

INTERNATIONAL LABOUR OFFICE GENEVA

EMPLOYMENT AND POVERTY IN A TROUBLED WORLD

REPORT OF A MEETING
OF HIGH-LEVEL EXPERTS
ON EMPLOYMENT

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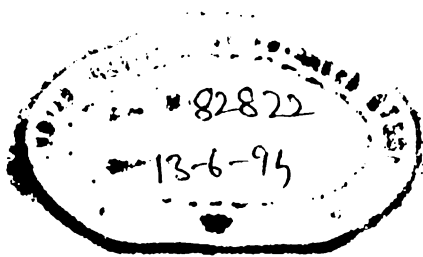
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PREFACE

It is unfortunately all too evident that unemployment and underemployment have become one of the major concerns of our time.

The industrially advanced countries, which only a few years ago appeared to have achieved a state of full or nearly full employment, are now faced with an unemployment crisis of almost unprecedented proportions. For the developing countries, where the vast majority of the world's labour force lives, the already daunting employment problems that they have been grappling with for years have become still more dramatic.

The intolerable situation in which hundreds of millions of people throughout the world now find themselves, because of lack of opportunities to earn a decent living and to acquire the recognition that derives from useful and productive work, needs no elaboration.

Policy-makers throughout the world are well aware that the present situation is economically wasteful, socially disruptive and politically dangerous. The current levels of unutilised and underutilised human labour mean a tragic waste of resources; they threaten to tear apart the fabric of national societies and to destroy the very considerable social gains that have been amassed in many countries over the past three decades.

No one can afford to remain indifferent to this menacing situation. Yet it is by no means evident where the solution lies. The achievement of a sustainable recovery of the world economy, which is of benefit to all countries, rich and poor, and which can lead to more jobs and better incomes for workers throughout the world, appears to be a very elusive goal; and there is no consensus — either within countries or between countries — as to how this goal is to be reached.

For the International Labour Organisation, whose Constitution imposes upon it the obligation to promote among the nations of the world “programmes which will achieve full employment and the raising of standards of living”, the critical employment situation in the world today presents a special challenge. It is the duty of our Organisation to contribute to an informed discussion of the nature and causes of the present employment crisis, and of the measures that can be taken to deal with it. This has, in fact, been a major purpose of the ILO’s World Employment Programme, which was launched in 1969 and which has made some contribution towards improving our understanding of the dimensions and causes of the employment problem, particularly in the developing world, and towards devising policies to promote fuller employment.

But the world situation today is very different from that which existed when the World Employment Programme was launched. The world recession, the severe cuts in public expenditure, the massive debt problem in a number of developing countries have been among the factors that have made the goals of “full, productive and freely chosen employment” contained in the ILO’s Employment Policy Convention, 1964 (No. 122), and “the attainment of an equitable distribution of income and wealth through appropriate strategies to eradicate poverty and promote full productive employment to satisfy basic needs”, contained in the conclusions of the World Employment Conference of 1976, more remote than ever.

I therefore felt that it was necessary for the ILO to take a fresh look at the employment problem in a changing world environment; and I accordingly took the initiative of convening an informal

meeting of high-level experts to exchange views on the current employment crisis and on the steps that could be taken to overcome it. Their report is contained in this volume. As the experts themselves have pointed out, the subject that they were asked to address is vast and complex; they could not be expected in two short meetings and in a very succinct report to have reached complete and definitive conclusions, still less to have produced a “single remedy or a miracle solution” to this perplexing question. They rightly point out that nobody can claim to have found all the answers to this problem.

But in this brief report the experts have touched on a number of key issues that underlie the present crisis. They have taken the current world economic situation as the starting-point for their analysis, and have stressed the imperative need for all countries — particularly the more advanced countries — to be mindful of the increasing interdependence of national entities in the world economy when formulating their domestic policies. The importance of this one-world approach to the problem cannot be overemphasised.

Today more than ever before, the jobs and incomes of workers in any country depend to a large extent on the prosperity of other countries; and for any country to attempt to solve its internal employment problems without heeding the international dimension of its policies is to defeat its object. It will not only impede growth and employment promotion elsewhere, but will jeopardise the longer-term prospects for employment at home.

The experts emphasise that it is incumbent on all countries, rich and poor, to adjust to the changing world economic environment. Such adjustment is necessary in order that the future opportunities and benefits which it offers can be seized. But adjustment policies clearly need to be framed and implemented precisely in a manner that does not compromise the achievement of longer-term development goals — particularly the goals of fuller employment and basic-needs satisfaction — and that furthers the broader interests of the entire international community rather than the narrower interests of one country or group of countries.

The experts have therefore resolutely opted for an expansion of the world economy, based on open and equitable trading relationships, increased aid flows to the poorest countries and a new approach to the crippling debt burden which afflicts so many developing countries. The analysis of the world economic situation and its impact on employment which is contained in Chapter 2 of this report is particularly worthy of attention.

Chapter 3 of the report addresses itself to the domestic policies of developing countries, for the experts have quite rightly affirmed that developing countries ought to take responsibility for their own development and to make themselves — and particularly the poorer sections of their populations — less vulnerable to external shocks. A number of important points are made in this chapter — concerning, for instance, the basic-needs approach, which the experts describe as “not only an end but also a means for development”, policies for rural development, and agricultural and food production and their impact on employment and poverty, on rural-urban migration, on the role of women, and on the key problem of technologies for development.

The experts have concluded their report with a few reflections and recommendations on the action of the ILO in this important field of its activity.

While this report was produced at my request in order to provide a basis for further thinking in the ILO regarding our future programmes of work, I feel that, since it reflects the consensus of a group of distinguished experts, and since it contains some useful insights into the employment problems now facing the world (particularly the developing world) in such a concise form, it should be made available to a wider public.

Like the experts themselves, I hope that this booklet will serve to stimulate “reflection and action on what is surely among the most burning and agonising problems of our time”.

Francis Blanchard
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SUMMARY AND RECOMMENDATIONS

The world economic situation and its impact on employment

The current world economic situation has seriously impeded longer-term structural change and placed a brake on achieving employment and basic-needs objectives. Expansion of the world economy is essential and must be encouraged.

Recovery is now under way in the United States and to a lesser extent in Japan and Western Europe. But if this upswing in the industrialised market economy countries (IMECs) is to make a major contribution to renewed growth in the developing world, it is essential that the recovery be sustained, and also that the import capacity of developing countries be increased and their debt burden reduced.

Developing countries will not automatically benefit from an IMEC recovery, especially if interest rates remain high. Therefore, in an international order where the interests of industrialised countries overlap those of the developing world, the former countries are encouraged to recognise this interdependence in formulating their domestic policies and also in giving priority to solving the problems of developing countries. From this a series of short-term policy measures logically follows:

- (a) sufficient and longer-term funding by the International Monetary Fund (IMF), coupled with an improved and more flexible approach to lending;

- (b) reversal of the trends towards protectionism, barter trade and restrictive fiscal and monetary policies, together with the use of active incomes policies in view of their potential contribution to employment growth; and
- (c) increased levels of aid flows from developed to developing countries, in particular to the poorest among them.

The principle of comparative advantage, interpreted in a dynamic and flexible manner, still provides the most suitable basis for achieving a rational world pattern of industrial activity and trade. This is modulated, of course, by the policies pursued by each country as well as a combination of longer-term trends, constraints and uncertainties. These include population growth, technological change, the responsiveness of education and training systems to changing skill requirements, and protection of the natural environment.

From a global point of view, the industrial restructuring policies of IMECs have been inadequate. IMEC policy should be guided by the newly emerging world patterns of demand and industrial capacity. By the same token, the industrialised centrally planned economies (ICPEs) also are obliged to adapt their industrial structure to a new world pattern of industrial capacity as well as to tackle their problem of labour shortages more efficiently.

✓ Policies of developing countries

The positive contribution which policies and expenditure aimed at meeting basic needs can make to growth, as well as to social well-being, should be continuously emphasised. Development should be reoriented to achieve a pattern of growth which will answer basic needs.

Productive employment and active participation of the poor in development are basic to an approach aimed at raising incomes,

redistributing the fruits of growth and meeting basic needs, and should be accompanied by the requisite structural change.

Participation assumes especial importance in rural development, where the poor need to be urged to form organisations through which they can become aware of their rights and collective strength and take their own initiatives.

While land reform should be regarded in most cases as a prerequisite for stimulating output and achieving a more egalitarian pattern of rural development, prospects for industrialisation and a range of economic, political and social factors must be considered in deciding on the most appropriate type of land reform.

Given the inadequacy of current food production in many developing countries, policies to bring about increased food production, especially by small landholders, and to improve its storage, transport and distribution, are essential for food security.

The correct pricing of potential export crops is becoming increasingly important. Governments should avoid discouraging growers by setting the price too low or subsidising them to an extent that crops can only be sold abroad at a loss, both of which limit exportation.

There is a clear need to increase linkages between agriculture and industry. The place of rural industries in this process is the subject of some controversy, and one which merits more attention and greater analytical rigour in its treatment.

In developing countries, especially those where rural migration has been largely responsible for urban growth, it is necessary to view migration in terms of the overall development process. It can then be seen that development policies, particularly those aimed at solving problems of rural areas, do more to keep migration down than direct attempts to control such internal movements.

What should be of particular concern to policy-makers are the consequences of migration. These include outflows of needed skills, excess pressure on particular labour markets, and an influence on population growth and patterns as well as on the sexual division of labour and household decision-making.

The role played by the informal sector in employment and development needs to be better understood. Increased assistance should be made available to viable informal sector activities within a wider framework of urban development.

It is essential that any attack on poverty and unemployment should take account of the vitally important roles performed by women, particularly poor rural women, both in the household and in overall economic activity. It is important to understand how development policies are likely to affect women and to ensure that any measures taken will make for sustained improvement in their status and in their working and living conditions.

Women should have more say in decision-making, especially on matters pertaining to distribution of work, resources, income and expenditure. Such participation should be encouraged, both through women's own organisations and through their membership of organisations comprising both men and women.

The problems of other vulnerable groups, such as working children and teenage and elderly workers, also require more attention and understanding, not only for their own sake, but also in relation to overall planning and the choice of measures for combating poverty.

Developing countries should identify, develop and apply technologies that are most suitable to national and local needs and conditions, including the level of development and market pattern, and to this end policy-makers should be made more aware that there is a choice of appropriate technologies. It is necessary to establish why they have not been applied in the past and to frame the best policies to ensure the development and application of technologies leading to fuller employment and improved income distribution.

The build-up of indigenous technological capacity in developing countries should be fostered, especially by better access to credit and to markets, by efforts to improve the quality of human resources, and by adapting and upgrading traditional technologies.

Taxation and credit policies should be reoriented in favour of small enterprises. Planners should take into account the

innovativeness and potential contribution to economic and technological development of small workshops and local craftsmen.

There is a need to assess the probable impact of new technologies in order to mitigate or avoid their adverse effects, while seizing and building upon the development opportunities they offer. Developing countries should also exploit all the possibilities for blending new and traditional technologies with a view to raising productivity without loss of employment.

There is a need to promote the establishment and strengthening of technology institutes and the dissemination of technological information, inter alia between the developing countries themselves; the ILO has a role in fulfilling this need.

The role of the ILO within the international community

The ILO, with its concern for social problems and especial focus on employment and development issues, should be called upon to play a larger role within the United Nations system. The ILO should aim to supplement the expertise and analyses of other international bodies which, in pursuance of their mandates, have a tendency to see global problems from their own particular viewpoint. Collaboration with the IMF, the World Bank and similar institutions in assessing structural adjustment programmes and aid policies from the standpoint of their effects on employment, incomes and poverty, would be particularly useful.

The ILO should take a firm stand on the policy changes required in IMECs in order to increase employment and raise incomes for their most vulnerable groups. The ILO should continue to conduct research on the relationship between unemployment in the IMECs and the policies they pursue, and employment and income conditions in developing countries, particularly among their poorest groups.

The preceding paragraphs suggest problem areas specific to developing countries, calling for further policy research. The ILO should continue to bear in mind the importance of the following topics:

- (a) the fuller incorporation of poverty, underemployment and unemployment in the planning process as well as the development of more adequate systems of measurement pertaining to them;
- (b) the entitlements of the rural poor and how these may be increased in order to help them to attain higher agricultural output and incomes;
- (c) the interplay between industrial and agricultural development and a clearer determination of the role to be played by rural industrialisation;
- (d) the nature of urban poverty, especially in relation to migration and urban processes;
- (e) improving the role and status of women in society, their employment situation and their effective participation in development;
- (f) the role and likely impact of new technologies and their relationship to the shaping of development policy.

With a view to strengthening its links with policy-makers, the ILO should publish summaries of its major policy findings and conclusions and periodically produce a report on the state of employment in the world.

INTRODUCTION

1

We were invited by the Director-General of the ILO to reflect on the nature and causes of the employment crisis in today's world and on the policies that might be followed to overcome it.

This is an awesome and challenging task because of the magnitude of the many employment problems which most countries of the world currently face. The nature of these problems varies, of course, with the level of development and the social system of different groups of countries. In the industrialised market economy countries (IMECs) unemployment has reached levels that have been unknown for 50 years. The industrialised centrally planned economies (ICPEs) are faced with important problems of ensuring a fuller and more efficient use of manpower. While it is difficult to generalise reliably about the situation in the diverse group of Third World countries and even more difficult to estimate the numbers of people affected, open unemployment and underemployment have greatly increased in many of those countries in recent years. Hundreds of millions of people are still living in conditions of appalling poverty because of inadequate opportunities for productive and gainful employment.

It is not only the magnitude of these problems that made our task so challenging, but also the complexity of the different factors that have given rise to this situation. The present depressed state of the

world economy has clearly resulted in immense hardship for many millions of people. But we cannot assume that, once the world economy starts growing again, these massive problems of unemployment and poverty will simply solve themselves. Past experience has shown that they will not. Economic growth is a necessary condition for the eradication of these social and economic ills; but it is not the only condition. The underlying, and much more deeply rooted, factors that have given rise to the present situation — and to the immense dangers that it presents for future prosperity and stability — must be tackled before any remedy can be confidently prescribed. While today we understand much better the processes that have contributed to the drastic situation in which hundreds of millions of people find themselves, our knowledge is still far from perfect. There is no single remedy or miracle solution at hand. The most that we can do is to point to some possible and promising paths to follow.

The ILO's World Employment Programme (WEP) is among the most important developments in the international community in recent years. We felt that the goal of the WEP, as stated by the World Employment Conference in 1976 — “the attainment of an equitable distribution of income and wealth through appropriate strategies to eradicate poverty and promote full productive employment to satisfy basic needs” — is as valid today as ever. But the goal is elusive, and is further from achievement today than ever. Why is this? What has gone wrong? And how can it be put right?

We do not claim — nobody can claim — to have the answer to these questions. But we hope that this brief report will stimulate both reflection and action on what is surely one of the most burning and agonising problems of our time.

In preparing this report, we have benefited from exchanges of views with ILO officials involved in the WEP. Indeed, several of the ideas and proposals contained in the report are drawn from the experience gained by the WEP in its research and operational activities. We have also included in our report some recommendations addressed to the ILO. The WEP has made a

distinctive contribution to development thinking, and we have ventured to suggest some means by which its impact could be enhanced.

The structure of the report is as follows: we first discuss the world economic situation, looking mainly at the behaviour and reactions of the industrialised countries. In that chapter we also review longer-term trends and short-term policies. In the next chapter we discuss the developing countries' policies, seeing these in a longer-term perspective. In the final chapter we make suggestions on the role which the ILO can play within the international community.

THE WORLD ECONOMIC SITUATION AND ITS IMPACT ON EMPLOYMENT

2

The current world situation is seriously affecting the economies and people of the developed and developing countries alike. World income growth has stagnated and in a great many countries average incomes have fallen. Unemployment and underemployment have risen sharply and the social progress of many years is in jeopardy. International interdependence and co-operation, which have long been taken for granted, are threatened by various forms of protectionism in the industrialised world, by shrinking export markets and by reduced or even negative capital flows from North to South. A stronger response to present world problems will be needed in both developing and industrialised countries if employment and basic-needs objectives are to be met. In the following paragraphs we briefly review the main problems which various groups of countries are facing and the major factors which have led to those problems.

The industrialised market economy countries

The main immediate problem facing the IMECs is undoubtedly that of unemployment. Over 32 million people are currently

unemployed and others are discouraged from entering the labour market. Many factors have played a role in this, some once and for all, others recurring; some exogenous to the IMECs, others endogenous; some with enormous immediate impact, others which worked gradually over a period of time. Even today, the contribution of any single factor to the present situation cannot be identified clearly, but both long-term (demographic, institutional, technological and cultural trends) and short-term factors have played a role. Among the first set of factors was a rapid rise in labour supply as a result of the post-war baby boom which led to unusually high numbers of entrants to the labour market during the 1960s and 1970s; the increase in female labour force participation, now over 50 per cent; and greater labour market and wage rigidities. The pace of technological change seems to have speeded up through the wide applicability of a relatively small number of innovations. The resulting dislocation in the labour market has decreased the demand for labour in many industries; as yet this has been little offset by an expansion in services and new growth industries which are likely to emerge later. More sudden and dramatic were the consequences of the two oil shocks during the early and late 1970s. In retrospect, however, it is clear that the oil shocks were a reaction to disequilibria already existing in the world economy, rather than their cause. Nevertheless, both their short- and long-run effects on the IMECs were enormous, transferring as they did some 2 per cent of the IMECs' gross domestic product to the oil exporters each time. Restrictive and uncoordinated monetary and fiscal policies adopted after the 1979-81 oil price increases further aggravated unemployment.

This complex of factors originally led not merely to unprecedented levels of unemployment but also to high inflation and severe pressure on government budgets. As a first priority in returning to equilibrium the IMECs chose to fight against inflation through restrictive fiscal and monetary policies. This reduced inflation rates but at the expense of economic growth and employment, not merely at home but abroad as well. With hindsight it appears that in a larger sense these policies went both too far and not far enough.

Conventional policies were given tasks which they were never designed to fulfil, and indeed can never fulfil. Demographic, cultural, institutional and to a large extent even technological factors cannot be altered in this way.

To establish the real cause of current problems, analysis must return to the early 1970s when the international monetary system came under pressure, huge short-term capital flows disrupted the currency alignments which trade requirements would otherwise dictate, and large devaluations and revaluations of major currencies became inevitable, as did the eventual de-linking of gold and the dollar and the floating of dominant currencies. Although any particular item in this series of events must be explained in relation to country-specific economic and political factors, we are firmly convinced that these events were reflections of the changing world pattern of industrial activity and trade. This was not fully recognised at the time, and perhaps governments should not be blamed for all that followed. But it is clear that governments, by ignoring the international dimension of their policies, have unnecessarily deepened the crisis.

Attention has been almost exclusively confined to domestic needs and requirements, and the implications of policies for the rest of the world have consciously or unconsciously been ignored. Only rarely has IMEC policy been guided by the newly emerging world patterns of demand and of industrial capacity. When such new capacity was considered, the response was too often entirely defensive and took the form of protecting existing, but no longer viable, industries. Along with this have come demands for managed, or bilaterally balanced, trade. Without trying to make light of the very hard and politically costly decisions involved in closing down whole plants, often in already depressed areas, and without denying that governments had to make decisions without the benefit of perfect knowledge, it must still be clearly stated that from a global point of view the industrial restructuring policies of the IMECs have been inadequate.

The present policy environment of the IMECs makes the early 1980s a very different economic world from that of the mid-1970s.

Monetary policy then accommodated their fiscal deficits, allowing the stimulation of domestic activity, while commercial banks recycled OPEC surpluses to the middle-income countries, thus expanding their demand internationally. These surpluses have now fallen and the main borrowing countries in the developing world have cut back their imports from the industrialised countries.

Recovery is now under way in the United States and to a lesser extent in Western Europe and Japan. This IMEC recovery can be sustained, although we would wish to make the following qualifications. It is very unlikely that increased rates of growth of output will make any significant dent in the unemployment problem in the short run. It is clear that the cry for protectionism in the United States is getting stronger now that American producers are losing significant shares of their domestic and export markets, in both cases as a consequence of the high dollar. A sudden drop of confidence, based on fact or fancy, can still easily break the recovery.

The industrialised centrally planned economies

The ICPEs have also been affected by the recession. Although in normal terms none of these economies can be called open, nevertheless those ICPEs which go farthest in this direction, i.e. which trade a relatively large part of their output, have been hit hardest. The main mechanisms bringing this about were declining terms of trade and higher debt servicing. One important difference between the IMECs and the ICPEs is that the effects of the oil shocks, or at least their timing, have been quite different. Since the Soviet Union supplies most of the ICPEs' oil imports, with selling prices based on the average world market prices of earlier years instead of present prices, the impact of the oil shocks was felt much later than in the IMECs. Combined with very high debt servicing on debt accumulated in the 1970s, this effect was greatest in the early 1980s.

The necessary consequences were cuts in imports and in government expenditure and investment.

Owing to the constitutional right to work, the recession was and is not allowed to result in unemployment, however. Indeed, in so far as there is an employment problem in the ICPEs, it manifests itself as a labour shortage with, in terms of Western economic thinking, a misuse of labour and low output within the enterprise. But the external pressures and the necessary response to them did lead to lower growth and lower output per head than would otherwise have obtained. Industrial inefficiency has for a long time been, and will continue to be in future, a major problem the ICPEs face. Along with this concern has come the need to adjust an uncurbed labour demand to a relatively stagnant labour supply. And on top of it all is the need to adjust to a new world pattern of industrial capacity. In spite of their high degree of self-reliance in manufactured goods, this will no doubt finally oblige the ICPEs to adapt their industrial structure as surely as it will the IMECs.

The developing countries

The developing countries as a group have been hit hardest by the world economic malaise. It is material to any detailed analysis of the current situation to distinguish between the various subgroups of developing countries, which are suffering to different degrees and whose problems have somewhat different origins. Generally the following causes can be identified. Non-oil primary commodity producers in particular have been affected by a dramatic deterioration in their terms of trade, especially after 1979. African primary commodity producers in particular have experienced a serious weakness in the volume of their exports, caused by such factors as inappropriate pricing policies, which systematically discriminate against agriculture and depress supply; bottlenecks in marketing; inadequate transport and road maintenance; insufficient credit; and decreased demand for their products in their traditional markets.

Most Latin American countries borrowed huge sums in the 1970s when poor prospects in the IMECs led to decreased investment and lower demand for funds and when the oil-exporting countries had immense surplus savings. Real rates of interest were often negative and continuous borrowing appeared very attractive. Again with hindsight, however, it is clear that postponing domestic adjustment by reliance on borrowing has produced enormous problems today when IMEC policies keep interest rates high, their export prospects are poor and debt service charges alone absorb an average of 21 per cent of the export earnings of the non-oil developing countries. Increased protectionist tendencies in the IMECs are another negative factor, affecting especially the Asian and Latin American newly industrialising countries. In one way or another, therefore, all subgroups of developing countries have been severely affected by the policy responses of the IMECs.

With the possible exception of some Asian countries which have followed policies of financial prudence and have a relatively diversified export structure, developing countries are now faced with large debt service charges, an enormously reduced import capacity and a consequent fall in manufacturing output, export drives which result not in improved import capacity but only in an ability to repay previous loans, very low utilisation of both capital and labour, dramatically increased unemployment and underemployment, and the increased impoverishment of the majority of their population.¹

Even if the IMEC recovery is here to stay, many developing countries will not automatically benefit from it, especially if interest rates remain high. Debt rescheduling for the major debtor countries will be necessary to enable them to serve as a growing market for the products of the industrial countries.

¹ In Chile, for example, the rate of urban unemployment jumped from 9 per cent in 1981 to 20 per cent in 1982. In Mexico in 1983 the rate was 12.5 per cent and in Uruguay 16 per cent, whereas in 1982 these rates were 7 per cent and 12 per cent respectively.

International migration

A somewhat different phenomenon affecting developing countries is that of international migration. The migration of workers, and sometimes also of their dependants, from poorer to richer countries usually benefits all concerned and has become numerically important. Well over 20 million workers are at present employed outside their country of nationality. Most are from developing countries. There is no doubt that this increased labour supply helped economic growth in the migrant-receiving countries. However, the migrants' labour conditions and trade union rights are often poor, especially in countries which see the use of foreign labour as only temporary. With the recession virtually all recruitment of migrant workers to Western Europe has stopped, although family reunification and illegal migration continue.

Workers' remittances are generally high when dependants have to remain at home. This has helped the balance of payments of the sending countries and, where the migrants were unskilled, has probably also improved their income distribution. Skill shortages in the sending countries have occasionally occurred, delaying many construction and similar programmes. This kind of "labour drain" is far less often criticised in the sending countries than is the longer-established "brain drain". Some countries feel that the latter movement implies a transfer of resources to the industrialised countries, although it is by no means exclusively a South-North phenomenon.

Longer-term trends and uncertainties

The economic situation in, say, ten years from now will be determined not merely by the choice of policies but also by a number of longer-term constraints and trends. For example, while demographic trends vary widely, and will continue to do so, in many developing countries the population is still growing very rapidly, with

all its consequences for labour force growth and future labour absorption. At the other extreme, in Eastern Europe and in a number of Western European countries the population and the labour force are hardly growing at all. However, in the long run such features as labour force participation rates, retirement ages, and so on, are variables, not data, and in the IMECs new labour market structures and new leisure patterns are one possible response to what now seems an incompatibility between the supply of and demand for labour.

We believe that, interpreted in a dynamic and flexible way, comparative advantage remains the best basis for determining future trends in the world pattern of industrial activity and trade. Clearly, the application of this principle cannot alone guarantee an equitable distribution of economic activity, employment and income. That distribution will still depend on the exact policies each country follows.

Technological change now assumes and will assume a critical importance. So far the main effect of new technologies, especially in microelectronics, on employment has been largely thought to be negative, although the impact is, in fact, still unclear. Nevertheless, whatever the initial labour displacement effects may have been, even the range of new technologies applied so far has raised productivity, provided new services and generated huge amounts of value added. The problem is, then, to separate production and distribution patterns and to devise new ways to distribute the value added generated in a limited number of processes and enterprises over the population as a whole. It is an open question whether this should be done through spreading the ownership of more advanced enterprises, through the government or by other means.

Another major point concerns the continuous build-up of skills needed to work with new technologies and the associated problem of retraining. This applies to technological change at all levels, in both developing and industrialised countries. Education and training systems must be made more flexible in the future so that they can respond to ever-changing training requirements and develop the skills required.

A final and very important requirement which must be kept in mind is the need to avoid a continuing deterioration of the environment. Deforestation, desertification, erosion and water and air pollution have taken on serious proportions. Many of these problems are man-made and cannot be ascribed to climatological factors alone. The problem is sufficiently serious for us to be convinced that economic growth cannot be allowed to destroy the natural environment further.

Short-term policies

The major, necessary short-term policy measures follow logically from these long-term trends. A situation where vast amounts of resources go unutilised while, at the same time, huge needs remain unfulfilled cannot be allowed to continue. Inefficiencies in the operation of national economies and the world economy must be tackled. World interdependence must be recognised, and when forming their domestic policies the IMECs should remember how their interests overlap with those of the developing countries. While we recognise that the problems of the industrialised countries are severe, we believe that the threat of social disruption in many developing countries requires that the international community should give higher priority to solving their problems. We are also convinced that domestic policy measures taken within the developing countries alone will be insufficient to bring about a lasting and equitable reversal of the trends towards the polarisation of the world economy in recent years.

As a first step the incipient world recovery must be encouraged. Those IMECs whose balance of payments appears strong should take active steps towards their own domestic expansion, thus making for increased imports from the developing countries and higher commodity prices. Full world recovery will probably be impossible without lower interest rates. This in its turn implies a gradual and controlled reduction in the United States budget deficit.

Without a major improvement in the import capacity of most developing countries, their level of economic activity will remain depressed, unemployment and underemployment will remain intolerably high and basic-needs satisfaction will remain unattainable. Such a jump is impossible without expansion of the world economy.

Another important aspect relates to current IMF policies, especially as they concern "conditionality". Naturally, any loan has certain conditions attached to it, and there is no reason why those of the IMF should be different. But the concrete forms which IMF conditionality takes seem too rigid, and to be aimed at restricting demand rather than at promoting supply and exports and thus growth and employment. The balance-of-payments difficulties which developing countries now face are seldom temporary but reflect the changing structure of world economic activity. This being so, to demand a return to a sustainable balance of payments within two or three years, as the IMF usually does, is, for the largest debtors and for the poorest developing countries, economically and politically unrealistic in present conditions. While we recognise that it is not the IMF's task to lend for development purposes, which is and should remain the responsibility of the World Bank, we believe that sufficient IMF funds should be made available for longer periods, and that Fund-supported programmes should aim at solving supply as well as demand problems, should embrace wider and more flexible performance criteria and should be integrated more closely with World Bank structural adjustment loans. In addition, a new creation of Special Drawing Rights (SDRs) is desirable.

However, the policies of all industrialised countries are of even greater relevance to a solution of present problems. Clearly, the trend towards protectionism needs to be reversed: in the medium-to-long run it does not solve the unemployment problems of the IMECs themselves and definitely hinders adjustment in the developing countries. We also believe that there is now far more scope in the IMECs for active incomes policies, and that these can partly substitute for restrictive fiscal and monetary policies. Experience with incomes

policies has been very mixed, but with today's much reduced rates of inflation their potential contribution to employment growth is far greater than at any time since the mid-1960s.

Even with a strong recovery of the world economy, many developing countries, in particular the poorest among them, will still be heavily dependent on concessional capital flows to help to finance a satisfactory rate of growth. It is vital that the level of aid to these countries, whether multilateral or bilateral, should be not only maintained but substantially increased.

Restructuring the industrial base in the IMECs is necessary, but we note that every country is trying to solve its problems by developing the same type of product, based on the same technologies. To prevent overcapacity in such industries, with its consequent strain on trading relations in the future, organisations such as the OECD and the European Community have an important task of co-ordination to perform.

✓ Developing countries must continue to take responsibility for their own development and for the well-being of their people and must search for ways to solve their problems that are appropriate to national and local conditions. They cannot, of course, isolate themselves from the world economy, but they can individually and collectively seek to reduce their vulnerability — and thus the vulnerability of the poorer sections of the population — to external shocks. Improvements in the welfare of the poor — through, for instance, improved education, training and health and improved access to land and capital — are not only important objectives in their own right; they can also contribute to a more equitable pattern of economic growth by improving the quality of human resources and by helping to increase domestic production of essential goods and services.

Such an approach can be stated quite simply. To translate it into practice, however, requires some bold, far-reaching and imaginative reforms:

- (1) It requires an approach to rural development which will enable the impoverished rural population to increase their incomes by

producing more food and more goods for local and national consumption.

- ✓(2) It requires greater recognition and encouragement of small enterprises in rural areas and in the informal sector of the mushrooming cities of the developing world.
- ✓(3) It calls for more attention to be given to the development of technologies, including indigenous technologies, which can improve the productivity of the poor.
- (4) It involves giving further recognition to the role of women, not only in the household but also in the contribution they make to production.
- ✓(5) It involves giving a greater voice to the poor, and greater encouragement to local initiatives.

These are among the issues that we examine in more detail in the rest of this report.

✓

Basic needs

Basic needs became an important feature of development thinking in the second half of the 1970s and was a logical extension of previous approaches to development. In the 1950s and 1960s development economists and economic policy-makers had seen the main objective as that of maximising the rate of growth of output per head. It was often assumed that this could best be achieved by stimulating the high productivity and modern industrial sector and that this sector, in turn, would absorb surplus labour from rural areas within a reasonable period of time. Lower-income groups were expected to benefit gradually from jobs created by economic growth. By the end of the 1960s, however, this approach was questioned as growth and greater industrial production were not creating enough employment. Nor were the benefits of growth trickling down to the lower-income groups.

The ILO's focus on employment and its employment strategy missions to several countries in the early 1970s highlighted the need for a co-ordinated attack on poverty and unemployment. The basic-needs approach responded to this need and aimed at the creation of productive employment and the provision of essential goods and services.

This approach stressed that policies and their intended consequences should take explicit account of the various

socio-economic groups, especially the poor, and allow each group's social progress to be measured separately. The basic-needs approach therefore was not limited to a clear statement of needs, setting targets and measuring shortfalls; it also called for the co-ordination of all policies which directly or indirectly could sustain a higher level of basic-needs satisfaction.

A key issue, which has so far evoked most criticism, is the emphasis on fulfilling the needs of the poor. This has sometimes been seen as giving undue concern to welfare rather than economic growth. Studies have, however, shown that expenditure on meeting basic needs is not a pure cost element. Providing basic needs contributes to the well-being of workers and their families and, as such, increases overall productivity and economic growth. This link between basic needs and growth should be continually emphasised.

The concept of basic needs aroused international debate at the end of the 1970s. The main reason for this was a supposed increase in the conditions imposed by donors on aid flows, based upon basic-needs performance, with a simultaneous hardening of their positions in trade and other negotiations. This, however, was scarcely related to the concept of basic needs itself and was more a consequence of changes in the international climate. But developing countries overlooked the fact that basic-needs policies can contribute to increased self-reliance as well as to increased growth.

Much of the policy debate on basic-needs satisfaction has concerned the extent of its achievement. Experience suggests that redistributive public finance and improved delivery systems for public goods, taken alone, are insufficient to provide for basic needs. Development itself has to be reoriented to achieve a pattern of growth which can ensure basic-needs provision. This requires structural change, such as a redistribution of land and other assets, higher employment levels and participation in decision-making.

There are also administrative constraints affecting delivery systems and a government's capacity to help the poor. This points to the necessity for a development strategy that emphasises employment

and increased productivity for society as a whole, as a means to raise incomes, redistribute the fruits of growth and meet basic needs.

The major question thus still remains that of changing the development process so as to create the means for increased satisfaction of basic needs. This seems to imply more egalitarian growth. Countries which have, for various reasons, undertaken land redistribution accompanied by other measures to increase productivity and to speed up industrialisation show, at a later stage of their development, a degree of income inequality that is below the average for countries with similar income levels.

One socio-economic group which deserves special attention and which is difficult to reach is that of landless labourers. They are usually not helped by programmes of asset or land distribution and may even lose work as a result of reforms. For them a programme of rural development with an improved basic infrastructure and the development of rural industry and services might provide the additional income necessary to satisfy needs, to help to develop skills further and to allow their increased participation in development.

The basic-needs approach is therefore not only an end but also a means for development, integrating all potential forces, including the untapped potential and skills of the poor. In order that these forces may be fully mobilised, the poor should be able to identify themselves with development through increased participation and increased command over the means of production.

Participation

We have just stressed the desirability, and indeed the necessity, for the poor to participate actively in development. One convincing way of furthering participation is to assist in creating and developing organisations through which the rural poor can become aware of their rights and collective strength, take co-operative economic and social action and operate as a pressure group like a trade

union. Such participation requires a pre-existing democratic structure and central policy-makers who are sympathetic to the basic interests of the rural poor. Few countries meet these conditions. Even countries with a working democratic system often have a very inegalitarian local-level power structure, which may resist the development of organisations of the rural poor. The task of promoting participation is therefore often delicate, requiring the support of government or other agencies of some status and strength. Simple administrative decentralisation, often considered a means of promoting participation, is hardly effective where local structures are inegalitarian. Devolving more power to local communities under such conditions may backfire, and the poor may find themselves more strongly under the grip of local élites than before.

In some government quarters, participation is seen in terms of mass mobilisation for public works undertaken in the collective interest. Local or agency officials organise the people to participate in such works programmes. This practice may be alien to the development of genuine organisations of the rural poor, and care has to be taken to ensure that the benefits of such activities do not just accrue to the rural élites. A concept of rural development oriented more to target groups is thus desirable, with the poor being encouraged to form their own organisations and to decide on their own initiatives. To increase the bargaining power of the rural poor remains a pressing concern, calling for more study and action. Yet, at the same time, poverty is so often the result of government inaction and ill-conceived policies that the stimulation of self-reliance among the poor must be accompanied by direct government action to create work opportunities and incomes.

• Rural transformation and poverty

In many parts of the world, progress in agriculture remains unsatisfactory, as is shown by low output levels, poverty and

underemployment. In gauging progress we distinguish between short-term factors (bad harvests or the current world recession) and longer-term features. Several such features are important: asset, and especially land, distribution, the growing population pressures on arable land insufficiently balanced by investment and land-augmenting technological change, the increasing commercialisation of agriculture and changing agrarian institutions. The relative importance of these factors obviously differs among major regions and may vary from country to country within a region. However, these phenomena prevail in nearly every country or region studied, despite large differences in political regimes and in domestic policies, leaving little doubt that they explain contemporary agricultural performance better than do short-run factors.

The most important feature of any agrarian structure is the system of land tenure, be it private, communal or mixed. Each of these systems can still yield widely divergent patterns of employment generation and distribution of the agricultural surplus. Under private landownership the degree of land concentration is decisive. In the few instances in the developing world where absolute rural poverty has been completely eliminated, a radical land reform led later to successful development. Yet while land reform may be a necessary condition for egalitarian development, it is not a sufficient one. Complementary extension work and the development of new institutions to support the new agrarian structure are vital. Even where these are adequately provided, the importance of land reform, in this broad sense, cannot be accurately assessed. While East Asia and some Eastern European countries provide examples of successful land reform, clearly a crucial factor in them all was the rapid industrialisation and urbanisation which occurred simultaneously with or closely after land reform. Thus the prospects for industrialisation, as well as a host of political, social and economic conditions, must be considered when deciding on the most appropriate type of land reform. Land reform will not otherwise be the panacea it is often said to be, as many recent examples make clear.

/ In recent decades land distribution has been worsening in many developing countries. This is at least partly explained by the continued increase in population pressure on arable land, especially in Asia and Africa. The consequent decline in land/man ratios has been insufficiently offset by the type of technological change which would allow increased yields per hectare of the existing crops and increased cropping intensities. Irrigation and land consolidation have lagged, including both the large-scale works which require state intervention and small-scale village-level irrigation. Since the successful use of the seed and fertiliser innovations of recent decades wholly depends on proper water control, insufficient irrigation largely explains why agricultural production and employment have increased less than might have been expected. Furthermore, the excessive use of tractors also reduces the employment potential per unit of land of the seed and fertiliser innovations. In those countries where population pressure has been less of a problem and where there is unused land, the development of cultivable land has often been prevented by insufficient investment in the rural infrastructure.

Another factor significantly affecting the agrarian structure, best documented for Asia, is the apparent breakdown in recent years in traditional arrangements for employment and income determination within the community. In large parts of the Philippines and in Indonesia (Java), for example, every villager could earlier join in harvesting any other villager's rice field in return for a share of the crop. Through such mechanisms the harshest effects of the unequal land distribution on income and consumption were mitigated. In recent years this practice has changed. Landowners now often invite a few villagers to harvest in return for a share of the crop, but they are also obliged to weed the fields during peak periods of labour use without payment. The reasons given for the breakdown of the traditional mechanisms are tentative but seem to be connected with changes in agricultural techniques and new forms of contract labour. The unfavourable impact of such new forms of contract labour is usually greatest for hired female workers. The disappearance of

traditional protective mechanisms will inevitably worsen the position of the rural poor.

A final long-term trend affecting agrarian structures throughout the world is the growing commercialisation of agriculture. Commercialisation is a necessary part of development and the capacity to produce a surplus to feed the ever-growing non-agricultural population is welcome. But, more often than not, commercialisation is accompanied by increased dualism between the subsistence and the modern sectors, by a more skewed land distribution, by greater inequalities and by poverty. None of these consequences is inevitable and all are the result of inadequate policies. Better policies would stress, above all, the reorientation of research and extension towards increasing the productivity of subsistence agriculture and food crops. Better rural infrastructure is also needed, together with marketing and input supply programmes which directly help the small farmer. The price mechanism can be used in stimulating production and employment in a socially desirable direction, but care must be taken to avoid distortions in the allocation of resources and overproduction.

The present mix of agricultural policy has probably contributed decisively to the stagnation of food production in many developing countries. Food crops tend to remain dependent on traditional cultivation methods. In Africa, in particular, the shift from food to cash crops also involves a change in the sexual division of labour. Women remain responsible for growing food crops and feeding the family, while men provide most of the labour for cash crops. Better or improved land tends to be drawn into commercial production, particularly for crops sold by men. These factors, combined with women's increasingly unclear rights to land, tend to lead to their overwork and to the disappearance of food surpluses. A further important reason for the stagnation of food production is that the prices of agricultural products are often kept artificially low, both to please urban consumers and to extract a surplus from agriculture to stimulate industrial development.

The poor are hit the hardest by declining food production and availability. Increased food production, together with greater entitlement for the poor to agricultural output, is of the utmost importance, and increased food production by smallholders as a guarantee of their food security calls for much further study. Other negative effects of stagnating food production are the need for food imports and the overriding weight of rising food prices in the overall rate of inflation.

The effect on food availability of present inadequate storage facilities, transport and distribution networks can hardly be overemphasised. In many developing countries, as much as a fifth of total production rots away or is eaten by birds or rats. Even if there is any surplus left after a good harvest, it has to be exported, often at depressed prices, because of a lack of storage facilities. A bad harvest the following year then means a need for food imports. Ever-present balance-of-payments constraints force the country either to drop essential imports or to go hungry.

The role of the middleman in the distribution network is still controversial. Although various studies have argued that his influence is small, an equal number or more suggest that his profits are excessive.

An increasingly important food issue is the relation between the domestic and world prices of potential export crops. Governments should avoid, on the one hand, discouraging potential exports by fixing the price too low and, on the other hand, subsidising them to such an extent that crops can only be sold abroad at a loss. These problems occur in both developed and developing countries. The developing countries, however, can hardly afford to pay export subsidies. It seems justified to conclude that world food markets badly need to be reorganised for the benefit of both exporters and importers.

A related problem is that of the terms of trade between agriculture and industry. It is no longer generally accepted that industrialisation requires the extraction of considerable resources from agriculture. It is now believed that development cannot proceed at the cost of agriculture. In current concepts, higher prices for

agricultural products, better extension services, water supplies and infrastructure, more market information, research into new varieties and cultivation techniques, and so forth, all play an essential role. This leaves little scope for extracting any agricultural surplus and may even imply pumping resources into agriculture. One possible way of resolving the apparently conflicting demands made on and by agriculture is to link it more closely to certain types of industrial activity.

Rural industrialisation

Disappointment at the social consequences of industrialisation, a rapidly expanding services sector based on very low productivity activities, and a level of agricultural employment far below its potential because of inappropriate policies, suggest that additional solutions to the employment problem must be found. Rural industrialisation, in particular, with stronger linkages between agriculture and industry, is felt to be promising. There is considerable controversy, however, as to whether this would represent a permanent or only a temporary solution (during the transition from an agricultural to an industrial society) and as to how it is to be achieved.

The optimists argue that many agricultural processes and industrial activities are complementary and that a sensibly selected mix of both can increase their profitability. A considerable demand exists for the production and maintenance of agricultural machinery and inputs and for processing agricultural produce. Given the dearth of basic consumer goods in rural areas, the manufacture of these foods, which can be produced equally well in small-scale units in rural as in urban areas, can well be increased. China's success in combining industrial and agricultural production is often cited, but that country's experience also demonstrates the importance of egalitarian land and income distribution, coupled with a form of industrial planning

which takes sectoral and spatial linkages into account. Overall, however, success stories are few and far between, reflecting inadequate government policy and low levels of administration in rural areas.

The optimists also point out that rural industries would be more successful if certain destructive policies were changed. They observe that rural industrialisation is seldom properly integrated into national plans. A damaging result of this is that systems of subsidies and incentives, as well as protectionism, usually work against small-scale rural industries. Incentives are often given for large-scale heavy industry, for medium-scale industry (both almost entirely confined to urban areas) and perhaps for handicrafts, but rarely for rural industries. There is a general bias against rural industries, and their potential contribution to employment and growth is underestimated.

All this leaves the sceptics unconvinced. They cite formidable and manifold implementation problems. These include: low levels of skills, insufficient infrastructure, marketing, inputs and credit, poor choice of appropriate products, demonstration effects leading to a bias against local products, and so on. Their major arguments, however, concern effective demand and the minimum size needed to make industrial processes profitable. In most developing countries the population is spread too thinly and concentrated in too many small villages for rural industrialisation to be sustained. The agricultural surplus in each village is too small and the distances between villages too large. Furthermore, far more extensive infrastructure and many more means of transport are necessary than at present exist. For consumer goods, economies of scale (or the want of them) may prevent the emergence of rural small-scale industries. These difficulties are compounded by the pattern of urbanisation in most developing countries, with one metropolis, thousands of villages and only a few towns in between.

All this suggests that agricultural-industrial linkages, including the profitability of rural industries, require more attention and more rigorous analysis.

Rural-urban migration and urban labour markets

Against this backdrop of rural poverty and rural transformation, rural-urban migration is important. Various aspects of migration flows need to be examined: the measurement of migration, its causes, the role of migration in urban and rural development and the effects of policies related to migration.

Various studies have shown that the causes of migration were not adequately captured by concepts which gained popularity during the early 1970s. Rural-urban migration was then explained by the difference between urban and rural incomes and by the rural migrant's expectation of a job in the urban area. Such factors are often important, but their influence depends on broader structural factors, such as land tenure and the ease of access to land, changes in agricultural technology and labour absorption, the distribution of government services and the nature of urban labour markets. This suggests that it is more helpful to examine migration in the broader development context and to interpret individuals' immediate causes of migration within this framework. It also suggests that, in those parts of the developing world where rural migration has been largely responsible for urban growth, urban unemployment is best tackled by changing rural policies.

In urban areas the organisation of the labour market conditions the consequences of migration. Important questions are, for example, how migration relates to differential job access, to labour market stratification by type of job, segmentation by sex, educational credentials, and so on. The existence of differentiated labour markets is sometimes attributed to migration, but in general wage discrimination and inequality are not the consequences of migration *per se*, although migration can reinforce existing urban inequalities.

Moreover, the common image of urban areas swamped by an excess of migrants can be misleading. Migrants integrate better into urban areas than is often thought. Many have arranged jobs prior to migration, or have networks of contacts which help them to find jobs. But migrants also tend to cluster in certain industries and

occupations, such as construction and domestic service; they form a low-wage group subject to discrimination.

This illustrates the need to consider the diversity of production with which migration is associated; geographical differences are dangerous, even within a single country, and careful analysis is required of each situation. For instance, Punjab rural out-migration was found to be closely related to agricultural innovation and rural change. In Bihar it served to relieve pressure on the prevailing system of production and thus to assist in agricultural transformation.

Studies of the impact of migration policies generally show that these were hamstrung by a tendency to underestimate the social and economic forces underlying, and dependent on, migration. Indirect effects of other development policies are often more effective than direct intervention to control migration. Policies affecting the areas of origin tend to be more effective than those affecting areas of destination. It has also often been found that migration policies are inconsistent with other policy objectives concerning urban-rural terms of trade. Among the policies examined, it appears that direct controls (e.g. "ratio controls" on in-migration) are misdirected, because they aim at a symptom rather than a cause. Analysis of resettlement schemes has shown that these tend to pay insufficient attention to social and behavioural patterns.

It is not the process of migration itself which should concern policy-makers, as migration is a normal concomitant of economic development. What should concern policy-makers are the consequences of migration for the urban labour market, when this is flooded with new entrants, and for the rural areas in terms of the consequences for the persons and the marginalisation of the remainder. Moreover, in understanding migration, it is useful to look not only between countries but also between regions of the same country. The analysis of migration in good and poor agricultural areas, for instance, helps in spelling out causal relationships.

Migration also has to be viewed and better understood in relation to the sexual division of labour and household decision-making, due account being taken of the use of remittances. There is also an important relationship between migration and population growth, especially through the fertility patterns of migrants and the extent to which migration policies influence population growth.

Policy-makers should also be aware that projections of urban growth rates tend to act as a self-fulfilling prophecy, reinforcing urban-biased investment and policy decisions. Urban unemployment, therefore, should be increasingly dealt with by appropriate rural policies, and the spatial distribution effects of government policies require special attention.

Big cities, however, do not pose a problem in themselves. The problem is rather their uncontrolled growth, and related to that the difficulties facing people in the rural areas, whose share of the fruits of development is diverted to the towns. In this context, migration could be a driving force for development and growth patterns should be tailored to spatial imperatives, provided that tendencies to concentrate wealth and income can be offset.

Related to urban development are informal sector activities. The notion of the informal sector gained popularity as policy-makers gradually concluded that, given the high capital cost associated with a modern city job, all entrants to the urban labour market could not have jobs in the formal sector. The informal sector, however, provides jobs and incomes for the ever-growing urban labour force, and would do so better if its functioning were better understood. Yet, as with migration, the informal sector should be seen in the wider framework of urban development.

A number of issues relating both to migration and to the informal sector which merit further attention may be summarised as follows:

- (a) better analysis of access to urban labour markets and their functioning, which would go beyond existing "segmented labour market" or "human capital" models in order to provide a better explanation of wage differentials, job discrimination, patterns of

occupational mobility and, more generally, the unequal distribution of returns to work;

- (b) the implications of the emergence of the megapolis and, more particularly, the analysis of issues of congestion, infrastructure, job creation, food distribution, and so on, in the enormous cities which are now developing in many parts of the world;
- (c) the nature of urban poverty, in particular whether it should be seen merely as a reflection of rural poverty or whether it requires distinct analysis;
- (d) the profitability and growth potential of a wide range of activities in the informal sector and the associated issue of how to improve the informal sector's access to formal sources of credit and other required inputs;
- (e) the functions of the informal sector in intermediate cities and towns and the opportunities it offers to moderate the pace of urbanisation in big cities and to achieve a more balanced growth of employment and incomes; and
- (f) the improvement of employment planning techniques in order to take account of the effects of labour mobility, starting from an improvement of existing manpower models or developing new approaches.

Women's employment

No overall attack on poverty and unemployment can succeed without adequate measures to improve women's status and conditions. In poor families, a high proportion of household income is generated by women's work, while female-headed households are both common and increasingly numerous among the poor. Women are also typically the providers of both food and health care.

Recent research has shown the major economic role which poor women play, especially in rural areas, as well as the ineffectiveness of

“sexually blind” policies aimed only at male household heads. Women in rural areas not only endure the full range of disadvantages of any rural population but are also overburdened with work: they have to fill the roles of mother, cultivator, food processor, water-carrier, and so forth. Their combined workload makes it difficult for them to cultivate even the bare minimum of land needed for the subsistence of their families. This is a double obstacle to their fuller participation in society. Moreover, women in the poorest families suffer disproportionately from the pauperisation and landlessness that characterise the rural areas of many developing countries. They form an easily exploited labour force, often working for long hours and miserably low incomes in industry or on contract for outside agents.

Even in countries where land reform and other policies have been carried out with the aim of benefiting the rural poor, they have not generally led to any substantial improvement in women’s status or working conditions. The same applies to improvements in, for instance, credit and extension programmes, as these tend to ignore the basic issues of women’s legal and political status. Policy formulation in the energy and, particularly, forestry sectors, which should involve women if the policies are to have appropriate and effective results, usually tends to be the sphere of male technicians only.

In urban areas, too, women tend to suffer disproportionately. They are clustered in low-paid occupations with no career prospects, such as domestic service or unskilled production-line work. There is widespread evidence of wage discrimination against women, while the joint pressures of domestic responsibilities and work outside the home are, if anything, greater in urban than in rural areas. Moreover, many such women’s activities tend to be neglected in the traditional statistical concepts of “labour force”, “activity” and “work”. Further effort is required to develop systems of measurement which take account of all intra-household and non-market commercial activity and adequately reflect women’s overall economic contribution.

Another obstacle to poor women’s participation lies in the common misperception of women as dependent, secondary,

domestic, non-productive and centred on reproduction. This creates a major obstacle to reaching and supporting women as producers; they are producers, but they are less productive than they would have been, had they not been deprived of access to good land, credit, improved technologies, extension services and relevant education and training.

It is also important to have regard to the crucially important role that women play in the family and society. The values and attitudes of future generations are largely conditioned by their mothers. Moreover, there is a strong link between the status of women and fertility. Women's access to education and employment, improved working and living conditions, their more equitable treatment in rural and urban labour markets and greater opportunities to participate in decision-making at all levels can have a profound effect on their attitudes towards children and family size.

Family planning programmes, which figure so prominently in the policies of many countries, have a role to play in tackling the continuing problems of rapid population growth. But they are unlikely to be efficacious unless they are accompanied by effective development policies which also aim at producing a sustained improvement in the role and status of women.

In devising development policies and anti-poverty programmes, it is important to understand how they are likely to affect women and to make sure that their impact on women has first been carefully thought through. Special programmes for women should not lead, quite unintentionally, to a deterioration in their situation. However, far too little is yet known about the policies and programmes that are most likely to have a positive impact on the role and status of women in society. A challenge to the whole development community is to document and disseminate information on the policies that can be successful in this respect. Some beneficial policies are known. They include the development or extension of a legal framework supporting equality for women, and the targeting of resources specifically to women workers and their networks and organisations.

In the end, however, it is important that women should have greater influence in making decisions on the distribution of work, resources, income and expenditure. The needs and problems of poor women have been overlooked, or misunderstood, even by enlightened policy-makers, because they have not had sufficient voice in decision-making, either through national organisations such as political parties or trade unions, or at the local level. The encouragement of greater participation by women in decision-making, through their own organisations or through their full participation in organisations of both men and women, is an important prerequisite for balanced development and equitable social change.

Special groups

While a good deal of attention is now rightly given to the problems of women, other even more vulnerable groups have received less attention. Problems of child labour and of teenage workers are particularly important, not only because of their effects on personal welfare and development, but also because they condition lifetime patterns of inequality in work and incomes. Poor and older workers often face serious problems either because of their urgent need to continue working or because of their inability to do so.

In any event, a detailed analysis of the likely success or failure of alternative policies is urgently needed. A better understanding of the interactions between broader patterns of poverty and these specific problems would greatly contribute to overall planning for the reduction or elimination of poverty.

Technologies and structural change

Technological change and the choice of technologies are clearly factors that can have a major impact on the level and conditions

of employment and the distribution of income in any country. Thanks to a good deal of pioneering research in recent years, much more is now known about the range of technological choice available for a number of products and processes. It is clear that in many industries, especially the so-called "low technology" industries, the choice of viable technologies is much wider than was once thought and that there is plenty of scope for developing countries to apply or develop more labour-intensive and capital-saving technologies, including the adaptation of traditional and indigenous technologies, in an efficient manner.

We consider that developing countries should identify, develop and apply technologies that are most suitable to national and local needs and conditions. A country's level of development and market pattern clearly influence its choice of technology. The technological needs of the newly industrialising countries should be distinguished from those of the least developed countries. Moreover, at a given level of development, the choice of technology depends on the openness of the economy and the international competitiveness of particular industries.

Nevertheless, controversy still surrounds the notion of "appropriate technology". This does not mean condemning developing countries to a state of perpetual technological backwardness. In some circumstances, the use of the most modern technologies available is the only rational path to follow from the point of view of economic efficiency, employment generation and income distribution. Their use may even be essential in order to improve existing traditional technologies. But to meet employment creation and basic-needs objectives in low-income developing countries, a proper mix of alternative technologies, including some that are more labour intensive, becomes extremely important.

It is, however, not sufficient, and of little use to policy-makers, to point to a wide choice of available appropriate technologies. It is necessary to determine why they were not applied in the past, and what are the best future policies to ensure that the technologies developed and applied lead to fuller employment and a better

distribution of income. It is vital to find out how policy-makers can manage technological change for the benefit of the entire population rather than of an élite, and how poor countries can develop an indigenous technological capacity to enable them to do this.

There is no simple answer to these questions. The nature and pattern of technological change has, in many ways, been a consequence of governments' choice of overall development strategies. Where these strategies favoured modern industries and large-scale enterprises, they also encouraged the introduction of sophisticated production techniques. Measures were also taken to provide such large enterprises with capital and foreign exchange and the most modern technologies. Small enterprises using simpler production techniques had no access, or much more limited access, to such facilities. This reinforces the argument put forward earlier that there is a pressing need for redistributive policies which form part of a larger reorientation of development strategy. There is now growing evidence that the alleviation of poverty can itself lead to a greater consumption of goods and services produced by small enterprises using labour-intensive techniques, thereby generating more employment.

To promote such a virtuous circle requires, as a minimum, that small enterprises using simple production techniques are not disadvantaged in relation to larger and more sophisticated enterprises, and that taxation and credit policies, which have generally favoured the latter, should be reoriented in favour of the former. Large enterprises using modern technology have their role to play, and through linkages with smaller enterprises they can transmit technological innovations to the latter and to the informal sector and small-scale agriculture. Building up a country's technological capacity also requires giving much more emphasis to adapting and upgrading simple traditional technologies (including, for instance, animal-powered farm implements). Moreover, a special effort needs to be made to develop improved tools for women engaged in back-breaking tasks such as weeding and transplanting.

Planners in most developing countries have so far tended to ignore or to underestimate the potential contribution of small

workshops to economic and technological development. The production, repair and maintenance of inexpensive, but well-designed and innovative, farm equipment can improve agricultural productivity; the manufacture, repair and maintenance of spare parts by small enterprises, properly supported and with adequate credit sources, can help to develop indigenous technological capacity. Planners should no longer overlook the inventiveness and innovation of local craftsmen.

The building up of indigenous technological capacity also depends on the quality of human resources. Countries with the greatest success, both in coping with more sophisticated, imported technologies and in adapting and upgrading indigenous technologies, are those where the mass of the population is educated. It is also worth repeating, even if it is a truism, that many countries should aim to produce more scientists and engineers than they do. The development of managerial skills is equally important.

Nevertheless, a nation's "indigenous technological capacity" should be more clearly defined. The policy measures needed to promote it should also be more fully investigated.

The ILO should expand its capacity to promote the establishment and/or strengthening of regional, national and local technology institutes and the dissemination of technological information. This can be done in particular through the gradual networking of such institutions and the promotion of Technical Co-operation among Developing Countries (TCDC) in the technology field.

Another topic that requires examination is the impact of new technologies (e.g. microelectronics, biotechnology and new energy technologies) on employment and development in developing countries. It is not at all clear what this impact will be. A pessimistic view is that the widespread introduction of new technologies will erode the comparative advantage of developing countries. New technologies will change the structure of production, and many goods in the production of which developing countries have acquired an advantage over the more industrialised countries could, with these

new technologies, be more profitably produced in developed countries. The mastery and exploitation of new technologies require more sophisticated and difficult skills, and in this way the technological dependence of the developing on the developed countries could increase. The widespread introduction of new technologies could therefore militate against building an indigenous technology capacity in the Third World and at the same time destroy employment.

A more optimistic view is that new technologies offer new opportunities to developing countries. New and traditional technologies probably could, in many instances, be successfully blended, raising the productivity of traditional technologies without any loss of employment. New technologies can introduce greater flexibility and decentralisation of production, and some developing countries may be able to adapt their production structures to these changes more easily than the more industrialised countries. More efficient rural industrialisation may be stimulated. Moreover, developing countries may well be able to master these new technologies successfully. Many of them have the basic skills in engineering and electronics with which they can develop software and hardware for a number of simple applications. They may also have a comparative advantage in the repair, maintenance and manufacture of parts, thus gaining the capacity to understand new technologies and to seize opportunities for combining them with traditional, indigenous technologies. But to do this an urgent expansion of the capacity of the educational system is needed, in order to produce people with the right skills, and in the required numbers.

We are none the less certain that in both developing and developed countries these new technologies will have a very far-reaching impact on the economy and on society. Their likely impact needs to be urgently assessed in order to help policy-makers to avoid any harmful effects while building on their potentially positive effects.

THE ROLE OF THE ILO WITHIN THE INTERNATIONAL COMMUNITY

4

The ILO, with its special focus on employment and development, is a key actor in the United Nations system. Through its concern with social problems and by virtue of the analysis that it has carried out over the years, the ILO has developed its reputation within the international community and has demonstrated its field of comparative advantage. The ILO's awareness of social issues and its policy analysis are both needed in order to supplement those of other international bodies, and this is an ILO role which should be exploited more fully.

First, at the *national level*, the ILO has contributed to the identification and solving of problems in a number of fields associated with poverty and its eradication. Through its research and operational activities in many areas — rural poverty and employment, appropriate technology, basic needs, rural industrialisation, rural-urban migration, the urban informal sector, participatory organisations of the rural poor and the special problems of women were among those discussed — the ILO has filled certain gaps in knowledge and expertise within the United Nations system, while developing an exhaustive and well-directed approach to tackling the problems of poverty and unemployment.

The ILO's comprehensive employment strategy missions of the 1970s performed the valuable function of putting a country's

development problems and their inter-relationship into coherent perspective. Although the modalities of carrying out country-level analyses and of giving assistance change over a period of time, the independence that characterised such missions and contributed to their success is more essential today than ever before. The ILO, of course, must guard against unduly technocratic prescriptions, and therefore its multidisciplinary approach to the problems of national economies should continually be encouraged.

The ILO must also strengthen its links with policy-makers and produce policy conclusions in a form that will reach them. Published summaries of major policy findings and conclusions arrived at over the years may well represent one means of achieving this end. In addition, the ILO should periodically bring out a report on the state of employment in the world.

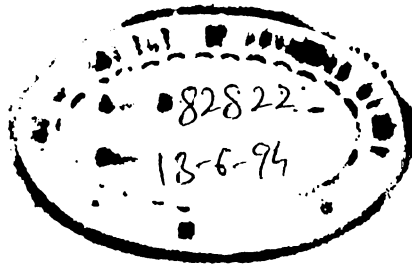
As regards the industrialised market economy countries, the ILO should take a firm stand on the changes in macro-economic, industrial and labour market policy that are required to stimulate an increase in productive jobs and adequate incomes for their most vulnerable groups. Consequently, research on particular employment problems in industrialised countries might figure more prominently in future programmes of work.

The ILO also has a major role to play at the *international level*. The ILO is well placed to look at employment problems in a wider context and particularly to examine and contribute to analyses of the relationship of the industrialised countries' unemployment, and their policy responses, to employment and development in the Third World. The ILO's work in this area can readily supplement, rather than duplicate, that of other agencies: for while the ILO should not ignore macro-economic issues, it is the impact of such policies on the most vulnerable groups in society that fails to receive proper attention. The ILO has to remain vigilant to the distributional impact of policies pursued by industrialised countries, and to the disproportionate burden on the poor resulting from the short-term stabilisation policies that developing countries are often compelled to follow. The ILO could usefully collaborate with the IMF, the World

Bank and other institutions in assessing various adjustment policies in developing countries from the standpoint of their employment and income effects and their relevance to the reduction of poverty. Structural adjustment programmes should be viewed as a normal concomitant of promoting development, not as a crisis response.

The ILO also could play a facilitating, or perhaps even mediating, role with respect to the direction and effective use of aid. As the ILO is dispensing technical assistance and advice rather than funds, it can offer a view that recipients may regard as more independent, while gauging the extent to which the aid offered is geared to solving the problems of poverty and underemployment. In other words, the ILO, with no vested aid-donor interest, could offer an alternative perspective of economic and social problems and on the best ways to solve them.

It is demonstrably clear that the nature and magnitude of the economic problems besetting the world community call for concerted international understanding and action from all quarters. Each international institution must respond to this great challenge, and work towards achieving an economically sound world order made up of societies characterised by economic strength, social justice and human well-being.



Other ILO publications

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A statistical annex presents international data on the structure of the economically active population, income distribution in selected countries and the cost of social security. There are some 50 statistical tables and ten graphs, and almost every chapter contains specially displayed summaries and notes.

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