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Athens, 29 November-20 December 1967
Provisional agenda, Item 3(c)

SOME VIEWS ON MANPOWER IN ECONOMIC DEVELOPMENT 1/

by

Curt Canarp,
the Swedish Labour Market Board (AMS)

Submitted by the Government of Sweden

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SUMMARY

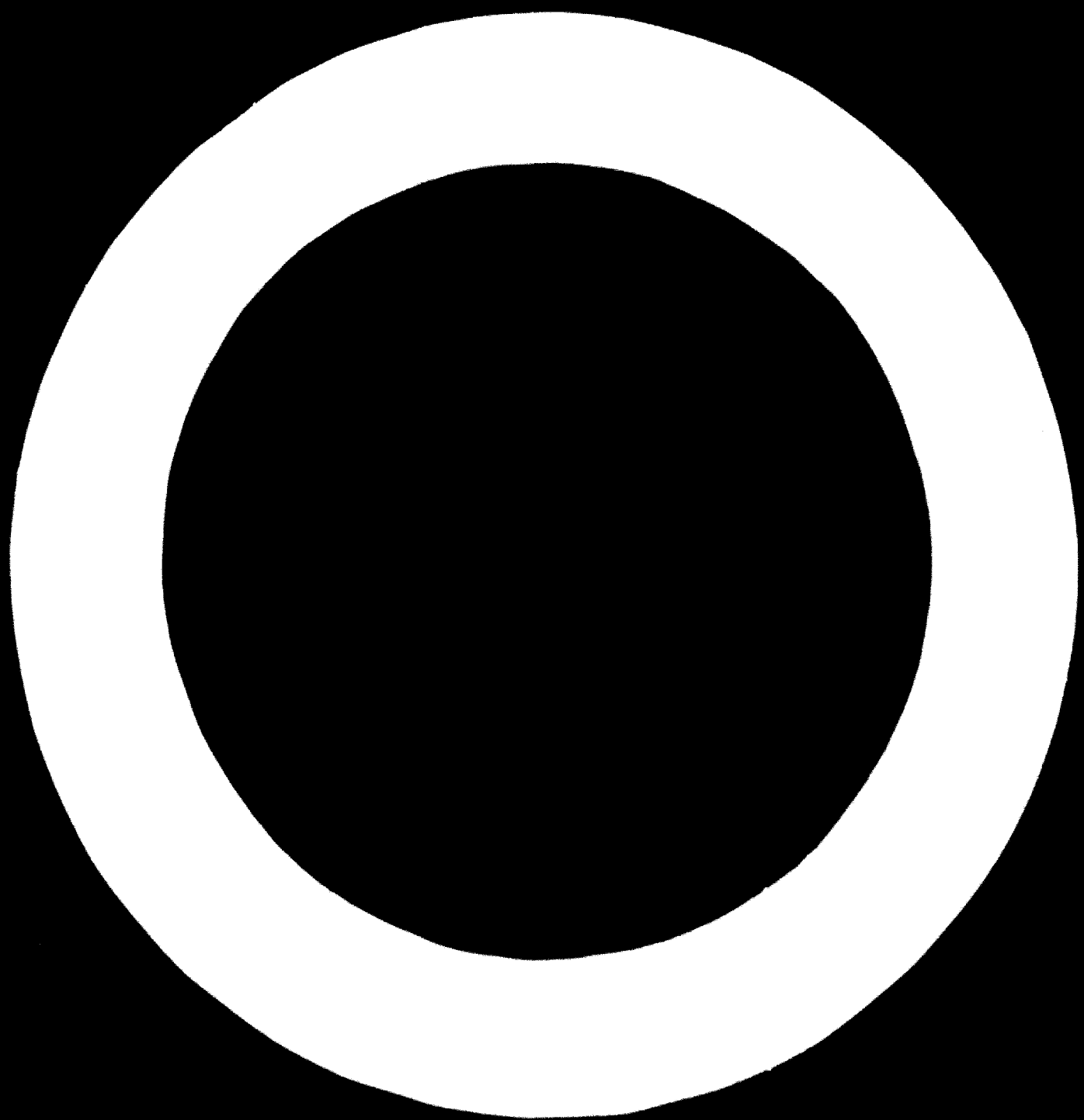
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1. If it is to be possible to narrow the gap between the developing countries in which industrialization has just begun and the industrialized countries, this means that the developing countries must, to an even greater extent than the industrialized countries, give priority to measures having a direct bearing on economic growth.
2. Even if in the economic planning due attention is given to the employment objectives, rapid economic growth requiring extensive structural changes implies increasing risks of unemployment. For instance, the now wide-spread under-employment in agriculture tends to transform itself into visible unemployment in the process of development. Unemployment is already a serious problem in most developing countries. Neither for social nor for political reasons, can those responsible for the economic policy ignore the risks of growing unemployment. The problems arising in this connexion may, if special measures are not taken, become an obstacle to an effective policy of economic growth.
3. For these reasons, an active manpower policy must be as indispensable a supplement to a policy of economic growth in the developing countries as in the industrialized countries. An active manpower policy may in fact be regarded as an instrument for promoting economic growth, since the possibility of realizing the employment objectives in economic development and of adjusting manpower to the structural changes is one of the factors determining the limits of a successful policy of economic growth.
4. An effective manpower policy is to a great extent a matter of creating an adequate manpower administration with considerable freedom of action and provided with the instruments required to supplement the economic policy and to prevent or mitigate the disturbances on the labour market which inevitably arise in the course of economic development.
5. If the manpower policy is to be effective, it is, according to Swedish experiences, a sine qua non to have a widely ramified employment service organization as part of the manpower administration. An adequate employment service is of importance as well for collecting the concrete information on the manpower

situation which the central administration must have to develop appropriate programmes as for the implementation of these programmes.

6. Although measures to create employment may be of primary importance in the developing countries, measures directly aimed at helping labour to adjust to existing jobs must not be neglected. For this purpose an effective employment and vocational guidance service as well as efforts to promote occupational mobility by providing training facilities are of essential importance.

7. The aim of an active manpower policy is not only to contribute to full employment and rapid economic growth but also to economic balance in the labour market. An active manpower policy can, through adequate measures, contribute to reduce the problems of recruiting labour to jobs or regions where shortage of manpower tends to raise wages to a level that threatens the economy. This may be achieved through measures to increase geographical and occupational mobility or through measures better to utilize scarce resources by using less skilled labour of which there is no shortage, wherever possible.

8. An active manpower policy can influence the relations between the employers and employees in different ways. Close co-operation between the Government and the employers' and employees' organisations must therefore be of great importance for an effective implementation of the manpower programmes. In Sweden such collaboration is ensured, i.e. within the manpower administration by the provision that as well the employers as the employees should be represented on its governing board.

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I. INTRODUCTION

1. The need of an active manpower policy as an instrument for promoting economic growth and development did not receive special attention in international discussions until the 1960's. It is significant that the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD) in the same year (but as late as 1964) presented programmes on manpower policy: the ILO Convention No. 122 and the Recommendation with the same number, and the OECD Council Recommendation of 21 May 1964 on manpower policy as a means for the promotion of economic growth. The international discussions on manpower policy in the 1960's were to a great extent influenced by the experiences in Sweden, in which country the importance of an active and integrated manpower policy as an indispensable supplement to a policy of economic growth was recognized earlier and more clearly than in most other countries.

2. It is often maintained that such a policy, which strongly emphasizes the employment objectives, might be adequate in the industrialized countries but is not applicable to the situation in the developing countries. However, it may be argued if this is true. The following might be regarded as an attempt to show that a manpower policy of the Swedish type, if we keep to the broad outlines, is of no less importance to the developing countries.

3. The employment objectives in economic development were in 1961 studied by a group of experts appointed by the governing body of the ILO.^{1/}

- (a) The experts found that in many programmes for economic development rather little attention has been paid to the need for increasing employment, which has been looked upon as a by-product of general economic development. At least part of the explanation is to be found in the fear lest strong emphasis on employment objectives should in one way or another hamper economic progress, e.g. rising production or diversification of the economy. On this important point the experts, while recognizing the possibility of conflict, accepted as a basic premise that there are opportunities for exploiting more energetically the possibilities of a mutually reinforcing increase of both employment and the rate of economic growth

^{1/} International Labour Review, 84(5), Nov. 1961, pp. 394-411.

and that, as a rule, the employment of more labour will increase total output. Thus, in effect, the experts accepted the notion that, if properly used, abundant labour may be regarded as an asset rather than as a liability, in the sense that it presents opportunities for increased production which countries without abundant labour do not have.

- (b) This notion is also the basis of an active manpower policy. It means that the employment objectives must receive due attention when the general economic policy and the programmes of the agencies concerned are formulated. Rapid economic growth and full employment must be regarded as equivalent and interrelated goals, not least in the long-term planning of the economy.

4. It is in order to support and facilitate such an economic policy, and not least to ensure that it does not cause disequilibrium on the labour market, that we need an active labour market policy. For this purpose it is necessary to have a central body which can devise and develop measures for the implementation of the policy. The measures needed to solve the concrete employment problems often form part of the programme of specialized agencies - vocational training, rehabilitation measures, public works, etc. - and an effective manpower policy may therefore, to a great extent, depend on adequate co-ordination between already existing agencies. Thus, it may be said that an active manpower policy is largely a matter of creating a manpower administration with sufficient freedom of action and power to intervene in the activity of other agencies, to the extent that this may be necessary, in order to realize the employment objectives. The Swedish manpower policy should not least be viewed against the background of the administrative apparatus created for the purpose.

II. INSTRUMENTS OF AN ACTIVE MANPOWER POLICY

5. The instruments of an active manpower policy may be broadly summarized under seven headings:

- A. Information on the labour market situation through vocational guidance, statistical surveys, forecasts, etc.;
- B. Measures to promote geographical mobility;
- C. Measures to promote occupational mobility;
- D. Vocational rehabilitation of handicapped persons;
- E. Measures to increase employment opportunities;
- F. Measures to check the demand for labour;
- G. Regional development, i.e. measures to promote industrial development in specified regions so as to create balance on the labour market.

A. Information

6. First there is the question of labour market information, i.e. of giving and collecting information on the labour market situation. That the manpower administration must be adequately informed of the situation on the labour market, if they are to be able to formulate and implement the programmes efficiently, is obvious. And it is as obvious that the lack of such information in the developing countries is a serious handicap to the manpower policy.

7. However, it is equally important to emphasize the need for information in the other direction, i.e. from the labour market authorities to the public, to organizations and other authorities, on the manpower situation and the programmes the Government is launching to meet different situations. Because, no matter how fine a programme may be from the social and economic point of view, it is essential for its implementation to have the support of those concerned, including local government authorities, organizations and other public authorities.

8. Particularly important must be to provide guidance for young people, not at least in view of the situation in most developing countries with a great influx to the urban areas of young school-leavers looking for jobs. To inform these people and help them in their choice of occupation and training, close co-operation

between employment service, vocational guidance services and schools is essential. This does not mean that vocational guidance is of importance only to young people. It may be just as important to adults. In Sweden we have found that a firmly organized and integrated employment and vocational guidance service is of essential importance in this respect, since it seems to be the only way in which we can ensure that every person will be given correct information and the assistance he may need in choosing an occupation or finding a job.

B. Geographical mobility

9. Economic development inevitably means industrial expansion in some areas and declining activity in other areas, both in the short and in the long run. Most important, at least during the first stage of economic development, is the shift from rural to urban areas. However, it can by no means be taken for granted that redundant and unemployed labour in one area will move to other areas where jobs may be available, if special steps are not taken. There are both economic and psychological factors which keep people from moving, even if jobs should be available elsewhere. Not only in rural but also in urban areas people can often get along, in spite of different forms of underemployment and open unemployment, relying on the household form of enterprise, family ties, etc.

10. In order to encourage unemployed and underemployed labour to move - and not only actually unemployed and underemployed persons but also those who, in view of the development trend in the economy, can expect to belong to these categories in the near future - the Swedish manpower policy uses a variety of instruments and incentives. The idea behind these efforts is that it cannot be considered reasonable that the costs of the structural changes regarded as a condition for a rising standard of living for everybody should be borne exclusively by those who are directly affected, i.e. those who become unemployed or underemployed in the process. This is the social reason for helping these persons.

11. However, there are also purely economic reasons. If the unemployed do not move to other places where jobs can be offered, it means that they consume resources without contributing to the creation of these resources. According to Swedish

experiences, rather large resources can, therefore, for purely economic reasons be spent on measures to facilitate and promote labour mobility.

12. Of course, it is, as in most cases, not only a matter of providing some or other economic incentive to make a person willing to move but also largely a matter of providing information. The unemployed must be able to get adequate information on employment opportunities elsewhere, on their personal chances and on the situation in their place of residence. Very often a person may be inclined both to overestimate the prospects in his place of residence and, at the same time, to underestimate the prospects in places to which he could move, because he does not really know anything definite about the situation in any place. Not least for such reasons, is an effective and integrated employment and vocational guidance service of primary importance for the implementation of an active manpower policy.

13. To what extent are special measures to encourage labour mobility necessary in the developing countries? It might be said that the problem in many of these countries is rather the opposite, since the movement from rural to urban areas has often increased at a much more rapid rate than urban employment opportunities. However, we might just as well say that the problem - if a better balance on the labour market and a better utilization of labour resources are to be attained - is to encourage a return to agricultural work. The "back-to-land" programmes in many developing countries may be regarded as an example of an active manpower policy, if they are not only meant to ease the social pressure in the urban areas but also to make this labour available for raising agricultural production. The important thing is, of course, that geographical mobility results in labour being more effectively utilized than would otherwise be the case, i.e. not in increased mobility in general. In this respect the problems are in principle the same in the developing countries as in the industrialized countries.

C. Occupational mobility

14. The reasons why measures to promote occupational mobility are needed are largely the same as those given for the measures to encourage geographical mobility. The problem in all countries, whatever stage of economic development

they may have reached, is the same: shortage of labour with the required experience and training, which creates bottle-necks in the economic growth process, at the same time as there is surplus labour which, for lack of or inadequate training, cannot be fully and economically utilized.

15. To make it more possible to utilize available manpower and to combat the unemployment that the lack of adequate training continuously tends to create in the course of the economic development process, it seems necessary that the manpower authorities should be able to initiate training programmes and to influence the training system. In Sweden we have, particularly during the 1960's, strongly emphasized the need of a training and retraining programme provided exclusively for labour market reasons, i.e. a programme to improve the employment prospects of the unemployed as well as to make it possible rapidly to satisfy the demand for labour in sectors where the shortage of certain types of labour tends to create serious problems and to slow down productivity. This programme is primarily concerned with adult training in rather short courses. Naturally, there must also be a regular vocational training system to provide training facilities for young people as well as much training on the job in private enterprises and public services.

16. It is obvious that the shortage of skilled labour at all levels is one of the most serious obstacles to economic growth in the developing countries. From the economic point of view this may be as serious a problem as the vast unused or underutilized manpower resources. Much more could probably be done with rather simple measures. At the same time, it seems very important that there should be close co-operation between the manpower authorities, including employment offices, and the authorities responsible for the vocational training system so as to ensure that the training provided is adapted to actual needs. Otherwise, there is a risk that the vocational training system, though it may be based on long-term demands as we see them today, will not be sufficiently flexible to satisfy the changing demands in the process of economic development and that the result will be surplus in some sectors and shortage in other sectors.

D. Rehabilitation measures

17. As regards vocational rehabilitation, it should be enough to observe that this is an important question also in the developing countries. To a great extent the problems that have to be solved are the same as those facing us where other unutilized or underutilized manpower resources are concerned. Also the instruments used will, to a great extent, be the same. It may be mentioned that a very large share of the persons in the training courses initiated by the manpower authorities in Sweden are, in some or other respect, handicapped.

E. Measures to increase employment opportunities

18. The most important measure to combat the high unemployment in the developing countries must be to create new employment opportunities. We must not forget, however, that the economic development contains risks of growing unemployment, i.e. because the wide-spread underemployment in agriculture tends to transform itself into visible unemployment in the process of development.

19. One of the most important features of the Swedish manpower policy has from the very beginning been the strong emphasis on assistance in the form of work: the unemployed were as far as possible to be helped by employment on public works - if other jobs were not available - and not by cash assistance or similar benefits which do not make them contribute to production. This means that we promoted economic growth and increased production by using manpower resources which would otherwise have remained unutilized. However, an important condition was that the investment projects should require little other resources than such labour as was readily available.

20. From this follows that it is of great importance to choose suitable projects. Since the primary objective is to provide employment, they should be labour-intensive projects which can be carried out with a minimum input of scarce resources. The ILO group of experts already referred to also studied this problem with particular regard to the developing countries and found that:

- (a) There are considerable possibilities of raising employment, output and investment by direct use of labour with a minimum draft on scarce equipment, materials and skills. Some equipment and materials are not scarce since they can themselves be produced by labour; some of the skills needed are already available or can be easily acquired.
- (b) Particular interest attaches to irrigation and drainage works, land improvement (e.g. terracing) and the building of roads and storage facilities, as all these can contribute to a quick increase in agricultural output and income. Simple construction projects may also be undertaken to improve social services and amenities of the village community, such as selfhelp rural housing, building of schools, rural health stations and so on.

21. If such a policy is to be effective, one of the most important tasks of the manpower administration must be to ensure that there is an adequate reserve of projects fulfilling the above requirements at such a planning stage that they can be started at short notice whenever it is necessary for employment reasons. This obviously presupposes close co-operation between the manpower administration and the various central and regional agencies and local authorities responsible for public investments.

F. Measures to check the demand for labour

22. Why do we have to check the demand for labour? The reason is, of course, that overdemand for particular skills, i.e. in relation to supply, or in certain sectors or economic situations can create balance problems. With regard to the developing countries it should be enough to point to one fact.

23. It is obvious that the economic development in these countries is seriously hampered by the bottle-necks caused by the shortage of skilled labour. Therefore, it is of great importance that the manpower authorities should try to ensure that the skilled labour available is rationally utilized and to investigate where it is possible to replace skilled labour by labour with shorter training. In this respect this point is closely linked up with the measures to encourage occupational mobility.

G. Regional development

24. Much discussion and research in Sweden and in many other countries as well as in international organizations is at present devoted to the problem of regional development. This is a vast subject and much of it may be of less importance in the present context. However, there is one point which does not always receive sufficient attention and which might therefore be mentioned here.

25. A number of investments may become obsolete in the long run, but this does not mean that they cannot be profitable on a short view. To determine the profitability of an investment, it is necessary to take into account within what time it can be written off and how the resources available might otherwise have been utilized during that period. Such calculations may show that many investments - in order to create new job opportunities - can be made also in peripheral areas and contribute to a better balance on the labour market and a higher standard of living, even if there is reason to expect that development will result in a much greater concentration of population and industry than at present.

III. CONCLUSIONS

26. If it is to be possible to narrow the gap between the developing countries in which industrialization has just begun and the industrialized countries, this means that the developing countries must, to an even greater extent than the industrialized countries, give priority to measures having a direct bearing on economic growth.

27. Even if in the economic planning due attention is given to the employment objectives, rapid economic growth requiring extensive structural changes implies increasing risks of unemployment. For instance, the now wide-spread under-employment in agriculture tends to transform itself into visible unemployment in the process of development. Unemployment is already a serious problem in most developing countries. Neither for social nor for political reasons, can those responsible for the economic policy ignore the risks of growing unemployment. The problems arising in this connexion may, if special measures are not taken, become an obstacle to an effective policy of economic growth.

28. For these reasons, an active manpower policy must be as indispensable a supplement to a policy of economic growth in the developing countries as in the industrialized countries. An active manpower policy may, in fact, be regarded as an instrument for promoting economic growth, since the possibility of realizing the employment objectives in economic development and of adjusting manpower to the structural changes is one of the factors determining the limits of a successful policy of economic growth.

29. An effective manpower policy is, to a great extent, a matter of creating an adequate manpower administration with considerable freedom of action and provided with the instruments required to supplement the economic policy and to prevent or mitigate the disturbances on the labour market which inevitably arise in the course of economic development.

30. If the manpower policy is to be effective, it is, according to Swedish experiences, a sine qua non to have a widely ramified employment service organisation as part of the manpower administration. An adequate employment service is

of importance as well for collecting the concrete information on the manpower situation which the central administration must have to develop appropriate programmes as for the implementation of these programmes.

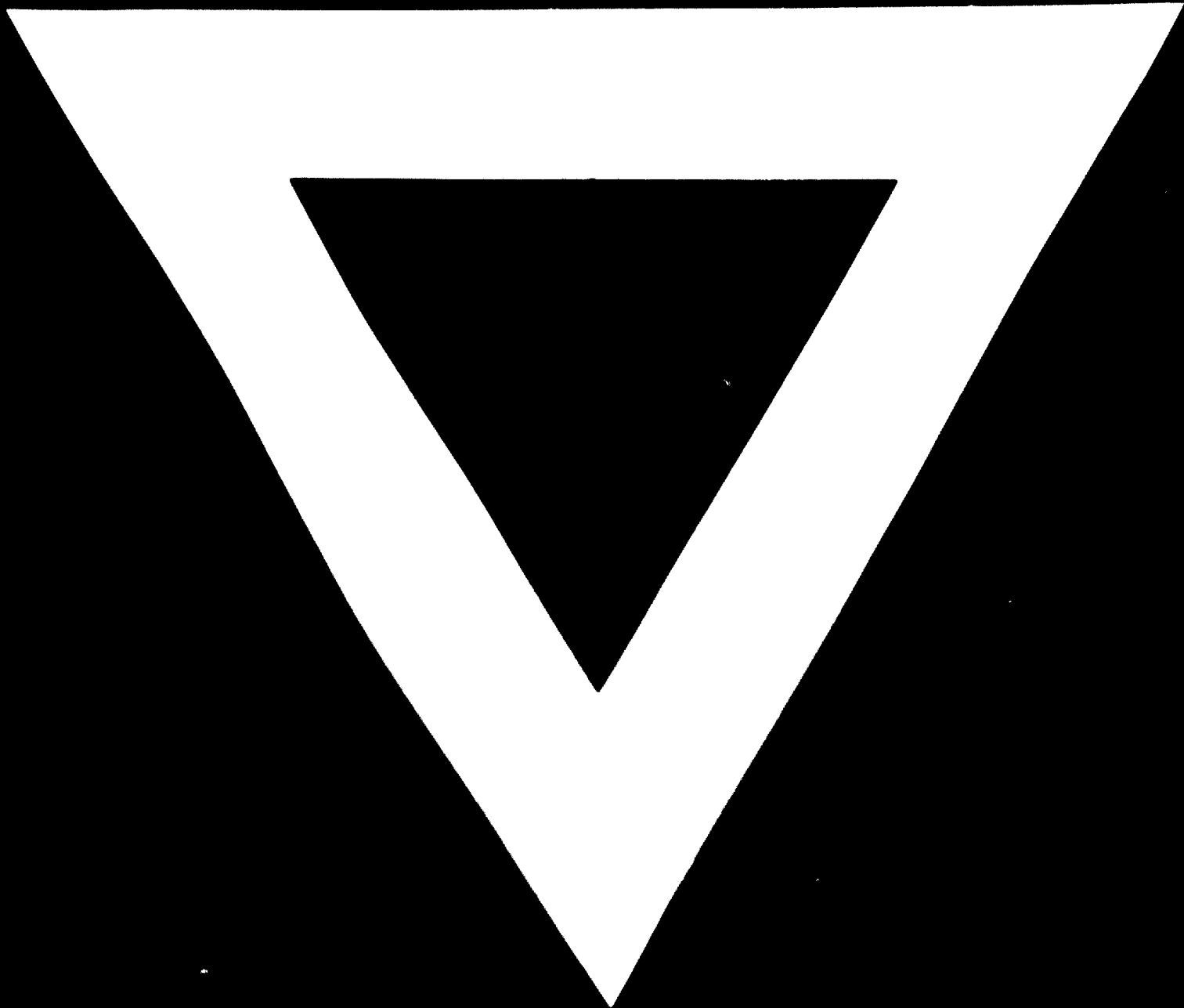
31. Although measures to create employment may be of primary importance in the developing countries, measures directly aimed at helping labour to adjust to existing jobs must not be neglected. For this purpose an effective employment and vocational guidance service as well as efforts to promote occupational mobility by providing training facilities are of essential importance.

32. The aim of an active manpower policy is not only to contribute to full employment and rapid economic growth but also to economic balance in the labour market. An active manpower policy can, through adequate measures, contribute to reduce the problem of recruiting labour to jobs or regions where shortage of manpower tends to raise wages to a level that threatens the economy. This may be achieved through measures to increase geographical and occupational mobility or through measures better to utilize scarce resources by using less skilled labour of which there is no shortage, wherever possible.

33. An active manpower policy can influence the relations between the employers and employees in different ways. Close co-operation between the Government and the employers' and employees' organizations must therefore be of great importance for an effective implementation of the manpower programmes. In Sweden such collaboration is ensured, i.e. within the manpower administration by the provision that the employers as well as the employees should be represented on its governing board.

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