement.

5. External aid

The present modes and mechanisms for the transfer of resources from

the developed countries to the developing ones have some features that tend to reduce the employment creating potential of external aid. Aid is available predominantly for the import component (mainly equipment) of projects and consequently creates a bias in favor of the capital intensive techniques of aid-giving countries. Aid is more easily available for new projects than for expansion of existing ones and utilization of existing capacity; the latter is almost always more employment-generating than the former. Aid is also more easily available for a few big projects especially in the industrial sector than for a large number of small projects, though the latter are likely to be more employment-intensive.

6. International trade

Efficient and mutually beneficial international specialization requires that developing countries should increasingly become exporters of labor-intensive manufactured goods. To realize this they need to adopt export-oriented development strategies, but for these strategies to succeed, the developed countries would have to show greater willingness to accept these goods in substitution of their own products. The potential for growth here is substantial, as the developing countries now supply only a small proportion of the imports and even a smaller proportion of the consumption of such goods by the industrial countries. Successful negotiation in UNCTAD of the scheme for "Non-Reciprocal Reduction of Tariffs on Manufactures and Semi-Manufactures" can be expected to help in this respect.

7. Technology and research

The developing countries have certain advantages in being late-comers to economic development. For instance, the great advances in science and

their economic application, accomplished over two centuries, are there for them to draw upon. However, there are also disadvantages. The technology now in use in the developed countries is attuned to their present factor endowments and the direction of current research and technological innovation is almost entirely determined by their need for labor-saving methods. It has been estimated that at present 99 per cent of research and development expenditures in the world are made in the developed countries. The resulting advances to knowledge are, not surprisingly, often irrelevant to the economic needs of the labor-surplus developing countries. A purposeful reorientation of global research efforts should be an important element of an employment strategy for the developing countries. The "green revolution" with its tremendous impact on agriculture in the developing countries was generated by a relatively small input of research effort. It is an illustration of very large benefits that could be realized through the formulation and implementation, even on a modest scale, of an effective international policy for applied research.

8. Job creation and income growth

An important feature of economic growth in the developing countries has been the increasing gap (dualism) between the modern and the traditional sectors. The impact of development programs has generally been concentrated in the modern (mostly urban) sector while the traditional (mainly rural) sector has experienced little change. Since the bulk of the labor force is located in the traditional sector of developing countries, this bias in development programs has limited their effectiveness in ameliorating the employment problem. Due partly to this experience, many are now asking whether the objective of development should not be job creation rather than GNP growth.

To a large extent the conflict is unreal. A meaningful employment strategy must result in the production of goods and services for which there is effective demand, either domestic or international. An employment policy based on this principle will also be effective in promoting growth. The reason that development programs did not make a greater contribution to the employment problem is not so much their concentration on GNP growth as the pursuit of inappropriate policies to promote this growth.

9. The Fund's role and interest

The Fund's purposes include "... to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income ..."

In its advice to members, the Fund has consistently emphasized the importance of maintaining realistic exchange rates and liberal trade policies as part of outward looking growth strategies, the need for financial stability to promote sound and sustained development, the effective use of interest rate and fiscal policies to ensure efficient utilization of limited resources, and the desirability of discipline in wage policies. The thrust of this advice has thus been in favor of policies that are likely to increase the employment potential of economic development.



Eidgenössisches Volkswirtschaftsdepartement

HANDELSABTEILUNG

Département fédéral de l'économie publique

DIVISION DU COMMERCE

Berne, 8 April 1971

Monsieur
Pierre-Paul Schweitzer
Directeur général
Fonds Monétaire International
19th and H. Streets N.W.
Washington, D.C. 20431 / USA

Ouchy Conference

Dear Sir,

You find enclosed a copy of the document which Mr. Jenks has prepared for the Ouchy gathering on the subject of "The World Employment Programme: The Role of the International Community".

We will furthermore be able to distribute at the beginning of the meeting in Ouchy the following publications of the I.L.O. : "Towards full Employment - A Programme for Colombia, prepared by an Inter-Agency Team organised by the International Labour Office" (1970) and "World Employment Programme : Report IV to the International Labour Conference" (in process of publication).

Yours sincerely

FR Staehelin

Enclosure mentioned

OUCHY CONFERENCEThe World Employment Programme:The Role of the International Community

The developing countries of the world are facing today an employment crisis of unprecedented magnitude, and the prospects for the future should give rise to serious alarm. Although there are many difficulties involved in the measurement and in the exact definition of employment, unemployment and underemployment, some quantification of the problem can be attempted; the figures quoted must however be taken only as very broad orders of magnitude. Assuming a continuation of present trends - and a persistence of the current development policies that underlie them - by 1980 the number of unemployed in developing countries (Mainland China excluded) is likely to be of the order of 48 million, some 12 million, or 33 per cent, over the estimated 1970 figure of 36 million. Even more disturbing is the expected rise in underemployment¹⁾ which would affect some 200 million persons in 1980 as compared with some 130 million people in 1970.

So the picture for the 1970s under existing development patterns is a dismal one. And as the world becomes aware of this prospect, it is beginning to recognise more and more widely that urgent action is required in order to bring about a reversal of these trends. Thus, in the countries concerned, out of a total expected rise in employment from some 634 to 792 million, the increase in the number of jobs not affected by underemployment would amount only to about 88 million, i.e. roughly half of the expected increase in the labour force of these countries.²⁾

1) Estimated on the basis of observed rates of underemployment in many developing countries of 30 per cent in rural areas and 20 per cent in urban areas.

2) Between 1970 and 1980 the labour force of developing countries (excluding Mainland China) is expected to grow from 670 to 840 million, i.e. an increase of 170 million.

The need for a new development strategy

The formulation of a programme to tackle such a cumulative process of deterioration in the employment picture of developing countries implies a thorough re-examination of development strategies. Until now, these strategies have been relatively successful in achieving economic growth; but they have not achieved the major objective for which economic development and international assistance were designed, which is social betterment for those who are most in need of it - the poorest sections of society. Unemployment and underemployment, by depriving these groups of an adequate income, have been a major cause of that failure. This in itself is a sufficient reason for seeking new paths of development. But history teaches that widespread unemployment and the misery and frustration it brings can unleash uncontrollable political passions and bring chaos to the whole world.

Preoccupations such as these led the International Labour Conference, in 1964, to adopt a Convention and a Recommendation urging member States of the ILO to "declare and pursue, as a major goal, an active policy designed to achieve full, productive and freely chosen employment". In October 1970, achieving a substantial rise in the level of employment was recognised as a major goal of the International Development Strategy for the Second Development Decade, which was endorsed unanimously by the General Assembly of the United Nations at its Commemorative Session. While this goal is not formulated in as clear terms as some other goals of the Strategy, such as targets for GNP growth and for the transfer of resources from industrialised to developing countries, it commits all member States of the United Nations and all its international organisations. It would seem important however, as progress is made during

the Decade towards clarifying the concepts and measurement of employment, unemployment and underemployment in developing countries and the relations between employment growth and other aspects of economic and social development, to seek to establish more specific employment objectives as yardsticks for a meaningful evaluation of progress made in achieving these.

Achieving fuller employment and a reduction in unemployment is the goal of the ILO's World Employment Programme. Employment must become a major policy objective in all countries and for the international community as a whole. This, as pointed out above, will necessitate a comprehensive examination of existing development strategies and of their impact on employment, and may lead in many cases to the conclusion that a substantial reorientation of these policies is required. Indeed, experience has already shown in many developing countries that ad hoc programmes and measures grafted on to the existing development policies are quite inadequate for coping with the unemployment problem. This is because in most developing countries unemployment is not due to accidental or conjunctural causes, which could be corrected by short-term measures, but is mainly the result of the deep, structural problems of a society in which only part of the active population participates fully in the development process and in the benefits accruing from capital accumulation and rising productivity.

However, formulating and putting into operation a new, employment-oriented development strategy is a difficult and complex task. Up to now economic and social analysis has had considerations other than employment in mind. The effects on employment of all aspects of existing economic policy must be determined (e.g. income policy,

investment policy, fiscal policy, wage policy). New policies may be needed for promoting employment in specific sectors (agriculture, industry, construction, services). Education and training policies and labour market policies will have to be redefined in the light of the expected developments in the sectoral and skill distribution of employment. In all these fields, countries will need assistance in making the policy choices corresponding to their needs and possibilities. They will have to be helped in obtaining the resources needed, through the development of their exports and through financial aid. And they may need technical co-operation for the practical implementation of such policies.

The possible contribution of the international community

The ILO started the World Employment Programme, but it has always stressed that an undertaking of such magnitude would require the co-operation of other international organisations and of aid-giving agencies. It has set about to enlist this co-operation and has received encouraging expressions of interest as well as direct support from many quarters. However, the wide range of action needed will require an even greater effort on the part of the international community to participate in the programme and help in the pioneer action needed. Indeed, the international community as a whole will have a big rôle to play if such a programme is to be more than an ambitious and stimulating idea and to succeed operationally.

A first contribution which the international community can make to the achievement of the WEP objectives in developing countries is in the area of trade policy. In this matter the objectives pursued by such organisations as

UNCTAD and GATT coincide with those of the World Employment Programme. Any action conducive to opening the markets of developed countries for both the traditional and the new exports of developing countries will greatly help the economies of the latter, and thus improve their employment prospects. A specific need for the immediate future will be to identify those types of production whose expanding export possibilities would lead to a rapid development of employment opportunities, and to determine the conditions required in order to enable these sectors to develop their production. Training requirements linked with such expansion and the maintenance of desirable standards of product quality would have to be met, and facilities for export promotion and marketing would have to be developed. Nor can the relation between wage policies, export development and employment be neglected. In all these matters a fruitful field for co-operation between the ILO and the other agencies concerned would seem to lie open.

The repercussions of trade liberalisation policies on the employment situation in industrialised countries will also have to be studied, since a potent factor leading to resistance to such policies in advanced countries is the fear of displacement which may result from the decline of those sectors affected by competition from cheaper imports. Preliminary research carried out by the ILO suggests that the absolute numbers of workers who may be affected would not be very high, but these would be in a limited number of industries which may be concentrated geographically, and where the effect may be severe. Policies for regional re-development, for promoting the geographic or occupational mobility of the workers concerned and for providing adequate compensation during any period of adjustment may do much to alleviate such difficulties and to lessen the resistance

to change. The ILO, together with UNCTAD and GATT, can help governments to identify the problems and their likely scope as a basis for planning ahead. Specifically, tripartite discussions on these matters within the ILO may help to identify problems of adaptation to change, to spell out possible solutions and thus to dispel some of the misgivings of workers or employers.

Also promising for employment expansion is the trade potential among developing countries. In this respect, it is recognised that trade liberalisation in the form of reduction or elimination of trade barriers is not in itself sufficient to stimulate effectively this flow of trade. If it is to have its full impact, trade liberalisation should be supported by the creation of adequate infrastructure and the establishment of an appropriate institutional framework. The development of free trade areas and common markets will pose problems relating to the harmonisation of labour legislation and wage policies which, if unsolved, may lead to distortions and hold in check the will to go on with the integration schemes, and consequently with the expansion of employment opportunities that these could bring about. Here again the ILO could co-operate with those agencies concerned with trade expansion between developing countries at the international, regional or sub-regional levels.

A second major field for international collaboration is financial aid - both from the point of view of its volume (which must continue at a high level if new employment-creating activities are to be developed) and of its direction (which should pay greater attention to the expected effects on employment of the projects and programmes for which international aid is sought). Among the questions to be asked in this respect are: Can the resources available for

aid be increased? Can a larger proportion of aid go to those sectors, such as agriculture, where a given amount of capital may result in a larger number of jobs being created? For the development of infrastructure, can a higher share of aid be used for financing local expenditure (such as the payment of wages) rather than the import of labour-saving equipment? But by far the most important question is whether the international financing institutions, in particular the IBRD and the regional development banks, and the developed countries through their bilateral aid programmes are ready to complement in a systematic and "programmed" way the efforts of countries which have adopted employment-oriented development plans, so as to fill the resources gaps which will inevitably arise in the course of such efforts. If full employment programmes are designed in such a way as to develop gradually the developing countries' own potential for investment and to overcome the structural limitations which have been the cause of widespread unemployment, any special effort from the international community would be fully justified. In this respect, it may be recalled that the President of the World Bank group has suggested that unemployment should be among the "development indicators" which he believed were needed "beyond the growth of total output", in order to provide yardsticks of progress made towards the "quality goals of development".¹⁾ Such an indicator could indeed usefully be taken into consideration by all aid-giving agencies - multilateral and bilateral - when reaching decisions concerning the volume, nature and direction of their assistance.

1) Address to Columbia University Conference on Economic Development, New York, February 1970, reprinted in International Development Review, 1970/1.

In the third place, the international community should be ready to offer the technical assistance needed by countries which have decided to reach for comprehensive employment objectives. The establishment and the putting into operation of an employment strategy, inasmuch as it involves deep structural changes in the development process, implies the clarification of many concrete technical issues, for which the developing countries would probably not have enough personnel with the necessary qualifications and experience.

This need for additional technical assistance would begin, in many countries, at the planning level in order to ensure that employment is taken as an objective in its own right in the macro economic analyses leading to development plans, and to help planning specialists in reorienting development strategies accordingly.

Taking a few countries as "pilot" or "pioneering" countries may be a good way of combining the development of new employment-oriented development strategies with the training (or re-training) of national and international development specialists. This would involve projects of longer duration than the "comprehensive employment strategy missions" so far launched in Colombia and Ceylon and the aim would be, beyond the formulation of general policy recommendations, to help these countries to design the necessary measures and programmes. To launch a programme of this nature and scope, a number of conditions will have to be met in terms of the availability of resources and of qualified experts and in respect of the selection of countries most likely to benefit from it (and to contribute to its successful implementation). But the outcome of such "pilot" country projects should help both in clarifying the main issues in the formulation of well-conceived employment

policies for these countries, and in the preparation of "country programmes" for the UNDP outlining clearly the contributions that different agencies could make to the national employment strategies.

In this area it appears that many agencies may have a contribution to make. Agencies organising training programmes for development planners, such as Regional Institutes for Economic and Social Planning, could consider a reorientation of these programmes to develop a greater awareness of the need for promoting employment growth through appropriate development policies. Advisory assistance provided in the formulation of development plans and in the establishment of planning machinery, e.g. under UNDP economic planning projects, by UNOTC or through the new UN multinational inter-disciplinary advisory planning teams, should likewise seek to ensure that the development strategies which these activities help to formulate take employment as a major objective, on a par with other development objectives - and not, as happened too often in the past, as a factor derived from these objectives. Aid-giving agencies, such as the World Bank and the regional development banks, should in their appraisals of the economic situation in developing countries give as much attention to the efforts made in order to improve the employment situation as to the policies designed to promote economic growth and stability and a satisfactory balance of payments. And all these agencies, as well as those concerned with specific sectors or aspects of development - such as UNIDO, FAO, UNESCO, UNCTAD - could lend their support to the proposed employment pilot projects, as indeed they have already done most generously in connection with the shorter-term comprehensive employment strategy missions.

Similarly, the implementation of employment-oriented development policies will create vast needs for assistance through technical co-operation in such fields as rural and agricultural development, the choice of appropriate techniques of production, the development of educational and training programmes and curricula in the light of employment prospects and requirements, the promotion of exports, population policy, the strengthening of existing administrative structures, and the development of appropriate institutions for mobilising and channelling popular support for employment-creating programmes. Without such purposeful assistance the best conceived employment-oriented development strategy may come to nought when it must be put into practice. Here again, international agencies such as the UN, FAO, UNIDO, UNESCO, UNCTAD, WHO and others can, together with the ILO, give invaluable help in their own respective fields or in co-operation with others.

A fourth requirement, which is basic to the success of the whole World Employment Programme, is the need for research. The international community's co-ordinated effort is needed to clarify a number of issues regarding the relationships between growth, employment and social development in a number of fields not covered by the ILO's direct institutional interests. The goals of such research should be to guide the decision-making process, to provide guidelines for the implementation of policies and to identify the range of possible choices.

The need for "concentrated research efforts ... in relation to selected problems the solutions to which can have a catalytic effect in accelerating development" has been stressed in the International Development Strategy, which calls for full international co-operation and in particular for a substantial increase of the aid of

developed countries in this area.¹⁾ In his keynote speech in opening the discussion on Employment and Development at the Consultative Assembly of the Council of Europe (26 January 1971) the Chairman of the Development Assistance Committee likewise described research to define improved development strategies as a field deserving immediate priority attention.

Already progress has been made. The OECD Development Centre has initiated a series of studies about the employment problem in developing countries. The World Bank has launched a far-reaching project of basic and field research on labour-intensive public works which will help it to take employment into consideration for investment decisions in this area. FAO is seeking to determine the employment implications of its Indicative World Plan for agricultural development. These are examples of activities currently going on and the list does not claim to be exhaustive.

The ILO has drawn up a programme of research in support of the World Employment Programme. The programme covers macro-economic and social policies the influence of which cuts across economic sectors and which affect employment directly or indirectly (this includes, for example, fiscal policy, wages policy, incomes policy, trade and foreign exchange policies, educational and training policies and population control policy); sector-specific policies such as the employment and other implications of alternative production techniques, possibilities and conditions for the development of small-scale industries and handicrafts, the measures required to ensure that the Green Revolution has the maximum positive effect on employment in rural areas;

1) Paras. 62 and 63.

the inter-dependencies, in regard to employment, of development in industrialised and developing countries; and basic statistical and methodological issues such as the definition and concepts of employment, unemployment and underemployment in developing countries. Moreover, it is planned to evaluate some interesting existing pilot programmes designed to promote employment, in order to determine whether, under what conditions and at what cost these might be generalised.

The effort required to clarify these issues is very great. And the need for arriving at clear conclusions to guide policy decisions is urgent, not only in order to avoid mistakes but because most planners will be reluctant to abandon the tenets of present economic orthodoxy until and unless the possibility and the conditions for reconciling employment and economic growth have been demonstrated.

The ILO could not, with the means at its disposal, hope to carry out alone and rapidly such a vast programme of research. Moreover, many of the areas to be explored are of direct concern to other international organisations, such as FAO, UNESCO, UNIDO, UNCTAD, UNFPA. In many cases joint consultation and in some a joint effort may be desirable. But in addition substantial resources will need to be marshalled if results on a wide front are to be obtained without undue delay.

Traditionally, technical co-operation and financial aid to the developing countries have been provided on the assumption that the directions in which such assistance should flow were well known, as well as the methods of applying it. Consequently fairly limited resources were devoted to research on these aspects. The failure of the development efforts of the 1960s to secure better and rising living standards for the majority rather than the

few and the widening gap between rich and poor, should call this assumption seriously into question. A necessary conclusion from these developments seems to be that the agencies which control the largest flows of assistance to the developing countries, in particular the World Bank group, the UNDP, and the bilateral aid programmes, may be well inspired to earmark a larger share of their resources for research on issues such as those raised by the promotion of employment in developing countries; this seems essential if the bulk of these resources is to be used effectively for improving the quality of development in addition to accelerating its pace.

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The ILO will devote its best efforts to ensuring the success of the World Employment Programme. In the first place, it will seek to ensure that employment remains in the forefront of the international community's preoccupations in its endeavours to achieve economic and social progress and an ever-widening measure of social justice. For this, it is prepared to participate actively in regular reviews and appraisals of progress towards fuller employment in the framework of the Second Development Decade. Secondly, it will try to clarify much that is as yet obscure in the very concepts of employment, unemployment and underemployment in developing countries (and the extent to which these overlap with low incomes), as a basis for a quantified measurement of the problem and for target-setting in national and international policies. A third contribution of the ILO will be in the preparation of people for work through

training of the right kind - especially for rural occupations and handicrafts, which still absorb, and will continue to absorb, a major part of the labour force in most developing countries and which until now have been largely left untouched by development or by social progress. Fourthly, the ILO will continue in its experimentation and exploration of new avenues to full employment, for instance through intensifying its research on employment problems and policies, through comprehensive employment strategy missions and through expanding and reorienting its technical co-operation activities so as to provide assistance in depth and on a longer-term basis to an increasing number of developing countries. On all these tasks, the ILO will bring to bear its own particular contribution, i.e. its knowledge of the world of labour and its tripartite membership, through which the participation and support of employers and workers can be enlisted. But it will need, and continue to seek, the closest co-operation with all other organisations. Indeed, the ILO is fully aware that it cannot achieve the objectives of the WEP alone, not only because the resources needed exceed by far what it can offer, but because many of the problems to be solved are beyond its own competence. It has put forward the present paper in order to try to clarify the nature of the contributions that might be made by and that could be expected from various organisations, either jointly or in their individual spheres of competence, and it hopes that through discussion these suggestions may become more precise and provide a basis for a concerted strategy for the gradual achievement of full and productive employment in the developing world.

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April 30, 1971

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Mr. Lang

Mr. Pierre-Paul Schweitzer
Director General
International Monetary Fund
19th & H Streets, N.W.
Washington, D.C. 20431

Dear Pierre-Paul:

I enjoyed the opportunity to see you and hear your views at the Tidewater IV meeting in Lausanne, and profited greatly from the discussion.

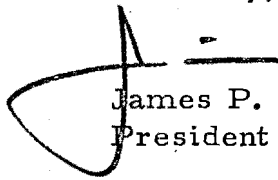
I enclose a copy of our most recent Monograph, "Trade for Development" by Harald Malmgren, which I believe you will find of interest in light of our discussion of the employment problem. Not only is it one of the best concise statements of its kind on the increasingly important subject of the relationship between trade and development, but, as is apparent from the first and last pages of the Monograph, it explicitly seeks to take into account the new dimensions required of trade by virtue of the growing employment problem.

On the possibility they may be of interest to you or your staff, I enclose copies of some of our most recent publications designed for popular consumption in the United States. These are distributed both as booklets and pamphlets and are reprinted in magazines and newspapers in the United States.

I look forward to seeing you again soon.

With best wishes,

Sincerely,


James P. Grant
President

Enclosures:
"Trade for Development"
Development Packet

Washington, April 26 - Trade policies of the industrialized countries are likely to bring about political clashes with the developing world, according to a study released today by the Overseas Development Council entitled TRADE FOR DEVELOPMENT. The study was prepared by Harald Malmgren, White House trade negotiator from 1964 to 1969, and now a Senior Fellow at the Council, in the light of his broad experience in international meetings on the problems of the poorer countries.

On presenting the study, Malmgren said: "Trade is crucial in the economic outlook for the poor countries, providing four-fifths of the total foreign earnings of these nations. Yet there is little public understanding of the problems and the opportunities involved - either in the U.S. or in the poor countries themselves. Last year's debate in Congress on trade legislation barely touched on these questions, even though the main impact of the trade bill in the long run would have centered on developing countries."

TRADE FOR DEVELOPMENT specifically warns that: "The tendency to resort to ad hoc import quotas and other nontariff barriers whenever a local problem develops in the rich countries, without regard to international rules or procedures, is thwarting the hopes of the poorer countries. In the case of textiles, for example, there are already many import restrictions in Europe and Canada, and strong pressures for new and different restrictions in the U.S. Everyone's interests would be better served through multilateral discussions and negotiations, leading to an international understanding in, for example, the GATT."

Malmgren also hails the decision two weeks ago by the European Common Market and Japan to eliminate import tariffs on manufactured products from developing countries, calling it "...the first significant step in a more positive direction. President Nixon has said he will ask Congress this year for authority to introduce similar preferred tariff treatment on products entering the U.S. from the poor countries. In the present political atmosphere in the U.S., however, this proposal

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is in for rough sledding. It could even become a vehicle for other new import restriction amendments. In fact, nontariff barriers are far more important as restraints on both the present and potential trade of these countries. Action is urgently needed on this broader array of problems."

In his study Malmgren also criticizes the trade policies of the poor countries as damaging to their own interests. "Their absurd exchange rates, complex trade barriers, and emotional reactions to foreign-owned enterprises block their own chances for success in the world market place. The multinational corporations may sometimes pose difficult political problems in the developing nations. However, the management talents, quality standards, and marketing and distribution apparatus of the big international companies are what the poor countries most need. Exports of manufactures from many developing countries are simply not possible on a large scale without the assistance of large international companies. Too much attention paid in public debate to the evils of mineral exploitation has obscured this critical fact of life."

The study by Mr. Malmgren further recommends more intensive trade promotion among the developing countries. The industrialized countries should push the developing countries to get moving in this direction, using their aid actively to promote regional trade efforts.

Looking to the future, Malmgren refers to the unemployment that is already running in developing countries at levels higher than unemployment in the U.S. during the Depression of the 1930's. This fact dictates the need for more imaginative trade policies.

Finally, Malmgren warns that frustration in trade will eventually spill over into political reactions against the U.S., and will produce more trouble for our overseas investment interests. In this context new policies are now needed to meet the changes being brought about by the internationalization of production, and the growing employment pressures within the developing countries.

Mr. P.P. Schweitzer

23 April 1971

Gordon Williams

Berne - Informal discussion

If the opportunity presents itself, you might want to touch on these matters in Berne:

With Boerma (FAO) Simonet reported to me a conversation with Quaix a bright young economist in Boerma's office. Quaix was arguing the need for dual exchange rates in some countries to promote and protect agriculture and was scornful of the "unrealistic" exchange rate policies of the Fund. There is, of course, no objection to his having such views, but it would be unfortunate if any official FAO publication or document such as the Indicative World Food Plan for which Quaix is responsible, should contain comments on exchange rate policy of this character.

With Jenks (ILO) Similarly, Simonet spoke with Franklin of ILO who felt that exchange rate policy should be geared more closely to problems of employment and efficient utilization of manpower. We have a direct contact on these matters in general with Weaver (ILO) in Washington. You might want to suggest the hope to Jenks that There would be nothing done in Geneva, perhaps as a result of Franklin's initiatives, that would make difficulties for Weaver's good relations with us. You might also want to speak to him about his UNITAR lecture, attached.

With de Seynes (UN) The review and appraisal process seems likely to involve a good deal of authority for the regional commissions. ECAFE (see letter attached) seems to be contemplating country missions based on our economic background material. This seems wasteful of resources, a nuisance for governments, and possibly might result in conflicting advice to governments. While de Seynes is theoretically responsible for the activities of the regional secretariats, his authority is, in fact, only nominal: they can and do act as they please. Nevertheless, he should be pressed, I believe, to recognize the difficulties that may be created by his not exercising the control he is supposed to have.

The same problem as it exists within his own Department in New York is troubling many of the other agencies. He seems not able to control the expansionist activities of some of his division chiefs. As far as we are concerned, we suffer from Fater's irresponsibility, but, so far, have been able to cope with it.

When you see de Seynes, you may want to discuss with him the proposal that Ambassador Ronamba of Upper Volta be made head of the African Bureau of UNDP.

Mr. P.P. Schweitzer

22 April 1971

Gordon Williams

ACC - Berne Meeting

Attached is a schedule of events for the Berne gathering as supplied to us at Geneva by the UPU Representative.

You will note that buses will be provided to take us at 9.40 a.m. to the 10.00 o'clock private session of ACC at the UPU Bureau. The Fund has an office at the Bureau - Room 625.

You have a lunch on Monday, the 26th, and a dinner the same evening. Both events are for men only and include, in principle, only the heads of agencies. There is nothing on Tuesday, either at the meetings or socially, in which you need to be interested.

At the private meeting there will be the usual political tour d'horizon by the Secretary General. There may also be a complaint registered by Boerma and Candau regarding the tendency of the UN Secretariat to set up "expert groups" to centralize activities in areas for which the different agencies are responsible (see letter attached). This has happened in the field of science and technology, proteins, human environment, drugs, natural disasters, marine science, population and transport. There may also be a presentation by Michelmore of the urgent financial needs of UNRWA - the Palestine refugee camp operation - as well as a statement by Labouisse (UNICEF) regarding the dangers of competitive money-raising by different UN organizations.

In your letter to Kittani about the ACC Agenda, we said we hoped he would tell ACC about his plans for his office, its staffing and organization, its functions, activities and methods of operation, as well as his thoughts about possible changes in the type of documentation produced by ACC and its Committees. Kittani apparently took this request seriously and, if time permits, may try to say something on these matters.

Also attached, as usual, is the PrepCom Report giving both the results of our work over the past week and draft sections for an ACC report to ECOSOC. I have noted on the text itself comments on certain of the subjects covered.

What will undoubtedly be the main subject of discussion will be the attack on ACC's role and functions currently being mounted in ECOSOC and its Committee on Programme and Coordination (CPC). At the 8th CPC session earlier this month, Brazil, France, the Philippines and the Comecon delegations introduced a draft resolution which would have the effect of making ACC a servant of CPC, undertaking activities only as directed by CPC or ECOSOC. One paragraph of this draft would have given delegates

the right to sit in on all meetings of ACC and its subsidiary bodies. This draft was opposed by other delegations and a number of them lined up in support of a more general statement of ACC role and functions drafted by Guyana and India. As neither paper could be unanimously agreed on (and the CPC usually does not vote), it was decided that both drafts should be sent for comments to U Thant in his capacity as Chairman of ACC (Brazil and the Comecon delegations were firm in their refusal to allow ACC itself, officially, a voice in the matter).

ACC will have before it a draft of the Secretary General's comments (prepared by a drafting group under my chairmanship) and also a draft section on the subject in the ACC report. While I do not feel that these communications will protect ACC from the CPC attack, they seem relatively satisfactory from our standpoint and probably the best that can be agreed on.

The whole matter is something of a tempest in a teapot: whatever CPC or ECOSOC decides is not going to affect the freedom of action of the heads of agencies. And if it affects ACC's freedom of action, the heads of agencies will, presumably, simply desert ACC. In any event, discounting the tone of the Brazil and Comecon paper and their statements, the actual wording of their draft resolution does not seem likely to cause too much trouble for ACC or, more specifically, for you as a member of ACC.

Perhaps a more disturbing development is the increasing pressure on agencies with regard to decolonization. In response to a General Assembly resolution, all agencies (including the Fund) answered certain questions about the extent of their implementation of various past resolutions on the subject. The obviously un-coordinated nature of these replies may well lead to ECOSOC demands that the Secretary General, in some way, enforce coordinated implementation. The Secretary General is required to report to the Assembly this Fall on what he has done and can do in this regard and members of his staff have been busy at this PrepCom meeting asking searching, supplementary questions of all agency representatives (except the Fund) about why they have not carried out the Assembly's resolution on decolonization.

While Fund meetings have been fairly free of such pressures, you may have noticed from Waitzenegger's report on the recent meeting of the Economic Commission for Africa, that the African countries have agreed to coordinate their policies on this subject in the different agencies of which they are members.

Another topic of some interest is the proposed agenda for the Joint CPC/ACC Meeting in July which you normally attend. Beside the two matters noted above, it is probable that at the Joint Meeting there will be discussion of the machinery and methodology for review and appraisal of progress under the Second Development Decade. I argued against putting this item up for joint discussion as being premature. However, it was felt that we had to indicate that we take the Decade seriously. It is difficult to see what practical results can come of such a discussion at this time when governments have not made up their minds as to what the process will consist of.

There seems to be some concern amongst the agencies that the UN Secretariat will not make available to the agencies the information it will be receiving from the reviews made at the national and regional level by the regional economic commissions. (It is to be noted that ECAFE has asked for copies of all of our consultations papers covering countries in their region).

Also there tends to be an interpretation in UN of the word "implementation" to the effect that it is the agencies, rather than governments, that will be carrying out the strategy. There is little understanding of the Fund's approach under which we assist governments, including those from developed countries, to assess their own progress towards goals they have set themselves.

ACC will have to authorize PrepCom to draft a section on this subject for its report to ECOSOC, based on the discussion at ACC. It would be helpful in the drafting if, during these ACC discussions, there were references, probably by you, to the way in which the Fund will assist all governments through its consultation procedure, our need to keep some information confidential, and, in passing, that the strategy had, in fact, been accepted only by delegations at UN, even there, subject to a long list of reservations.

There may also be some discussion of the UNITAR proposal for a UN Staff College which was given a general blessing at PrepCom, subject to confirmation at ACC. Plans are for a modest start, using existing facilities, borrowing or hiring part-time lecturers (including some from the agencies), and having only a Director and small central office. The Fund, according to the briefing I received from Thorson, is prepared to cooperate by supplying lecturers from time to time and we might even send some of our people for training, but we would not otherwise support the Staff College financially.

There is an inter-agency study group on evaluation which has been in suspense for a couple of years. Dollinger has been its secretary and had been interested and instrumental in expanding the work of the group and in concentrating it on what I have considered a rather academic pursuit of the theoretical and methodological aspects of the subject. With the reorganization of UNDP, evaluation of operational work in the field of technical assistance and preinvestment work has been lodged in that organization. There will be a question for ACC as to whether to continue this working group and, if so, with what terms of reference. There is a note on this in the PrepCom report.

Procedural questions have been raised about possible participation in meetings of ACC and its subsidiary bodies by institutions other than UN and the agencies, such as the World Intellectual Property Organization, some of the regional bodies and, on occasion, non-governmental organizations such as the Red Cross. The CPC had suggested that Executive Secretaries of the UN regional commissions should have the right to attend on their own. No solution to this general problem was reached at PrepCom, although the WIPO request was rejected. My own feeling is that the more people that are involved in these meetings, the less effective they are likely to be and the more confused their objectives are likely to become.

The date and place of future ACC, IACB and PrepCom meetings is being the subject of some review. Heads of agencies have begun to balk at having IACB and ACC meetings a month apart in the Spring and Fall. Accordingly, the schedule suggested is:

June 30th	afternoon	- ACC	- Geneva
July 1/2		- Joint ACC/CPC	- Geneva
October 20		- IACB	- New York
October 21/22		- ACC	- New York
(subject to confirmation at the June 30th meeting):			
April 6/7 1972		- IACB	- Geneva
April 10/11 1972		- ACC	- Geneva

This schedule would mean that heads of most agencies (not the Fund) would have to be in Geneva from Thursday April 6th through Tuesday April 11th 1972. And, as Easter is on April 2nd, it would mean that PrepCom members would have to be in Geneva from about March 20th. This will undoubtedly be discussed, since some decisions have to be made.

cc: Mr. L.F.T. Smith ✓
Mr. E. Franco Holguin

53rd session of the Administrative Committee on Coordination (ACC)

(26 - 27 April)

Meetings of Functional Groups and the ACC Preparatory Committee

(27 - 28 April)

Programme of meetings and associated events

Monday 26 April

Morning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (ACC members) - depart from Place du Palais fédéral
- 10.00 am - Private session of the ACC
- 12.45 pm - Coach service (ACC Secretariat) - depart from International Bureau
- 1.00 pm - Lunch given by the Director-General of the International Bureau in the Bureau reception room (7th floor)

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 3.00 pm - First ordinary session of the ACC
- 3.05 pm - Filming for Swiss Television news -
- 5.30 pm - Courtesy call by the Secretary-General on the President (if possible) of the Swiss Confederation and the Head of the Federal Political Department
- 6.00 pm - Closure of first ordinary session of the ACC
- 6.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB
- 8.00 pm - Dinner given by the Swiss Federal authorities for the Heads of delegations (dress: lounge suits)
Hotel Bellevue-Palace *Jeune de ville*

Tuesday 27 AprilMorning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (ACC members) - depart from Place du Palais fédéral
- 10.00 am - Second ordinary session of the ACC
- 1.00 pm - Closure of session
- 1.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 2.40 pm - Coach service (ACC members) - depart from Place du Palais fédéral
- 3.00 pm - Meeting of ACC Functional Group on the "Green Revolution"
- 6.00 pm - Closure of 53rd session of the ACC
- 6.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB

Wednesday 28 AprilMorning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (Preparatory Committee Members) - depart from Place du Palais fédéral
- 10.00 am - Meeting of ACC Preparatory Committee
- 1.00 pm - Closure of meetings
- 1.15 pm - { Coach service (ACC Secretariat) - depart from IB
Coach service (Preparatory Committee members) - depart from IB

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 2.40 pm - Coach service (Preparatory Committee members) - depart from Place du Palais fédéral
- 3.00 pm - Meeting of ACC Preparatory Committee
- 6.00 pm - Closure of meeting
- 6.15 pm - Coach service - depart from IB (Members and Secretariat)

Distr.
RESTRICTED

CO-ORDINATION/R.876
23 April 1971

ENGLISH ONLY

ADMINISTRATIVE COMMITTEE ON CO-ORDINATION
Fifty-third session
26-27 April 1971
Berne

PROVISIONAL AGENDA

- A. Adoption of the Agenda
- B. Matters raised in the report of the Preparatory Committee (CO-ORDINATION/R.875)

The Preparatory Committee's report deals with the various topics covered in its provisional agenda (CO-ORDINATION/R.850/Rev.1). Texts submitted by the Preparatory Committee for approval by the ACC as parts of its annual report are double-spaced. Matters requiring decisions by the ACC have been identified by underlining. The attention of the ACC is invited in particular to the following matters (paragraph numbers under each topic refer to document CO-ORDINATION/R.875):

- (1) Introduction (para. 4 and CO-ORDINATION/R.875/Add.1)^{1/}
 - (2) Review of the sphere of activities and competence of ACC (paras. 5-8 and annex II)
 - (3) Questions relating to ACC functional groups (paras. 9-14)
 - (4) Preparation for the joint meetings of the ACC and CPC (paras. 15-19)
 - (5) Questions relating to the implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples by the Organizations of the United Nations System (para. 24)
 - (6) Second United Nations Development Decade (paras. 29-41)
 - (7) The Human Environment (paras. 42-44)
 - (8) Science and Technology (paras. 45-65)
 - (9) Population questions^{2/} (paras. 66-73)
- /...

^{1/} It is suggested that the Introduction might be considered at the beginning of the meeting on the morning of 26 April.

^{2/} This item is scheduled for the ACC's meeting on the afternoon of 26 April.

- (10) Assistance in cases of natural disaster (paras. 87-94)
- (11) General Administrative and Personnel matters^{3/} (paras. 97-107)
- (12) Financial and budgetary matters^{3/} (paras. 110-113)
- (13) Information storage and retrieval questions^{3/} (paras. 114-120)
- (14) Joint Inspection Unit (paras. 121-124)
- (15) United Nations Staff College (paras. 137-145)
- (16) Date and place of the next session of the ACC (paras. 153-156)

C. Meeting with the members of the Joint Inspection Unit^{4/}

The Chairman and Assistant Chairman of the Unit will be present to discuss matters of mutual interest with members of the ACC.

D. Consultations on current developments and problems including technical co-operation activities

The review of developments in technical co-operation activities is on the agenda of the spring session in accordance with the decision taken by the ACC in October 1968.

^{3/} These items are scheduled for the ACC's meeting on the morning of Tuesday, 27 April.

^{4/} This meeting is scheduled for the morning of Tuesday, 27 April, the exact time to be decided later.

Mr. P.P. Schweitzer

19 April 1971

Gordon Williams

FAO paper on the Green Revolution

Before I left Washington, Mr. Ridler gave me the following oral comments on the FAO's Green Revolution paper, attached. I have passed them on informally to the FAO representative at PrepCom.

1. The paper is disappointing. It does not discuss adequately what the effects of the Green Revolution will be on the position of other exporting countries. There should be some reference to the fact that Japan, the U.S. and Italy, with great production of high-yield products, are busy pushing concessional sales around the world. Nor is there sufficient discussion of the cost aspects of producing new high-yield varieties and the social and economic implications flowing from these higher costs.

2. The Fund is shortly producing a D.M. on Rice, discussing the critical position being faced by many traditional exporters of rice as a result of the great production of high-yield varieties. This is a subject related to, but not directly involved in the ACC paper.

I take it that you do not want us to take any active part in future inter-agency discussions on this paper any more than we have done so far.

J. HENRY SCHRODER BANKING CORPORATION
FIFTY SEVEN BROADWAY
NEW YORK, N. Y. 10015

JOHN I. HOWELL
CHAIRMAN

April 15, 1971

Mr. Pierre-Paul Schweitzer
Managing Director
International Monetary Fund
19th & H Streets, N.W.
Washington, D.C.

Dear Mr. Schweitzer:

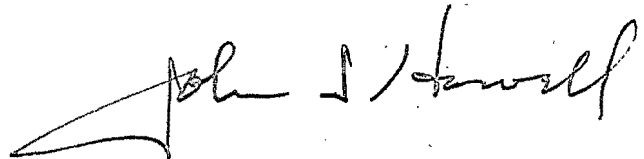
It gives me great pleasure to be able to invite you and Mrs. Schweitzer to a concert by Vladimir Ashkenazy on the evening of May 18, 1971, on the occasion of the opening of the Schroder Building at the southern tip of Manhattan.

We are undertaking this means of celebrating our decision to maintain our U.S. banking headquarters in Manhattan because we would like to see the downtown area evolve into a well-rounded living and cultural area, as well as one of the centers of New York's business activity.

The recital will commence at 7 p.m. in our ground floor space (Schroder Building, One State Street, New York) and there will be a buffet dinner in our executive offices immediately thereafter. A formal invitation will be sent to you shortly.

I might mention that Gordon Richardson and others of my colleagues on the Board of Schroders Limited are coming over for the occasion and I know would be as pleased as I at the opportunity of seeing you and Mrs. Schweitzer.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "John I. Howell". The signature is fluid and cursive, with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Mr. Schweitzer

April 9, 1971

Gordon Williams

Albert Dollinger

Kittani phoned me this afternoon to say that the Secretary-General had authorized him to say that he, the Secretary-General, had considered the matter of Dollinger's extension with his colleagues and in the light of your expressed interest and wished to give the assurance that a suitable solution would be found.

Kittani said this meant that an extension had been agreed upon between him, Winspeare, the Director of Personnel, and the Secretary-General. Now it remains to put through the necessary paperwork for which there should be plenty of time.

This communication rather surprised me in view of his earlier assurances to me--which I had passed on to you--that the matter had been settled. Perhaps he had only been speaking for himself earlier and now has confirmation from the Secretary-General. In his conversation this time he made no reference to the 6-8 months' limitation he had mentioned earlier.

Mr. Schweitzer

April 8, 1971

Gordon Williams

ACC Meeting

I will, as we agreed, be prepared to brief you in more detail on Sunday, April 25th regarding issues which may be coming up at the ACC meetings in Berne.

At this time, however, it is apparent that a primary topic for discussion will be developments which have taken place in the CPC meetings during the past two weeks. And we have a more than academic interest in these developments as they reflect an attitude by certain delegations that ACC must be an instrument of UN.

The issue was posed by the introduction of a draft resolution by Brazil, acting also on behalf of U.S.S.R., Byelorussia and Bulgaria. This draft sets out terms of reference for ACC which would limit its activities strictly to administrative matters. ACC would not only have to report more fully to ECOSOC than it now does; its agenda would be approved by ECOSOC (or CPC acting on its behalf) and special reports and studies could be requested of ACC. All members of ECOSOC and CPC should have a right to attend all meetings of ACC and its subsidiary bodies and the UN "chair" would be expanded to include, in addition to the Secretary-General, Philippe de Seynes and the heads of UNCTAD, UNIDO, UNDP, UNRWA, etc., the four secretaries of the regional economic commissions.

The form of this proposal is as unusual as its content, since CPC has never before voted on a resolution nor offered one for consideration by ECOSOC. The Brazilian has said that he wants CPC to act on his draft this week, without consultation with ACC.

A more moderate proposal by Guyana, supported by India, Pakistan and Tanzania is also more flexible in approach in that it would be a section in the CPC report and offered for ACC comment at Berne and for joint ACC/CPC discussion in July in Geneva.

So far, all efforts by delegations, members of the UN Secretariat and representatives of agencies, including myself, have failed to shake the Brazilian's determination to get his draft voted on, although I was able to get him to modify slightly the wording of his terms of reference for ACC to allow it to do what he wants "inter alia", thus giving ACC some freedom of action.

The CPC meeting is not yet finished, nor will we probably know the results of the negotiations before I leave for Geneva. But if the Brazilian resolution or anything closely resembling it should be adopted by CPC, the Berne and Geneva ACC meetings are likely to be devoted primarily to discussions of what steps can be taken to meet it. These steps might include the heads of agencies abandoning ACC as a formal body and carrying on their necessary discussions on a purely informal basis henceforth.

Mr. Schweitzer

March 18, 1971

Gordon Williams

ACC Meetings---April 26/27

Attached is the provisional agenda for these meetings, which will take place at UPU headquarters in Berne, and the Preparatory Committee meetings, which will take place in Geneva during the period April 13-23.

It is expected that, after PrepCom has had a chance to deal with this agenda, the items remaining for ACC consideration will be very few and that ACC will be presented with a PrepCom report containing suggested decisions to be taken on most of these. This would be the line I would push.

Most of the items on the agenda, as usual, appear to be of little concern to the Fund, although the discussions may bring up aspects of these subjects on which we may have to express some views. I will be reporting to you on these PrepCom discussions when I see you over the weekend of April 24/25. At this time, I would only note below the most important items on which it now seems likely that we might have an interest.

2. Consultation on Current Developments and Problems

We will be asked to comment on the Secretary-General's draft report to ECOSOC and the Assembly on agencies' actions in implementing the various decolonization resolutions. Our interests would be best served, I believe, if that report concentrates on such matters as assistance to refugees, the passage of supporting resolutions by agencies, relations with OAU and "national liberation movements", etc. If it refers to the Fund and Bank at all, it should do so anonymously and in passages which include references to all other agencies as well.

We should, I believe, discourage any discussion of the "arms race" inquiry.

3. Development Decade

We need only approve the work done and planned by the ACC Sub-Committee on this subject in the area of review and appraisal. Messrs. Sturc, Dakolias and I attend these meetings and are satisfied with the Committee's approach to its work and its report.

4. Role of ACC, etc.

Until the Committee on Programme and Coordination finishes its meetings (about April 2nd) we cannot be sure whether the existing threat to ACC's independence will be realized. We have consistently argued that ACC is a creature not only of ECOSOC but also of the agencies. It is not up to CPC to make decisions about ACC's role, and it would defeat the purpose of ACC if it should become an instrument to carry out ECOSOC or General Assembly policy. We cannot have delegations sitting in on ACC meetings as some have suggested.

On the other hand, the wording of ACC reports and documents could be clarified and made more informative and the operation of Kittani's office made more responsive to delegations' interest in coordination.

We will also be asked to consider the agenda for the Joint ACC/CPC meeting. This should include, I believe, those subjects for consideration of which some agencies established functional groups--the Green Revolution and Human Environment, for instance. If CPC agreed to this, it might cut down the amount of discussion in the Joint Meetings on such subjects as decolonialization and the role of ACC.

16. Dates of Meetings

We have pressed for consecutive meetings of IACB and ACC in the future and for a reasonable interval between the PrepCom meetings and those of ACC.

17. UN Staff College

UNITAR is presenting a proposal for the establishment of a Staff College. We have been cool to this idea in the past and it seems likely that this will be our attitude to the present proposal: if such training is needed, why cannot UNITAR itself conduct the courses? ADM is preparing a briefing on this.

Attachment

OCDE

ORGANISATION DE COOPÉRATION
ET DE DÉVELOPPEMENT ÉCONOMIQUES

OECD

ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

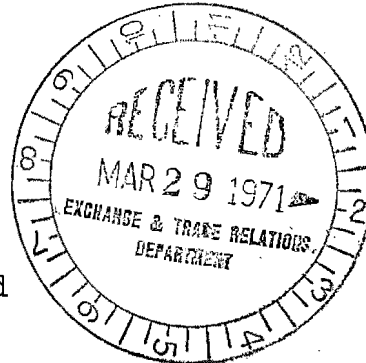
Téléphone : 524 90-70

Télégrammes : DEVELOPECONOMIE
Télex : 62.160 OCDE PARIS

2, rue André-Pascal, PARIS-XVI^e

Comité d'Aide au Développement
Le Président

Development Assistance Committee
The Chairman



March 23, 1971

Mr. Pierre-Paul Schweitzer
Director General
International Monetary Fund
19th and H Streets, N. W.
Washington, D. C. 20431

Dear Pierre-Paul:

As you know from your invitation from Mr. Jolles, Tidewater IV in Lausanne in April is to center its discussion on the substantive issue of job creation. This focus on a particular substantive issue is a considerable innovation for us. It has been proposed that it might help focus our discussion more sharply if a sample of recent thinking about it could be made available in advance.

This would be in addition to the presence at our sessions of Sir Wilfred Jenks, Director General of the International Labour Office, David Morse, his predecessor (on this occasion representing Paul Hoffman) and of Montague Yudelman, Acting President of the OECD Development Centre. These are the two organizations most actively engaged at present in research on ways to attack the job creation problem.

I enclose a list of background readings for those who have any spare time.

I look forward to seeing you in Lausanne.

Sincerely,

Edwin M. Martin
Chairman

SUGGESTED READINGS ON JOB CREATION

1. Sir Wildred Jenks has agreed to distribute around April 1 a brief note on his present view of the problem in the light of the progress made on the ILO World Employment Program, launched about two years ago.

2. The most thorough job creation program developed to date is that for Colombia, published last year. It was prepared by an ILO-sponsored mission, headed by Dudley Seers, Director of the University of Sussex Institute of Development. The report is thorough, comprehensive and bold, but it is a book of 471 pages. However, Seers has published a short synthesis of the recommendations in the October 1970 issue of the International Labour Review entitled "New Approaches Suggested by the Colombia Employment Program". I assume this is available to you if you are interested in it.

3. Last September the United Kingdom Overseas Development Administration and Cambridge University sponsored a Seminar on Employment which attracted some excellent papers and a most distinguished list of experts. I enclose a copy of the paper on "International Policies and Their Effect on Employment", done by Dr. Hans Singer, also of the University of Sussex and widely known for his work in the field. To point up some of the key issues raised by the experts, I also enclose a sometimes critical summary of the papers and commentary on those debates by Carl K. Eicher of Michigan State University.

4. The fullest factual analysis of employment and under-employment in the LDC's available is contained in "The Employment Problem in Less Developed Countries" by David Turnham of the OECD Development Centre. A copy is being sent to you. It is a draft but the final version, due out in a couple of months, will reflect primarily stylistic improvements. It does the best one can with the scanty reliable information available.

5. The Development Centre is also just completing a study of the employment situation in Ceylon, about to be the subject of a second ILO action mission under Dudley Seers. The enclosed brief summary of its conclusions brings out especially how dangerous it is to generalize too freely about the causes and cures of inadequate employment opportunities.

6. Robert d'A. Shaw has done an excellent job of pulling together what little we now know on "Jobs and Agricultural Development" in a pamphlet prepared for the Overseas Development Council. They will be sending you a copy of it.

7. A useful, though somewhat miscellaneous, round up of facts and policy suggestions is contained in Section D of the 1970 "Administrators Review of Development Performance" published by USAID. A copy is enclosed.

8. In the 1970 DAC Chairman's Report is a chapter on employment. It includes a brief review of the key facts on unemployment and under-employment, drawn largely from the Turnham Study. There is also a very general look at some of the lines along which it has been suggested progress might be sought. I assume this Report is also available to you.

INTERNATIONAL POLICIES AND THEIR EFFECT ON EMPLOYMENT

H. W. Singer

It is notoriously difficult to measure unemployment in lds in terms which make it comparable with unemployment in the richer countries. Its forms and apparitions are too different, and I agree with Gunnar Myrdal, Michael Lipton, Paul Streeten and others that we must be wary of transferring uncritically western concepts to the different Third World. However, we must be equally careful not to jump from the legitimate refusal to apply First World concepts - or Second World World concepts for that matter - to Third World problems, to the illegitimate assumption that unemployment and under-employment in open and disguised forms do not exist, or are not serious, merely because they cannot be measured by familiar concepts and caught by familiar definitions, or because the data are lacking. Without labouring the point, for my present purposes I shall simply assert:

- (a) that unemployment is extremely serious in the lds;
- (b) that it is much more serious at present in the lds than in the richer countries;
- (c) that on reasonable definitions unemployment is of the order of magnitude of 25-30% in many lds, and 20-25% in the overall picture;
- (d) that it is serious, more or less equally so, both in its rural and urban manifestations;
- (e) that unemployment has become increasingly serious in the last 10-20 years;
- (f) that on present indications it is bound to increase further, unless counter-influences appear (which must probably include a vigorous and balanced development of science and technology in directions more relevant to the lds and their factor endowments, and in the longer run a slowing down of population growth).

All this amounts to saying that the present context of relations between richer countries and lds has been at least consistent with a global disequilibrium in the incidence of unemployment in the two groups of countries; say 3-5% in the rich countries and 20-30% in the poor countries. The thesis of this paper is to suggest:

- (i) that the present relations between rich and poor countries are not only consistent with, but also contributory to, this disequilibrium, with heavy persistent unemployment in the lds; and
- (ii) that reforms in the present relations of the two groups of countries are among the counter-influences, mentioned in (f) above, which are required to improve the situation, or even to prevent it from worsening.

We shall consider the possible contribution of rich/poor countries' relations to ldc unemployment under the headings of (1) Trade; (2) Aid; (3) Private Investment; (4) Science and Technology; and (5) International Liquidity.

(1) Trade

It is no accident that trade has been placed first. As an economist I am bound to say that the main avenue along which one would look for a major contribution to the solution of the unemployment problem in developing countries lies in trade. Traditionally, in the thinking of economists, trade has been the method by which each country exports, through the commodities produced and traded, those factors of production which it has in relative abundance, while it imports, again through commodities, those factors of which it is relatively short. For the developing countries this would mean that through trade they would find an outlet for their abundant labour, and be enabled to remedy their deficiencies in capital through imports.

Unfortunately, trade has not in fact played this major role conceptually attributed to it. But it still remains true that potentially this could be the case. The developing countries, with a good deal of support from enlightened opinion within the industrial countries as well, are putting forward in UNCTAD and elsewhere requests that their labour-intensive manufactures should be admitted to the huge markets of industrial countries on a duty-free or preferential basis. Similarly, freer access of agricultural commodities and other raw materials is also under debate. When we think of the tremendous markets involved, and the tremendous rate of expansion of international trade as a whole, in which the developing countries have so conspicuously failed to participate, one cannot help being impressed by the vast potential improvement in the employment picture of the developing countries which expanded trade could produce.

It is not easy to quantify hypothetical situations which cannot be isolated from other events and trends. However, I am going to stick my neck out and risk the guess that if the share of ldc's in world trade had been kept up since 1955 by a reduction of agricultural protectionism and trade barriers in the richer countries, the employment volume in the ldc's could be about 10% higher than it is now. That would be say $82\frac{1}{2}\%$ of the labour force instead of 75%, and unemployment would be $17\frac{1}{2}\%$ instead of 25%. Moreover, if this hypothetical assumption of a fully maintained share in total world trade could be projected into the future, and if world trade should continue to expand as rapidly as in the past decade, the establishment of this condition might prevent unemployment in the ldc's from rising in the next decade, even in the presence of a capital-intensive technology and a certain rapid increase in the labour force. But this is a big and extremely hopeful assumption to make. Notwithstanding favourable votes in UN bodies and acceptance of global targets which really depend upon such action, are we in the richer countries really ready for it? No doubt we could ourselves benefit in the long run by concentrating on the more sophisticated lines of production (but by the same token perpetuate global dualism and technological colonialism). But the case of aid should warn us that demonstrations of long-run advantage do not seem to be particularly compelling in eliciting from taxpayers, parliaments, civil services and politicians of

richer countries any great willingness to make what looks like one-sided 'concessions' even though the sacrifice may be more apparent than real, and transitional rather than lasting. Perhaps real sacrifices could be more readily elicited than the inconveniences of adjustment?

The trouble of course is that the burden of adjustment, if not properly handled, will tend to fall on vulnerable groups most directly in line of competition with the potential exports of the ldc's - the elderly textile worker in Lancashire, the farmer, the older more labour-intensive firms. The necessary adjustments and compensations should certainly be within the power of the richer countries, as well as being in their own interest. Nobody wants to solve the problems of the ldc's on the backs of the poorer people within the richer countries - but then we should also stop trying to solve the problems of our poorer (or simply more vocal!) sectors on the backs of the even poorer ldc's.

In this paper which deals with "International Policies" we naturally look at the action required by the richer countries, but let us remind ourselves that the ldc's may also have to make painful and difficult adjustments in their present policies and outlook to take better advantage not only of the present, but also of any potential larger future export opportunities. This requires outward-looking policies, willingness to take risks, to study foreign markets and tastes. It takes two to export, and perhaps it takes a dash of Japanese! And the mentioning of Japan could serve as a reminder that the development of a prosperous home market base has never yet hurt a country in developing its exports as well. But there is also a counter-lesson from Latin America: the building up of a pseudo-prosperous home market under the banner of import substitution may be more of a hindrance than help in export development.

Hal B. Lary of the National Bureau of Economic Research in New York has found that the following industries stand out as particularly labour-intensive in relation both to skills ("human capital") and to physical capital: apparel and related products; leather and leather products; lumber and wood products; textile mill products; furniture and fixtures; miscellaneous manufactures; rubber and plastic products. Trade concessions in these products (which I have listed in more or less descending order of employment-intensity in terms of unskilled labour) would have particularly strong employment impact in the ldc's, and relieve wage pressures and tight labour markets in the richer countries. Is there not a ready-made agenda here for international action? If the ldc's can only provide the skills, even while lacking the physical capital, a number of other industries could be added as being employment-intensive in the ldc's: fabricated metal products; printing and publishing; electrical machinery; non-electrical machinery. This list of eleven employment-intensive industrial groups prima facie suited for export from the ldc's would still leave the richer countries with nine industrial classes which are both skill- and capital-intensive, and hence prima facie suitable for their exports.

The case made here for international trade concessions to the ldc's specifically directed towards employment promotion is of course additional to the more general case for trade development as a way of reducing their foreign exchange bottlenecks and speeding up their general rates of growth and investment. This more general case has been amply made in UNCTAD, the Pearson Report, and elsewhere, but by comparison perhaps not much attention has been given to how to obtain maximum employment impact through trade concessions. The scope is certainly enormous, considering that imports of labour-intensive products from the ldc's are only a small fraction of rich countries' total imports of such products, and only a fraction of that fraction when related to their total consumption of such products. Even a target of say 10% of the total increase in the consumption of such products to be imported from the ldc's would have highly important employment impact.

But all this is 'potential', i.e. pie in the sky. Meanwhile the ugly skeleton of the scandalous international cotton "agreement" rattles its bones to remind us of reality, and of one reason for 25% unemployment in the ldc's! To this we should add, as equally misleading, the moderate-looking nominal tariff rates on processed and manufactured products from the ldc's which conceal the real, and much higher, effective taxes on value added by employment.

(2) Aid

Here once again we must distinguish between the general case for additional aid, as contributing to fuller employment in the ldc's, and the specific case for adjusting the forms and methods of aid so that a given volume of aid becomes more 'employment-intensive' in its impact. The general case is no doubt valid (within certain limits and with certain qualifications): increased aid, say the achievement of the Pearson targets of 1.0% and 0.7% of GNP for total financial flows and public aid, would increase the rate of investment and growth, and ceteris paribus increase employment.⁽¹⁾ Improvements in the terms of aid, untying, more grants and anything that leads to more effective use of aid would have the same presumptive favourable effect on employment. The limits and qualifications mentioned include a possibility such as the following: if the additional growth and employment created by more aid are in the urban/modern sector, then the increase in the number of urban jobs created might swell the flood of migration to the cities to such an extent that unemployment, at least in its open and urban forms, could actually increase. This possibility, based on East African conditions, is inherent in Michael Todaro's much-discussed model.⁽²⁾ Another possibility would be that the higher

(1) This would be questioned by some, either on more general grounds that aid is "bad" for ldc's, or on more specific grounds such as by A. Qayum in "Long-term Economic Criteria for Foreign Loans", Economic Journal, June 1966.

(2) "A Model of Labor Migration and Urban Unemployment in Less Developed Countries", M. Todaro, American Economic Review, March 1969, pp. 138-148.

growth rate and investment rate in the urban/modern (and capital-intensive) sector could be accompanied by such a change in the overall composition of investment, by drawing complementary domestic resources out of the rural/traditional/service sector (largely labour-intensive), that overall employment is diminished rather than increased. The possibility of this applying to Colombia has been pointed out by the ILO mission under the World Employment Programme, led by Dudley Seers.⁽¹⁾ However, broadly speaking, more aid, or more effective aid = more employment, although the conventional aid/employment ratio is almost certainly unimpressive.

How can the aid/employment ratio be improved? This is the special relationship between international aid policies and employment with which we are concerned here. Space limits us to an enumeration of changes in international aid policies which could improve the employment impact of a given volume of aid.

(a) Aid is now available predominantly for the import component of projects, largely equipment. This puts an artificial premium, as far as the ldc's are concerned, on preferring capital-intensive projects to more labour-intensive ones, or for any given project preferring a more capital-intensive (import-intensive) to a more labour-intensive technology. Both these effects reduce (or possibly pervert) the employment effect of aid. Aid should be equally available for local expenditures on projects (including local equipment). This could be done either by giving aid as a fixed percentage of total project costs, whether 100% or 50% or 25% of the total cost, or alternatively by giving aid on a programme or general budgetary basis. The Pearson Commission has recommended that aid givers remove regulations which limit or prevent contributions to the local cost of projects, and make a greater effort to encourage local procurement wherever economically justified.⁽²⁾ This recommendation deserves full support. In particular, it is to be hoped that the multilateral aid sources will pay full attention to it; so far they have been more in the rear than in the van of the faint movement in this direction.

(b) Aid is more readily available for investment in the urban/modern sector than in the rural/traditional sector. This has the dual effect of raising the overall capital/output ratios by changing the investment mix in the direction of the more capital-intensive urban/modern sector; and of intensifying rural/urban migration by increasing the rural/urban income differential and the job attractions of the towns. Both these effects tend to reduce the employment impact of aid. The aid/employment ratio could be improved (lowered) if more aid were available for the rural/traditional sector (not necessarily agricultural but inevitably much of it directly agricultural and most of it agriculture-related). Here again, we are pushing at an open door in so far as most aid programmes, especially the World Bank, have announced an intention to

(1) Towards Full Employment, A Programme for Colombia Prepared by an Inter-Agency Team organised by the International Labour Office. ILO, Geneva, 1970.

(2) Partners in Development, Report by the Commission on International Development, Praeger, New York, Washington, London, 1969, p. 177.

6.
shift more aid into the agricultural sector, and into rural development. However, the implementation of such a policy will be more difficult than the policy-framers realise. Often the aid would have to be on a programme or budgetary basis, and channelled through local financial institutions in order to overcome the logistic difficulties of channelling aid into a multitude of small widely dispersed projects conducted under unfamiliar and unsophisticated conditions of bookkeeping, expenditure control, etc.

(c) Aid is more readily available for a few large projects rather than for a variety of smaller projects. Smaller projects however are both more likely to be employment-intensive and also more likely to be found in rural or small town locations where they reduce migration to the cities and consequently urban unemployment. There is of course a certain fungibility in that external aid for large projects may release local resources for smaller-scale projects (or vice versa). This fungibility however may work in reverse if the external aid covers only a relatively small part of the total cost of the large-scale project while the rest may have to be covered from complementary local resources. The best approach would be either to channel aid through local financial institutions or to place it on a programme or budgetary basis.

overhead projector

It will be seen that the policy prescriptions under (a), (b), and (c) above coincide quite closely. In fact it may be said that present aid practices form an anti-employment syndrome, while the corrective measures required also form a single syndrome.

(d) The employment impact of aid also suffers from a confusion within the present aid system of promoting new growth or development as distinct from promoting new development projects. It is a great deal easier to obtain aid for a new project rather than for the expansion of an existing project, or the repair and maintenance parts needed to keep existing projects going, or the import of raw materials required for their operation, or the additional expenditures (largely local wages) which would be needed to utilise existing plant more fully by multiple shift work. There has been some improvement particularly in the direction of providing aid for import of required raw materials, but the statement is still broadly true. As a result we have the extraordinary spectacle of scarce capital standing idle or under-utilized although no doubt deficiencies in management, income distribution, planning etc. also play a large part in this. Aid given for the more effective utilisation of existing capital would nearly always be much more employment-intensive than aid given for the introduction of new capital. In fact the kind of aid here advocated would represent the best kind of intermediate technology - capital-saving yet without arousing the antagonisms conjured up by the idea of a 'different' technology.

(e) Aid for the financing of public works, and especially of rural public works, is almost impossible to obtain, partly because there is no single project and partly because the expenditure involved is local. Food aid is a form of aid particularly useful for the financing of public works and labour-intensive development in general. No doubt food aid can be harmful if it depresses prices for local farmers or leads to a slackening of domestic effort in food production. But it would be throwing out the baby with the bath water to go slow on food aid rather than administer it

in such a way that it has no undesirable side effects. It is to be hoped of course that food aid, which essentially does not impose any real sacrifice on the donor of the surplus food, would be considered as additional to other aid rather than competitive with it. Perhaps for this reason it should not be counted within the 1% and 0.7% Pearson targets.

(3) Private Foreign Investment

The present employment impact of private foreign investment is reduced by a number of factors and could be increased by changing them. A bare list must suffice here.

(a) A foreign firm, particularly a multinational firm, will almost automatically fall back on the capital-intensive technology available to it internally through the research products, know-how, patents, etc. of the head office or parent company.

(b) A foreign firm will not wish to be troubled with the incomprehensible and politically-charged problems of handling large masses of local labour, deciding who should be employed and who should be refused employment, etc. The employment of capital is the line of least resistance.

(c) A foreign firm will be faced with a demand for wages much higher than the prevailing local labour situation and the resource endowment of the country would justify. To push up wages against foreign firms is almost a patriotic duty, and will understandably be supported by the local government as one way of keeping the money in the country and reducing the repatriation of profits.

(d) Where one of the original motives of the foreign investment was to use the local subsidiary or licencing agreement as a foothold for selling equipment, spare parts, operational raw material, etc., the provision of secondary local employment by ordering locally will be absent or greatly reduced.

This is by no means a full list, and no doubt there are also countervailing factors at work - including deliberate policies of a number of foreign firms - but it will help to indicate some of the changes in foreign investment policies which might be needed if we are to increase its impact on local employment.

(4) Science and Technology

Although problems of science and technology are less discussed (at least by economists and politicians) than trade, aid or investment, in fact this is the area in which the rich countries have perhaps the most powerful impact - for better or worse - on employment in the ldc's. The dominant fact of international life is that it is the richer countries, with one third or less of the world's population, which account for 99% of the world's scientific and technological innovation. Admittedly, R & D expenditures (on which the 99% figure is based) is a less than satisfactory input proxy for the output of innovation, and in addition it covers only one segment of the relevant inputs; but it is the best we have. In some ways, it even understates the dominance of the richer countries: such is this dominance that even the R & D expenditures of the ldc's are largely devoted to making a marginal contribution towards "extending the frontiers of knowledge", in ways and in directions automatically determined by the conditions and factor proportions of the richer countries.

In the Sussex Manifesto-- prepared by a group of consultants to the UN Advisory Committee on Science and Technology meeting at the University of Sussex last year⁽¹⁾ - we described this phenomenon as the 'internal brain drain', and as perhaps more important and dangerous to the ldc's than the external brain drain (visible geographical movement of highly qualified people) which has attracted so much more attention. It is on account of this internal brain drain as well as on account of the low efficiency of small and scattered R & D expenditures without adequate infrastructure and equipment (also discussed in the Sussex Manifesto), that one must be rather sceptical of the value of any targets of increasing the local R & D expenditures of ldc's from 0.2% of their GNP to 0.5% or any other figure, when such proposals are made in isolation.

It is only within the context of planned global change in the composition and direction of scientific and technological progress that such a target assumes a constructive meaning. And it is again because of the dominance of rich-country technology which not only dominates the R & D inputs and controls the R and D infrastructure, but also sets the tone and determines what is considered as 'progress' or 'modern' or 'efficient' even within the ldc's - however contrary to their true interests - that any such planned global change must include a restructuring of the R & D priorities within the richer countries. It is they who must redefine what constitutes 'progress' and where the 'frontiers of knowledge' lie. This they must do in such a way as to include more of the things which are useful to the ldc's (production on a smaller scale, simpler product design, tropical product improvement, protein foods for young children, etc.), and fewer of the things which are directly harmful to them (certain developments in synthetics, automation, machinery with extremely high repair and maintenance requirements, etc.). The target of the Pearson Report that the richer countries should shift 2½% of their R and D expenditures in this direction is an important, if modest, beginning.

For the purposes of our present discussion it should be noted that an such change in direction would be bound to give much higher priority to employment intensity, capital-saving and reduction of sophisticated skill requirements in operation, maintenance, etc. And let us not hear too much of the old canard that capital-intensity is good for ldc's because it economises in skills. All the evidence is to the contrary; and the landscape of the ldc's is strewn with the evidence of this fallacy in the form of under-utilized, broken down, idle, high-cost 'modern' capital equipment.

Hopefully in later years those after us will shake their heads incredulously at how we set about this business. We take technologists and other experts involved away from their familiar environment and drop them in another country (usually with insufficient briefing), leave them to find houses to live in and schools for their children, to find local counterparts, to find their ways in unfamiliar surroundings, and all too often whisk them back just

(1) World Plan of Action for the Application of Science and Technology to Development, United Nations Document E/AC.52/L.68 of 19 October 1969.

when they become effective. If this reads like a parody, few with experience would deny that it contains elements of truth.

Surely, the first step in a global partnership must be to use the wonderful and dreadful machinery of science and technology where it is and where it can operate most effectively, and realise its potential blessing for world economic development. The sending of experts abroad and the building up of an indigenous scientific and technological capacity within the ldc's must take place simultaneously, and in alignment with a change of direction of progress within the dominant richer countries. The 2½% suggested by the Pearson Report is less than one-twentieth of what is now spent on military, space and atomic technology, less than what the richer countries will have added to their R & D expenditures between the June day in 1970 when this is written and the end of the same year.

And once again, as with trade and aid, the thinking within the ldc's will have to change as much as the thinking in the richer countries. Feasibility studies of projects will have to be based on spectra of technology and on pricing systems which reflect the real resources and needs of the ldc's. At present, any such movement is only too easily resisted as evidence of technological colonialism, on the grounds that the ldc's are permanently to be fobbed off with an inferior second-class technology. Tragically, exactly the opposite is true: the present dominance of a technology appropriate for the rich countries, a dominance obtaining within the ldc's no less than without, ensures a continued handicap for the ldc's. The present rates of population increase, the present capital-intensive trend of technology, and productive full employment are three things which simply cannot co-exist. Something has to give - and at present it is employment.

(5) International Liquidity

Here, of course, attention should be paid to the great step forward taken by the world community by the creation of the Special Drawing Rights. A little of that progress has rubbed off on development even at present, in that the ldc's, contrary to the original intentions, at least participate in the SDRs to the extent of their IMF quotas. Perhaps more important is the widespread conviction which has emerged that now the SDRs have been safely - and one hopes irrevocably - established, their potential for world development can be safely utilised without damage to their original and primary purpose. The technique for doing this is less important than the decision itself, although the opportunity to strengthen multilateral channels seems too good to miss - killing three birds with one stone!

The balance of payments objection to increased aid to the ldc's was never too convincing, except possibly as a question of re-distributing the overall burden of aid among the richer countries. It could always be pointed out that as long as the ldc's did not use aid to increase their foreign exchange reserves - and with exceptions the main criticism of their policies was exactly the opposite - there was never a valid balance of payments argument against increases in overall aid. Now, with the creation of the SDRs we can go a step further. The richer countries, taken together, will not only not have a

balance of payments deficit, but they will in fact have a positive balance of payments surplus. The case for linking this new progress in international relations with a step forward in development assistance seems very strong - but what better direction than to link this even more specifically with the objective of providing constructive employment for the young in the ldes?

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12 avril 1971

Monsieur l'Ambassadeur,

Me référant à ma lettre du 25 mars, je vous confirme que je compte arriver à Genève (Cointrin) à 17 heures 25 le vendredi 23 avril par le vol SR 565 venant de Basle. Je quitterai Lausanne pour Berne par le train dans la soirée du dimanche 25 avril.

Je vous prie d'agréer, Monsieur l'Ambassadeur, l'assurance de ma haute considération.

P.-P. Schweitzer

Monsieur l'Ambassadeur Paul Jolles
Directeur, Division du Commerce
Département de l'Economie Publique
Berne, Suisse

LE DIRECTEUR

de la

Division fédérale du Commerce

Berne, le 5 avril 1971

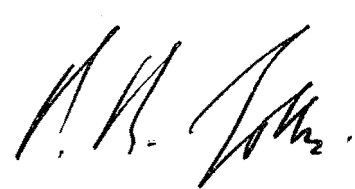
Monsieur
Pierre-Paul Schweitzer
Directeur général
Fonds Monétaire International
19th and H Streets N.W.
Washington, D.C. 20431 / USA

Monsieur le Directeur général,

J'ai été très heureux d'apprendre que vous pourrez prendre part au prochain "tidewater meeting" fixé aux samedi 24 et dimanche 25 avril à Ouchy, Lausanne.

Afin de pouvoir prendre les dispositions techniques nécessaires, je vous serais très reconnaissant de bien vouloir nous communiquer dans les meilleurs délais l'heure de votre arrivée à Lausanne ou à Genève, le 23 avril. De même nous aimerions connaître, dans la mesure du possible, vos intentions quant à votre départ, le dimanche 25 ou lundi 26 avril au matin.

En vous réitérant ma profonde satisfaction de vous rencontrer prochainement, je vous prie d'agréer, Monsieur le Directeur général, l'assurance de ma parfaite considération.



annexes:

- invitation
- ordre du jour



INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

25 mars 1971

MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

Monsieur l'Ambassadeur, *à son honneur*

Comme suite à mon câble du 24 février, je
voudrais vous informer que je compte arriver à Genève
(Cointrin) à 17 heures 25 le vendredi 23 avril par
le vol SR 565 venant de Basle.

En attendant le plaisir de vous revoir, je
vous prie d'agréer, Monsieur l'Ambassadeur, l'assu-
rance de ma haute considération *à vos sentiments*

W. Jolles

P.-P. Schweitzer
P.-P. Schweitzer

Monsieur l'Ambassadeur Paul Jolles
Directeur, Division du Commerce
Department de l'Economie Publique
Berne, Suisse

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Mr. Sturc

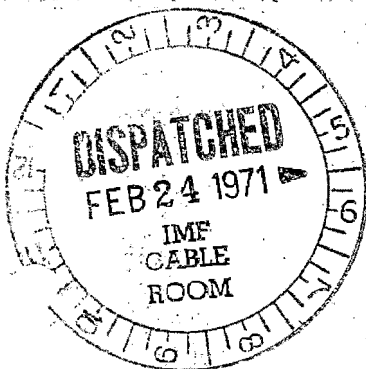
Mr. Whittome

Mr. G. Williams

Mr. Salte

Monsieur Paul Rodolf Jolles

SPECIAL INSTRUCTIONS



Ambassadeur Directeur

Division du Commerce, Department de l'Economie Publique

Berne, Switzerland

~~Participeraix~~

Serai très heureux de participer à la réunion
qui se tiendra à Duchy les 24 et 25 avril prochains.
Haute considération.

PIERRE-PAUL SCHWEITZER

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incoming cable No.
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/s/ Pierre-Paul Schweitzer

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Mr. Sture

Mr. Whittome

Mr. G. Williams

Mr. Salle

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M PIERRE-PAUL SCHWEITZER DIRECTEUR GENERAL FONDS

MONETAIRE INTERNATIONAL 19TH AND H STREET N.W

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LORS DE NOTRE DERNIERE RENCONTRE A TITCHLEY NOUS AVIONS ENVISAGE
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P01049 M PIERRE-PAUL P01049 2/50

D ENTENTE AVEC L AMBASSADEUR ED MARTIN
PRESIDENT DU COMITE D AIDE AU DEVELOPPEMENT J AI LE PLAISIR DE
VOUS INVITER AU NOM DU CONSEIL FEDERAL SUISSE A PARTICIPER A
UNE NOUVELLE RENCONTRE QUI SERA CONSACREE AUX PROBLEMES DU SOUS-
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ENVIRONNEMENT AVEC MAURICE STRONG EST AUSSI

PREVUE

APRES UNE SERIE DE CONSULTATIONS PRELIMINAIRES IL M EST APPARU
QUE LA DATE LA PLUS FAVORABLE SERAIT LE WEEKEND DU 24/25 AVRIL
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M PIERRE-PAUL SCHWEITZER DIRECTUR GENERAL FONDS MONETAIRE
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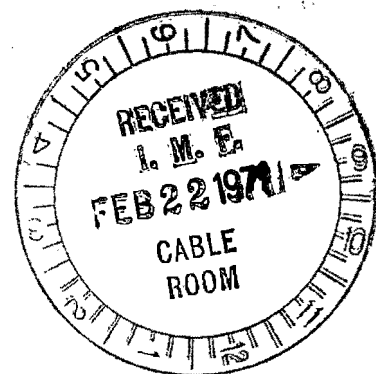
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TICIPATION A CETTE CONFERENCE CONTRIBUERA GRANDEMENT A SA REUSSITE
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PAUL RODOLF JOLLES AMBASSADEUR DIRECTEUR DE LA DIVISION DU
COMMERCE DEPARTEMENT DE L ECONOMIE PUBLIQUE BÉRNE

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Translated by B. Inwood

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Bern 348 22 1350

Mr. Pierre-Paul Schweitzer Managing Director International

Monetary Fund 19th and H Streets, N.W. Washington/DC

When we saw each other in Ditchley we had tentatively planned on meeting again whenever we felt that some particular aspect of development policies warranted more far-reaching discussions, within this spirit of understanding, with Ambassador Ed Martin, Chairman of the Development Assistance Committee, on behalf of the Swiss Federal Council I am pleased to invite you to participate in another meeting which will center on the problems of under-employment in the seventies. A short discussion of environmental problems with Maurice Strong is also planned. After several preliminary enquiries I concluded that the most favorable date would be the weekend of April 24/25. This meeting would be held at the Hotel Beaurivage in Ouchy Lausanne. It would begin at 11 a.m. on April 24, and last through 5 p.m. the next day. However, it has been provided that your expenses would be for our account as of your arrival in Geneva/Cointrin on the afternoon of the 23rd, through your departure the morning of the 26th.

Please let me know your answer as soon as possible so that I may make all necessary arrangements, and send you in good time details on the weekend's program as well as background papers for the last item.

I shall naturally be happy to forward to the participants any memorandum or study that you can send me on the subject to be discussed. Ambassador Martin will distribute other working materials, including a paper by Sir Wilfred Jenks of the International Labour Office, who will also be attending. I am sure these discussions will provide the opportunity for a most useful exchange of views, and I am convinced that your participation in this conference will be greatly instrumental in its success.

I hope to have the pleasure of seeing you again on this occasion.

Paul Rodolf Jolles Ambassador Director of the Commerce Division

Department of Public Economy Bern

Received in Cable Room

February 22, 1971

53rd session of the Administrative Committee on Coordination (ACC)

(26 - 27 April)

Meetings of Functional Groups and the ACC Preparatory Committee

(27 - 28 April)

Programme of meetings and associated events

Monday 26 April

Morning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (ACC members) - depart from Place du Palais fédéral
- 10.00 am - Private session of the ACC
- 12.45 pm - Coach service (ACC Secretariat) - depart from International Bureau
- 1.00 pm - Lunch given by the Director-General of the International Bureau in the Bureau reception room (7th floor)

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 3.00 pm - First ordinary session of the ACC
- 3.05 pm - Filming for Swiss Television news -
- 5.30 pm - Courtesy call by the Secretary-General on the President (if possible) of the Swiss Confederation and the Head of the Federal Political Department
- 6.00 pm - Closure of first ordinary session of the ACC
- 6.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB
- 8.00 pm - Dinner given by the Swiss Federal authorities for the Heads of delegations (dress: lounge suits)
Hotel Bellevue-Palace *Jeune de ville*

Tuesday 27 AprilMorning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (ACC members) - depart from Place du Palais fédéral
- 10.00 am - Second ordinary session of the ACC
- 1.00 pm - Closure of session
- 1.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 2.40 pm - Coach service (ACC members) - depart from Place du Palais fédéral
- 3.00 pm - Meeting of ACC Functional Group on the "Green Revolution"
- 6.00 pm - Closure of 53rd session of the ACC
- 6.15 pm - { Coach service (ACC members) - depart from IB
Coach service (ACC Secretariat) - depart from IB

Wednesday 28 AprilMorning

- 8.15 am - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 9.40 am - Coach service (Preparatory Committee Members) - depart from Place du Palais fédéral
- 10.00 am - Meeting of ACC Preparatory Committee
- 1.00 pm - Closure of meetings
- 1.15 pm - { Coach service (ACC Secretariat) - depart from IB
Coach service (Preparatory Committee members) - depart from IB

Afternoon

- 2.30 pm - Coach service (ACC Secretariat) - depart from Place du Palais fédéral
- 2.40 pm - Coach service (Preparatory Committee members) - depart from Place du Palais fédéral
- 3.00 pm - Meeting of ACC Preparatory Committee
- 6.00 pm - Closure of meeting
- 6.15 pm - Coach service - depart from IB (Members and Secretariat)

SUGGESTED READINGS ON JOB CREATION

1. Sir Wildred Jenks has agreed to distribute around April 1 a brief note on his present view of the problem in the light of the progress made on the ILO World Employment Program, launched about two years ago.

2. The most thorough job creation program developed to date is that for Colombia, published last year. It was prepared by an ILO-sponsored mission, headed by Dudley Seers, Director of the University of Sussex Institute of Development. The report is thorough, comprehensive and bold, but it is a book of 471 pages. However, Seers has published a short synthesis of the recommendations in the October 1970 issue of the International Labour Review entitled "New Approaches Suggested by the Colombia Employment Program". I assume this is available to you if you are interested in it.

3. Last September the United Kingdom Overseas Development Administration and Cambridge University sponsored a Seminar on Employment which attracted some excellent papers and a most distinguished list of experts. I enclose a copy of the paper on "International Policies and Their Effect on Employment", done by Dr. Hans Singer, also of the University of Sussex and widely known for his work in the field. To point up some of the key issues raised by the experts, I also enclose a sometimes critical summary of the papers and commentary on those debates by Carl K. Eicher of Michigan State University.

4. The fullest factual analysis of employment and under-employment in the LDC's available is contained in "The Employment Problem in Less Developed Countries" by David Turnham of the OECD Development Centre. A copy is being sent to you. It is a draft but the final version, due out in a couple of months, will reflect primarily stylistic improvements. It does the best one can with the scanty reliable information available.

5. The Development Centre is also just completing a study of the employment situation in Ceylon, about to be the subject of a second ILO action mission under Dudley Seers. The enclosed brief summary of its conclusions brings out especially how dangerous it is to generalize too freely about the causes and cures of inadequate employment opportunities.

6. Robert d'A. Shaw has done an excellent job of pulling together what little we now know on "Jobs and Agricultural Development" in a pamphlet prepared for the Overseas Development Council. They will be sending you a copy of it.

7. A useful, though somewhat miscellaneous, round up of facts and policy suggestions is contained in Section D of the 1970 "Administrators Review of Development Performance" published by USAID. A copy is enclosed.

8. In the 1970 DAC Chairman's Report is a chapter on employment. It includes a brief review of the key facts on unemployment and under-employment, drawn largely from the Turnham Study. There is also a very general look at some of the lines along which it has been suggested progress might be sought. I assume this Report is also available to you.

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