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**International Labour Conference**

**THIRTY-SIXTH SESSION**

**GENEVA, 1953**

**WORLD LABOUR REPORT**  
**1953**

**PRODUCTIVITY AND WELFARE  
ECONOMIC AND SOCIAL SURVEY  
ACTIVITIES OF THE I.L.O.**

*Report of the Director-General of the International Labour Office*

**First Item on the Agenda**

**GENEVA**

**International Labour Office**

**1953**

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## INTRODUCTION

As this Report unfolds you will find that the past year has been an unusually active one ; that we have assumed new responsibilities, broken new ground, made some progress—but that we have again been limited by lack of sufficient funds and the political divisions within the world. While we cling tenaciously to our principle and tradition of universality—many of our Member States who within this Organisation work and pray for peace, find themselves elsewhere engaged in political conflict and working within a framework of hostility in an atmosphere of suspicion and fear. This holds us back—this, plus the fact that the money we need to carry on our fight against poverty, ignorance, inadequate standards of living, is going into funds for rearmament, defence, and, in some cases, armed conflict. This means that basically we are not holding our ground. We are only partially meeting our obligations to wage the battle for social justice.

From these points of view this year has been the most difficult that I have experienced since my election as Director-General almost five years ago. I feel this the more keenly since I have again resumed my schedule of missions to Member States, and have found, wherever I travelled, a genuine and passionate desire for peace. I found, too, that people hope for a peaceful settlement of outstanding political issues so that they may escape from fear and insecurity and enter into an era of expenditure of money and energies for the permanent reinforcement of the basis of world stability and brotherhood.

The world has long been tormented by fears of war, of unemployment and of inflation. As I write, there is a lull. Unemployment is not serious. Inflation has abated. War is still limited. Within the last few days there has even sprung a hope that the tension in the international political situation may be eased. Can we turn this moment's uneasy equilibrium into a continuing way of life, with high employment, stable prices and a world at peace—an environment in which we can apply ourselves wholeheartedly to the supreme task of reducing

poverty and promoting social justice ? This is what all mankind has been hoping for.

At this possible turning point, we are not powerless. The issue of war or peace must not seem beyond us. We can, wherever we are, bring our views to bear on our own leaders. No people want war or will gain from war. All sides are now in the vicious cycle of spending an oppressively large part of resources on armaments. In these circumstances, the leaders of the world, indeed all of us, have an awful responsibility for self-discipline so that the weapons which could so easily be turned to aggression are kept only for defence. The issue of war or peace is the supreme test of international faith. Some day that faith may be strong enough to make wars obsolete. Let us each do what he can to make that day come within our period of opportunity.

If we will fully appreciate that this is the true picture of our time then we must, as an Organisation, take emergency action to meet the real problems as they are posed. This Organisation was founded to promote peace—peace based upon social justice. Let us then turn this instrument to that end with the daring and vigour which the hour requires. This means a fight on many fronts—it means, too, a reinforcement by Governments, workers and employers of each facet of our activities. It is only in this way that we can lend our full weight to the genuine efforts which are being made to find and maintain peace.

My Report gives a picture of our year in retrospect. It shows, as I indicated above, that we are in the midstream of the international current. I need not therefore elaborate in this Introduction what you will find elsewhere in my Report. However, this year, as in previous years, I have again selected a special theme for emphasis and debate—a theme timely to world needs, our over-all efforts and objectives.

I have returned in Chapter III to the problem of productivity, which we last discussed as recently as 1950. Since then, the need for higher productivity has become steadily more apparent, as the world's social and economic problems are seen more and more clearly to be rooted in inadequate supplies of goods and services. Improved distribution of what is already available and increased production resulting from reduction of unemployment and, especially, of underemployment can both make, and are both making, enormous contributions to increased

welfare. These sources of improvement in living standards are well understood and widely accepted. But the possibilities of securing increased production by a more effective use of existing resources—that is, by raising productivity—are, I feel, less well understood and less widely accepted.

A great deal of the International Labour Organisation's work impinges, and always has done so, directly or indirectly, on the problem of productivity. Training, placement, wages, safety, hygiene, security, conditions of work—indeed, every section of our activities is relevant. Yet we know that, in many places, there is not the same enthusiasm for and belief in the benefits of higher productivity that there is in a drive for higher employment or more equal distribution.

During the last four years, I have laid increasing stress on the need to extend and intensify our work on productivity. We have published studies on the measurement of labour productivity, on payment by results, and on productivity in coal mines and in the metal trades. Not only was productivity discussed, as I mentioned above, at the annual conference three years ago, but it has also been dealt with in a number of meetings of experts and of Industrial Committees. Just last December a group of experts met for ten days to discuss practical measures for raising productivity in manufacturing industries. And it is particularly satisfying to note that these experts, on the basis of an illuminating discussion, arrived unanimously at their conclusions—which have been distributed as a supplement to this Report. We are also actively engaged in technical assistance designed to help raise productivity in Latin America, Europe, the Middle East and Asia. We have full programmes ahead of us in each of these fields of research, publicity, discussion, and technical assistance. We therefore look to the debate on this issue during this year's Conference to give us new ideas, stimulation and direction in our work. For I believe that higher productivity can offer enormous benefits in the attainment of our Organisation's objectives ; and I believe at the same time that we can prevent any potential disadvantages from being realised.

Many of the doubts and reservations that exist concerning the benefits of productivity can be removed by a better understanding of the safeguards that need to accompany measures for raising productivity in order to ensure that they will also yield greater welfare. Let us then do what we can here to

secure a widespread comprehension and acceptance of the need for higher productivity and of the ways in which it can be achieved.

If we will do this I am convinced that we will have taken a long step forward in meeting one of our substantial world responsibilities. We must move to narrow the great gaps between the standard of living of those who labour in less developed countries and of those in more developed countries. We must narrow the gap in production. This must be done if we are to lay a secure basis for peace, and if freedom and liberty are to prevail, and if we are to win our long battle for the dignity of the individual and of labour.

It is with this sense that I submit my Report and open the debate of the International Labour Conference in 1953.

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## CHAPTER I

### THE ECONOMIC BACKGROUND

The year 1952 saw greater stability in the economic field, despite the continued tension in other spheres of international relations. The inflationary pressure and the scramble for raw materials and finished goods which had prevailed during the first year or so after the outbreak of hostilities in Korea had already substantially eased by the second half of 1951. A perceptible increase in unemployment in many countries, though usually noteworthy for its novelty rather than its extent, had even given rise to fears that a slump might be developing. During 1952, however, it seemed that most, though not all, countries had achieved an adjustment from inflation to stability without any substantial increase in unemployment.

What brightness there is in this picture of the defence against inflation and unemployment is dimmed, however, when we turn to consider the attack upon poverty and underemployment in the underdeveloped countries. Advances have of course been made ; but for the most part progress is slow, the early stages do not yet guarantee further advance, often even the lines along which development is to take place are still not clear. Neither the underdeveloped countries themselves, nor the more developed countries which could do so much more to help, have yet turned wholeheartedly to face their greatest challenge, to bring hope and promise to the great majority of the people of the world.

#### THE CHECK TO INFLATION

Changes in the level of economic activity affect workers' living standards in two ways. In the first place, the level of production, especially non-agricultural production, is closely related to the level of employment. Secondly, total output, or

national income, determines, according to how it is distributed among income recipients and how it is allocated between consumption, investment and defence, the real income of wage earners.

A basic objective of economic policy is to ensure that production is sufficiently high to require the employment of all seeking work. Many countries have been experiencing for some time a situation where demand has been so high that it could not be satisfied by current domestic output at stable prices. As a consequence their economies have been bedevilled by inflation and by balance of payments deficits incurred as a consequence of the tendency for imports to rise excessively under the pressure of high levels of domestic demand. Workers, even where they have enjoyed the advantages of full employment, have suffered, along with other sections of the community, from the social losses associated with inflation, such as shortage of consumer goods, reduction of productive efficiency and a fall in the value of savings. Even though workers are to an increasing extent protected against inflation by wage adjustments, the lags and imperfections of such adjustments are the more serious, the more marked is the inflation.

During 1952 this situation eased significantly, with a general trend towards a slackening of industrial production, falling prices of raw materials and more stable or even declining retail prices. The main causes were continuing resistance from buyers who expected price reductions, some spontaneous decline in the level of demand, and Government policies for disinflation and for restoration of equilibrium in the balance of payments. Such readjustments are usually painful and involve in particular the risk that, as they inevitably administer a shock to confidence, they may go too far and precipitate a slump in employment. This danger, however, seems to have been largely avoided thanks to the fundamental strength of effective demand. The maintenance, in several countries, of high levels of private investment is a symptom of this basic stability. Among the factors responsible for this continuing business confidence the continuing high level of Government expenditure, especially on defence or on economic development, is probably most important. Apart from the small increases in unemployment that have occurred, workers and many other income recipients have benefited from the easing in the pace of inflation.

*Influences on the Side of Demand**Consumer Demand.*

The spontaneous decline in demand was to a large extent due to a natural reaction by consumers and merchants from the buying wave which followed the outbreak of war in Korea. The inflated demand for the stockpiling of commodities expected to become scarce would in any case have levelled off once stocks had reached the desired level or consumers' purchasing power had been exhausted. In the event, however, there has been a tendency to go further and to liquidate part of the stocks which had been accumulated during the first buying wave, partly because the fear of a spreading of the armed conflict receded, but also because of credit restrictions and other Government policies deliberately designed to limit consumption and investment in stocks, and because of expectations of falling prices. The consequent fall in demand for a number of consumer goods, especially textiles, leather and shoes, household goods and paper, was quite substantial. In a number of countries demand fell well below the level prevailing immediately before the events in Korea. Later, however, there was a tendency for demand to stabilise or even to increase.

TABLE I. VOLUME OF CONSUMPTION OF SELECTED COMMODITIES IN WESTERN EUROPE, 1950, 1951 AND 1952

(Second quarter 1950 = 100)

Country	Commodity	Peak quarter 1950		2nd quarter 1951	2nd quarter 1952
United Kingdom . . .	Clothing and shoes	4th	119	95	88
Netherlands . . . . .	Durable consumers' goods	3rd	112	81	89
Denmark . . . . .	Clothing and shoes	4th	121	89	91
Norway . . . . .	Textiles	2nd	100	77	—
Sweden . . . . .	Clothing	4th	130	93	91
Belgium . . . . .	Textiles	3rd	101	80	94
France . . . . .	Textiles and shoes	4th	114	94	94
Switzerland . . . . .	Textiles and shoes	4th	147	97	96
Austria . . . . .	Clothing	4th	150	111	105
Federal Republic of Germany <sup>1</sup> . . . . .	Clothing	3rd-4th	143	110	115

Source: Computed from UNITED NATIONS, Economic Commission for Europe: *Economic Bulletin for Europe*, Geneva, Vol. 4, No. 3, Second Quarter 1952, p. 7.

<sup>1</sup> First half of 1950 = 100; figures are for the second half of 1950, first half of 1951 and 1952.

In a number of countries engaged in carrying out programmes of economic development (including Argentina, Peru and Mexico) demand for certain consumer goods also fell, mainly as a result of the continuing rise in the cost of living.

The fall in the demand for textiles has posed acutely an important problem which had already been recognised, namely that the growth in the world textile industry's total productive capacity has been outpacing the increase in effective demand for textile goods. Generally speaking, the textile industry is a heavy user of labour but needs relatively little capital equipment. It is thus highly suitable for countries engaging in industrial development and has, in fact, been expanding rapidly in these countries.<sup>1</sup> On the other hand, there has been little increase in the demand for textiles in the underdeveloped regions of the world, because no real over-all rise in the extremely low incomes prevailing in these regions has yet been achieved. The long-run prospects for the older textile industries in industrialised countries do not therefore seem favourable. Meanwhile, as table I tends to show, and as is confirmed by reports on sales in several countries for the latter months of 1952, the immediate recession in the textile industry seems to have touched bottom and production is again rising.

The recession in the textile industry was thus essentially the result of conditions peculiar to its own production and marketing conditions. It was fortunate that the appropriate adjustments could be carried out in a generally favourable economic environment, so that their impact did not spread to other industries.

### *Monetary Restrictions.*

In several countries deliberate disinflationary measures taken by Governments have contributed substantially to relieving the strain which developed in the second half of 1950 and the first months of 1951. In most cases such measures were made necessary by a rapid deterioration in the balance of payments. They were often supplemented by direct import restrictions. In India the bank rate was raised at the end of 1951 for the first time in 17 years. In the United Kingdom and Austria the bank

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<sup>1</sup> Cf. INTERNATIONAL LABOUR OFFICE, Studies and Reports, New Series, No. 31: *Textile Wages—An International Study* (Geneva, 1952), Chapter III; and International Labour Organisation, Textiles Committee, Fourth Session, Geneva, 1953, Report I: *General Report: Recent Trends and Developments in the Textile Industry* (Geneva, 1952), Chapter I.

rate was raised in 1952. More or less severe selective credit policies were adopted or continued in Austria and Greece, in most of the Latin American countries, particularly Argentina, Brazil, Colombia and Mexico, and also in India, in Japan and, to a smaller extent, in Ceylon. In Norway and New Zealand, while the rate of interest was kept low, steps were taken to limit the expansion of credit. A variety of measures was introduced in other countries. In the spring of 1952 a vigorous campaign for price reductions was launched in France: the measures taken included Government consultations with industry, a new Government loan providing for a gold clause, the suspension of trade liberalisation, occasional "shock imports" especially of foodstuffs and, in September, a general price freeze. In Sweden subsidies were increased so as to keep the cost of living down; in other countries, including the United Kingdom, Denmark, Greece, Italy and Ceylon, food subsidies were decreased or abolished in order to relieve the Government budget. In Norway subsidies were reduced; towards the end of the year, however, certain subsidies were again increased. In Ireland a reduction of subsidies was followed by the abolition of rationing. Compulsory loans to combat inflation were raised in Brazil and Israel. A currency reform, involving all means of payment and an entire revision of the price and income structure, was carried through in Bulgaria.

In a number of Asian countries inflationary pressures resulting from the raw materials boom had been resisted by raising export duties, by reducing import tariffs (Pakistan), by adopting multiple exchange rates (Indonesia, Thailand), and by levying taxes on the purchase of foreign exchange (Philippines). After the serious fall in raw material prices several of these measures were partly or wholly revoked.

In other countries, where disinflationary policies had already been pursued for some time, it was found that they had largely performed their functions or for other reasons had become unnecessary. The measures were revoked or made less stringent lest they should become a source of stagnation and unemployment. This happened in Australia, Canada, the Netherlands and the Federal Republic of Germany. In the two latter countries and in Belgium the bank rate was lowered. Early in 1953 the bank rate was lowered in Austria. In some countries, including Belgium and the Netherlands, active measures for combating unemployment were announced.

*Private Investment.*

In most countries private investment has not, so far, shown any significant tendency to decline. In the United States the level of private non-agricultural investment was on the whole slightly higher than in 1951. As the mild recession of 1949 showed, even a slight decrease in economic activity in this country may have serious repercussions abroad. The fact that production and investment remain at high levels is therefore important to the greater part of the world. It does not seem likely that private investment in the United States will decline in the near future, though uncertainty with respect to the size of the rearmament programme and the rate of expenditure on defence, together with the fact that little further expansion of productive capacity is needed to meet prospective demand for military equipment, may cause a certain hesitation on the part of private investors. In Canada industrial investment increased substantially and, towards the end of the year, expansion programmes were under way in all sections of basic industry. In several underdeveloped countries demand for investment goods was greater than the supply which the industrialised countries could make available for export.

In other countries, although private investors were eager enough to expand productive capacity, actual investment did not rise, and in some cases even fell, as a result of Government policies designed to slow it down. Thus, in the United Kingdom a substantial reduction in certain types of fixed investment formed a major element in the Government's programme for achieving balance of payments equilibrium in the course of 1952, the specific purpose of the reduction in domestic investment being to release the types of equipment in greatest demand overseas. In some underdeveloped countries, notably Argentina, Israel and Yugoslavia, industrial investment was deliberately scaled down in order to release resources for badly needed increases in agricultural production.

In a few countries a spontaneous decline in private investment gave rise to some concern. In Denmark private investment, computed at constant prices, had already fallen slightly between 1950 and 1951; in 1952 a substantial further drop occurred. A slight reduction in private investment occurred in Austria, France and Sweden. In Norway and Finland, on the other hand, private investment remained at high levels. In the

Netherlands the Government took emergency measures in 1951 to reduce net investment temporarily as part of a programme designed to improve the balance of payments which had shown an alarming trend. The planned reduction was attained, though primarily through a reduction in stocks, investment in fixed equipment showing little change. In the course of 1952, however, while the balance of payments had much improved, investment in equipment showed a downward trend which was considered disquieting in view of the rapid increase in the country's labour force. In Burma private investment has for a number of years remained far below the level of private savings. Since Government expenditure is hardly, if at all, larger than Government revenue, total effective demand has tended to decline. This explains part of the fall in prices in this country.

#### *Defence Expenditure.*

At present, expenditure on defence and rearmament represents in most countries the most important single item of total Government spending. Even in some of the underdeveloped countries which have adopted policies of neutrality as much as half of the Government budget goes to defence. Total expenditure on armament in Europe and the United States is now running at a rate about ten times as much as would, according to a report by United Nations experts<sup>1</sup>, be required as foreign capital to meet the needs of the rapidly increasing population of the world's underdeveloped regions and permit them a modest increase of 2 per cent. per annum in income per head.

In a fully employed economy defence expenditure reduces the resources available for consumption and productive investment. A second important aspect of such expenditure is its net income-creating effect—it tends to stimulate demand for consumption goods and to give rise to derived demand for investment goods. Large fluctuations in the volume of armaments orders and frequent revisions of defence programmes are likely therefore to have corresponding repercussions on private investment and on effective demand in general.

There has been a general tendency for expenditure on defence to increase in the course of 1952. The phase of

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<sup>1</sup> UNITED NATIONS: *Measures for the Economic Development of Under-Developed Countries* (New York, 1951), p. 79.

adjusting the structure of production and employment to the requirements of defence, which inevitably caused internal frictions, is largely over. The main danger now is that frequent revisions of targets, and wide discrepancies between planned and actual spending on defence, may discourage private investment. In the United States the original programme scheduled a peak defence outlay at an annual rate of \$83,000 million to be reached in the fiscal year 1952-53 and a rapid decline thereafter. In the first half of 1952 the authorities were working to a new plan, under which the programme was to be "stretched out" over a longer period and a spending peak of only \$53,000 million was to be reached in the fiscal year 1953-54. After that spending was to drop to an annual rate of \$40,000 million. At present the estimate is that a peak of \$55,000 million or \$60,000 million will be reached by the second half of 1953. It is anticipated that by the beginning of 1955 defence expenditure will start to decline until, by the end of that year, it is at an annual rate of from \$45,000 million to \$50,000 million. In the United Kingdom the slowing down of the original armament programme was one of the cornerstones of the Government's policy for restoring balance of payments equilibrium, in particular through a reduction of the claims of rearmament on industries producing exportable engineering products. Even so, planned expenditure on defence for the current year at £1,500 million was to be substantially higher than the amount spent during the first year of the programme (£1,132 million). In Denmark a reduction in the defence programme was announced in December. In France total expenditure on defence was made partially dependent on foreign aid.

The burden represented by armament depends not only on the percentage which it takes of the national product but also on the level of income per head in the country concerned. In most European countries adhering to the North Atlantic Treaty Organisation the percentage of national income going to defence lies within a range from 7 (Italy) to 12 (the United Kingdom), with the majority spending about 10 per cent. In the United States some 15 per cent. is being spent on defence. The burden is particularly heavy for a country like Greece, which is still suffering from the devastations of war and civil war and is short of food, but is devoting slightly more than 9 per cent. of national income to defence.

The stockpiling of strategic raw materials is a special category of rearmament expenditure, of particular importance to the countries, mostly underdeveloped, which produce these materials. Because of its size the stockpiling programme of the United States and fluctuations in the buying thereunder can act as a major stabilising—or destabilising—force in a number of markets for raw materials. This was clearly shown when, early in 1951, the United States Government decided to suspend buying of certain materials. There followed a sharp fall in the prices of wool, cotton, rubber and tin. At present the targets for a number of commodities have been completely or nearly achieved and the programme as a whole seems to be contracting. While the buying of materials accelerated at least during the first half of 1952, the general prospect therefore seems to be that future stockpiling will be concentrated on a few commodities in short supply.

#### *Expenditure for Economic Development.*

In underdeveloped countries expenditure on programmes for economic development is a major factor affecting total demand, employment and prices. Most programmes for development are still only at the stage where the groundwork for an increase in the output of consumers' goods is being laid (through the improvement of communications, irrigation schemes and investment in industrial plant and power installations) but no substantial increase in output has yet been achieved. These programmes therefore exert an inflationary pressure on the economy. In some Latin American countries, in particular, serious balance of payments problems have arisen.

In the countries participating in the Colombo Plan spending on economic development is steadily increasing. In 1951-52 it was already much above what it had been in 1950-51, the year before the Plan came into operation, and for the current year most countries plan for a substantial further quickening of the pace of their development. In Argentina the second Five-Year Plan provides for a further increase in investment. In Brazil industrial investment continued at a high level and the accompanying high level of spending and of prices gave rise to particularly acute balance of payments problems. In other Latin American countries such as Chile, Colombia and Mexico the level of investment has remained high or has even increased.

Nevertheless, thanks largely to direct and indirect controls over the importation of consumption goods, this high rate of investment has not in these countries been accompanied by serious balance of payments difficulties.

*The Supply of Goods and Services*

*Industrial Output.*

This survey of the main factors determining total demand during 1952 has shown that there were powerful factors at work which tended to reduce over-all demand (in particular the slump in a number of consumers' goods industries and the disinflationary policies of Governments) while at the same time other forces tended to maintain or raise it (in particular, spending on

TABLE II. INDUSTRIAL PRODUCTION IN CERTAIN COUNTRIES  
1950-1952

(Index numbers, 1948 = 100)

Country	1950 12 months	1951 12 months	1951 first months	1952 first months	Number of months covered in cols. (4) and (5)
(1)	(2)	(3)	(4)	(5)	(6)
Argentina . . . . .	100	103	97	98	4
Austria . . . . .	157	179	176	180	8
Belgium . . . . .	102	118	117	112	8
Canada . . . . .	109	117	118	117	9
Chile . . . . .	104	119	113	128	8
Denmark . . . . .	118	121	121	115	10
Finland . . . . .	113	133	134	123	10
France . . . . .	111	125	124	130	10
Algeria <sup>1</sup> . . . . .	122	132	122	143	6
Germany (Federal Republic) . . . . .	182	218	217	231	11
Greece . . . . .	151	171	168	166	9
Guatemala . . . . .	106	105	101	107	10
India . . . . .	97	108	107	116	9
Ireland . . . . .	128	132	132	127	6
Italy . . . . .	127	144	143	142	8
Japan . . . . .	152	200	195	212	10
Luxembourg . . . . .	101	121	121	120	9
Morocco (Fr.) <sup>1</sup> . . . . .	124	156	154	150	9
Netherlands . . . . .	123	128	129	128	10
Norway . . . . .	113	119	119	118	10
Spain . . . . .	109	115	113	128	8
Sweden . . . . .	108	112	111	109	10
Tunisia <sup>1</sup> . . . . .	92	107	98	128	6
United Kingdom . . . . .	114	117	117	113	10
United States . . . . .	104	115	115	113	11

Source: UNITED NATIONS: *Monthly Bulletin of Statistics*.

<sup>1</sup> Mining only.

armaments and on economic development). In some countries the former dominated, in other countries the latter ; in several countries the two balanced. There were but few cases where extreme inflation continued ; in no country did any general depression develop. This state of affairs was reflected in the level of industrial production, available statistics of which are shown in table II. In a number of countries industrial output increased ; in others it rose only slowly or not at all ; in others it declined. In the first half of the year industrial output in the world as a whole fell slightly, mainly because inflationary pressures were slackening, especially in the older industrialised countries. In the second half of the year the picture improved as a result of a general rise in the output of the textile and other consumer goods industries coupled with a continued expansion in engineering industries throughout the world. The accompanying chart of industrial production in several representative countries (chart I) shows clearly the change-over from a rapid rate of increase in industrial production during 1950 and most of 1951 to a less rapid rate of increase in 1952.

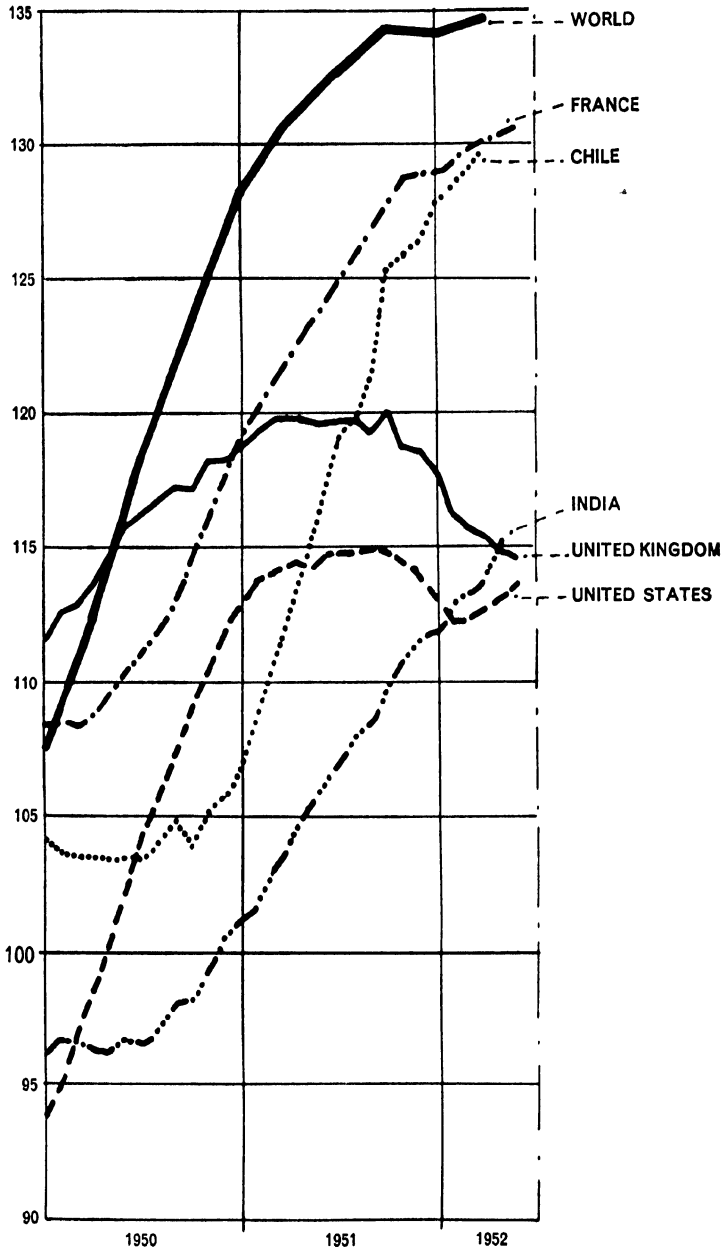
The world index of mining and manufacturing production, computed by the United Nations Statistical Office, fell from 137 during the last quarter of 1951 (1948 = 100) to 136 in the first quarter of 1952 and to 133 during the second and third quarters of that year.<sup>1</sup> In the United States industrial output rose again to new record levels after the strikes and the usual summer lull were over. In Canada, where industrial production was falling in late 1951, there were signs of recovery in the third quarter of 1952, especially in sales of consumer goods.

There was no uniform trend of production in Europe during the first half of the year. In France, Austria and the Federal Republic of Germany industrial output was higher than during the first half of 1951 ; in Italy, Norway and Sweden it was about equal to that of the second half of 1951. During the third quarter, however, it fell below the level of the correspon-

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<sup>1</sup> There is a seasonal tendency for world industrial production to decline in the third quarter of each year. The fact that in 1952 the volume of production remained stable during the third quarter suggests that the general trend by that time was towards increasing production. After adjustment for seasonal variation, total output in the third quarter was found to exceed slightly that of the previous quarter and to be about equal to the post-war peak level of the fourth quarter of 1951. (Cf. UNITED NATIONS : *Monthly Bulletin of Statistics*, Vol. VII, No. 1, Jan. 1953, pp. vi ff.)

## CHART I. INDUSTRIAL PRODUCTION

*(Twelve-month monthly averages) (1948 = 100)*

ding period of the previous year in Norway and Sweden. In Belgium production during the first quarter of 1952 equalled production in the corresponding period of 1951, but during the second quarter of the year it fell 6 per cent. below the corresponding period of 1951, when production had been rising rapidly. In the United Kingdom industrial production in the second quarter of 1952 fell both absolutely and in relation to the level of the corresponding period of 1951. By the second quarter it was about 8 per cent. below the level reached in the corresponding part of 1951. In October it was still 3 per cent. below the level of October 1951.

In the Netherlands and Denmark, where production had already fallen below the level of the previous year by the third quarter of 1951, it remained at relatively low levels during the first half of 1952. There were signs of recovery during the autumn, mainly as a result of a rise in the output of consumer goods. In these countries output in the engineering industries fell below the level of the previous year, in contrast to what had happened in other countries.

In Japan production in 1952 was higher than during 1951 when it had already reached a level far above that of 1950. In 1952, though the rate of expansion had slowed down, general production appears to have been at or slightly above the level of 1938. Since 1948 it has more than doubled.

In many of the less industrialised countries industrial production continued to rise. In India, where the large cotton industry suffered relatively little from the general slump in textiles, it was about 8 per cent. higher than during the first nine months of 1951. In Latin America the general production indices available for Brazil, Chile and Guatemala showed slight increases over 1951. The production of basic minerals increased substantially, for example that of oil in Argentina, Chile, Colombia, Peru and Venezuela, and iron ore in Mexico. The output of crude steel rose considerably in Chile and Mexico. In almost all Latin American countries the production of electricity rose substantially. In Yugoslavia, on the other hand, industrial production declined as a result of serious shortages of raw materials.

#### *Employment and Unemployment.*

Tables III and IV show that employment was high in most of the countries for which figures are available. In some

TABLE III. EMPLOYMENT IN SOME OF THE COUNTRIES FOR WHICH  
TABLE II SHOWS A FALL IN INDUSTRIAL OUTPUT

(Index numbers, 1948 = 100)

Country	1950 12 months	1951 12 months	1951 first months	1952 first months	Number of months covered in cols. (4) and (5)
(1)	(2)	(3)	(4)	(5)	(6)
Belgium <sup>1</sup> . . . . .	98	101	101	99	6
Canada . . . . .	102	109	108	110	9
Finland <sup>1</sup> . . . . .	104	108	106	105	Jan./Apr.
Ireland <sup>1</sup> . . . . .	107	107	107	102	Mar./June <sup>2</sup>
Italy <sup>1</sup> . . . . .	98	99	97	97	2
Luxembourg . . . . .	106	110	107	111	5
Netherlands <sup>1 2</sup> . . . . .	110	111	113	109	March
Norway . . . . .	105	106	106	107	9
Sweden <sup>1</sup> . . . . .	99	101	101	100	9
United Kingdom . . . . .	102	103	103	103	10
United States . . . . .	100	105	105	106	11

Source: UNITED NATIONS: *Monthly Bulletin of Statistics*.

<sup>1</sup> Manufacturing only.

<sup>2</sup> The index for manufacturing output stood at 139 and 125 in March 1951 and March 1952 respectively.

industrialised countries it had fallen slightly, while in a few other countries unemployment had risen slightly because the increase in employment was not sufficiently large to absorb all the additional supply of labour. In countries where industrial production had fallen the decline in employment seems generally to have been proportionately smaller, except in Ireland. The explanation is to be found, presumably, first in the slight reductions in the length of the working week which occurred in a number of countries; and second, in the fact that in some countries, which had experienced sustained full or even overfull employment after the war, employers seemed to prefer to maintain their staffs, in spite of a slowing down of production, until it became certain that there was no prospect of a revival of demand in the near future.

Employment was at a particularly high level in the United States, where it rose to just over 62 million by September; by that time unemployment had fallen to 1.44 million, the lowest level reached since the second world war. Developments in the Federal Republic of Germany were also satisfactory when the special difficulties of this country are taken into consideration. By October unemployment had fallen to 1,028,000, or roughly 7 per cent. of the labour force. This was the lowest level since the economy of the Federal Republic

TABLE IV. UNEMPLOYMENT, 1948-1952  
(Numbers in thousands, monthly average)

Country	1948	1950	1951 12 months	1951 first months	1952 first months	Number of months covered in cols. (5) and (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia . . . . .	2.63	1.23	0.79	0.67	12.50	10
Austria . . . . .	43.4	124.8	116.2	116.2	157.1	12
Belgium . . . . .	81.0	170.0	153.5	153.5	174.0	12
Canada . . . . .	103	168	108	108	130	12
Denmark . . . . .	51.6	54.8	63.0	63.0	81.7	12
Finland . . . . .	3.5	19.2	5.6	6.3	4.7	10
France . . . . .	16.7	52.4	40.3	40.3	39.3	12
Germany (Federal Republic) . . . . .	592	1,580	1,432	1,432	1,381	12
Ireland . . . . .	35.1	30.3	30.4	30.4	38.6	12
Italy . . . . .	1,742 <sup>1</sup>	1,615	1,721	1,708	1,900	8
Japan . . . . .	242	436	386	383	468	11
Netherlands . . . . .	42.4	79.1	92.8	87.2	133.0	11
New Zealand . . . . .	.07	.04	.04	.04	.05	12
Norway . . . . .	9.0	9.0	11.1	10.7	10.5	11
Saar . . . . .	6.6 <sup>2</sup>	6.3	4.3	4.8	4.1	5
Spain . . . . .	117.0	166.2	144.2	148.7	106.7	10
Sweden . . . . .	25.7	22.1	18.2	16.8	18.4	10
Switzerland . . . . .	3.0	9.6	3.8	3.8	5.3	12
Union of South Africa . . . . .	12.17	16.28	10.19	10.19	12.22	11
United Kingdom . . . . .	325.8 <sup>3</sup>	332.1	264.1	261.4	364.5	11
United States . . . . .	2,064	3,142	1,879	1,879	1,672	12

Source: *International Labour Review, Statistical Supplement.*

<sup>1</sup> First, second and fourth quarters.

<sup>2</sup> June-Dec.

<sup>3</sup> July-Dec.

started functioning under more or less normal conditions at the beginning of 1949. Between 1949 and 1952 the number of gainfully employed increased by 600,000, or about 4 per cent. Actually, shortages of certain categories of skilled labour have already been reported or are anticipated in view of the continuing rise in production. Meanwhile, the unemployment problem remains serious in those *Länder*, near the eastern border, where refugees are concentrated.

In Belgium, after a slight improvement in 1951, unemployment rose again, to its rather high 1950 level. The chronically high level of unemployment, especially in Flanders, is considered to be the result of structural factors. Accordingly, the Belgian Government is seeking to stimulate the establishment of new industries and the expansion of existing ones through tax and credit facilities for certain categories of investment in regions where the unemployment position is most serious.

In Italy unemployment remains high and seems even to have been increasing during the past two years. This means that employment is increasing less rapidly than the labour force, which is growing by some 200,000 workers a year. The problem of providing employment for a rapidly increasing working population is also of continuing concern to the Netherlands. Owing to high levels of demand and to the industrialisation and emigration policies of the Government, full employment was maintained until well into 1951. By the end of that year and throughout 1952, however, rising unemployment caused some anxiety. Unemployment was also relatively high in Austria and Denmark.

Far more formidable problems of creating employment opportunities for a rapidly expanding population present themselves in a number of underdeveloped countries, especially in Asia. In these countries statistics of unemployment, where they are available at all, are usually very incomplete and fluctuations in the figures are an inadequate measure of the real changes in the level of unemployment and underemployment. But it seems safe to assume that unemployment and underemployment are still rising and will go on rising for a number of years in spite of the expansion of employment opportunities under present programmes of economic development. Even under the most favourable conditions the employment-creating capacity of these programmes must fall far short of the increasing numbers of people who will be seeking jobs during the years immediately ahead. The size of the problem may be illustrated by the case of India. A recent non-official estimate<sup>1</sup> put the number of additional people needing employment during the next five years (the period of the present Indian Five-Year Plan) at 8 million at least. This number must be compared with a total present employment in organised industries, transport and tertiary activity of 5 million. Thus, in order to prevent a rise in unemployment, the expansion in employment in these industries (the only ones where employment is likely to expand greatly) would have to be more than 150 per cent. In fact, the Plan aims at a rise in industrial production and business activity of not more than 40 per cent. It is thus fairly certain that only a fraction of the additional labour force will be able to find productive employ-

<sup>1</sup> The *Eastern Economist*, New Delhi, Vol. XIX, No. 17, 24 Oct. 1952, p. 663.

ment, while the rest will add to the already huge reserve of unemployed and underemployed labour.

Overpopulation is also a grave problem in Japan, which differs from such countries as China and India in that it has been fairly thoroughly explored and developed, so that prospects for further economic expansion are limited. At present Japan benefits to a large extent from its visible and invisible exports to the United Nations forces in Korea and to the United States troops in Japan itself. On the other hand, the present political situation hampers trade with the mainland of China, traditionally an important trading partner of Japan. It is not yet clear to what extent the Japanese economy will be able even to sustain present living standards for its population, which is growing at an annual rate of 1.5 per cent., after this exceptional foreign spending comes to an end. Japan may, however, derive indirect benefits from the economic development of the countries in Southern and South Eastern Asia through the opening up of new outlets for its export industries and of new sources of raw materials and foodstuffs.

#### *Agricultural Production.*

World agricultural output was higher in 1952 than in 1951. In 1951-52 total production of agricultural products was 2 per cent. higher than during the previous year. It seems likely that the increase in output of raw materials was stimulated by the unprecedented high prices paid for them during the 1950-51 boom. Up to the first half of 1952, however, there was hardly any progress in the production of food, with the exception of fats and oils of which there is no longer a general shortage. Especially during the first half of 1952, there was a serious scarcity of rice in Asian countries, more particularly in Ceylon, Indonesia and India (which suffered a disastrous drought in the 1951-52 season). The unsatisfactory state of food production in these underdeveloped countries has two main consequences. First, the present inadequate levels of food intake per head cannot be improved and they remain extremely vulnerable to even minor fluctuations in crop results. In several Asian countries the consumption of food per head is still substantially below the already inadequate pre-war averages. The food situation there is very unsatisfactory, even compared with other underdeveloped regions such as Latin America, because of the alarming deficiencies in protective foods such as fruits,

vegetables and animal products. Second, the countries in question have to spend a substantial part of their foreign exchange on imports of food to meet the requirements of the rapidly growing populations, so that less foreign exchange is available for investment in capital equipment. The expansion of agricultural output, to make these countries self-sufficient in food production, ranks high, therefore, in most programmes for economic development. However, such expansion is itself dependent on large-scale capital investment in agriculture for improvement of irrigation schemes and for restoration of transport facilities which are still suffering seriously, in some Asian countries, from war damage.

Increased attention to raising agricultural output is being given in Australia, in Israel, in Yugoslavia and in some Latin American countries, particularly Argentina, Chile, Mexico and Venezuela. During 1952 Yugoslavia suffered from a disastrous drought. Because of the need to cut down exports and increase imports of foodstuffs, less foreign exchange was available for imports of raw materials and industrial production consequently declined seriously.

War and internal conflicts have led to a relatively low level of agricultural output in Korea, Burma, Viet-Nam, Indonesia, Malaya and the Philippines. In some Asian countries Government price and marketing policies have had the effect of discouraging the growing of food. In Hungary the harvest appears to have suffered as a result of severe drought. A grave shortage of food was reported in the German Democratic Republic.

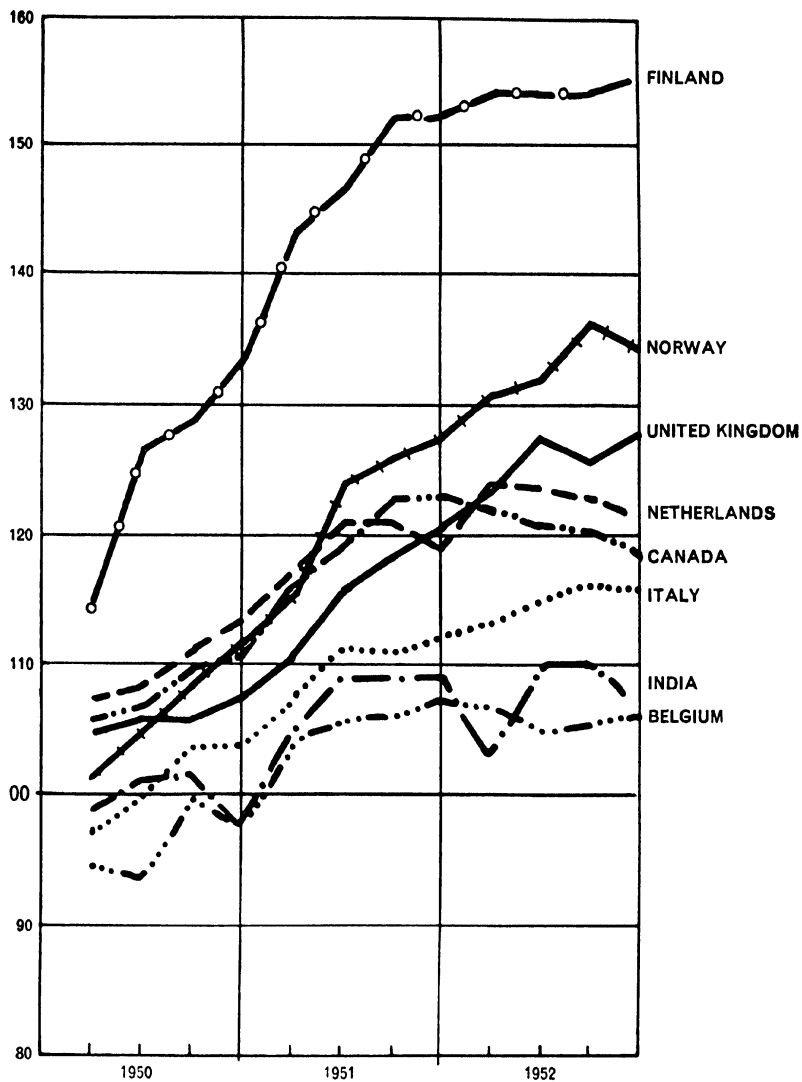
Good wheat harvests were reported in the United States, France, French North Africa, Argentina and the Middle East. Owing to favourable weather conditions exceptionally good crops were harvested in Spain in 1951 and 1952. As a result it was possible to abolish the rationing of foodstuffs there. A satisfactory expansion of food production has also occurred in Turkey.

#### PRICES AND WAGES

##### *Cost of Living.*

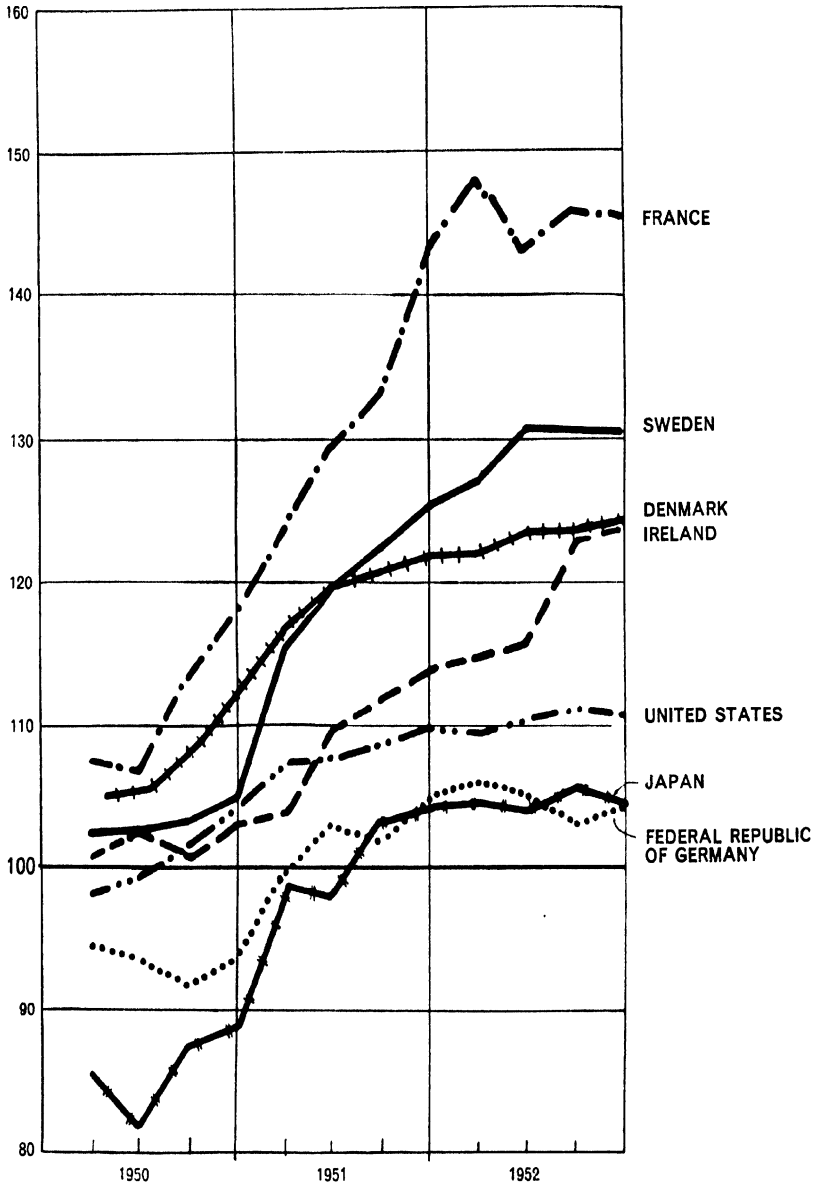
In the second half of 1951 the rate of increase in the cost of living was already less in most countries than during the preceding year. In some countries retail prices had been stabilised and in a few they had even started to fall. In the course

CHART II (a). CONSUMER PRICES  
(1948 = 100)<sup>1</sup>



<sup>1</sup> Netherlands, 1949 = 100.

CHART II (b). CONSUMER PRICES  
(1948 = 100)<sup>1</sup>



<sup>1</sup> Japan, 1951 = 100; France, 1949 = 100.

of 1952 these tendencies became more pronounced. The accompanying charts of consumer prices in fifteen countries (charts II (a) and II (b)) show the change-over in most of them from rapid rates of increase between the middle of 1950 and the end of 1951 to much less rapid rates of increase during 1952. In this latter period steep increases in the cost of living were experienced in only a few countries: during the year retail prices rose by more than 60 per cent. in Israel, by 13 per cent. in Chile, 24 per cent. in Brazil, 9 per cent. in Ireland, nearly 7 per cent. in Australia and the United Kingdom and 8 per cent. in Mexico. Substantial price rises were also reported in Viet-Nam and Thailand.

In some countries, particularly Ceylon, Costa-Rica, Egypt, Lebanon and Spain and, after March, in Greece, there were reductions in the cost of living. In the other countries for which data are available retail prices either rose slightly, remained virtually constant, or fell slightly.

This relative stability of the cost of living is, of course, in line with the general tendency for total demand to stop increasing or even to decrease. Still, it is noteworthy that the decline in the cost of living has, generally speaking, been insignificant compared with the substantial fall in raw material and wholesale prices. This discrepancy between fluctuations in retail prices and in prices of raw materials is mainly due to the fact that raw materials are only one, and usually not the most important, item in total cost of production. The largest single cost in production as a whole is wages and, since wages usually rise together with prices but seldom fall when prices decline, cost of living can fall only to a much smaller extent than prices of raw materials. Furthermore, the cost of living and in particular the cost of food are in many countries subject to Government price and subsidy policies. It has already been noted that in a number of countries subsidies were reduced, with the result that in some cases lower prices for textiles and other consumers' durables were offset or more than offset by increases in food prices.

In some countries the cost of living was affected also by direct Government intervention. A general price-stop was decreed in France. Certain prices were frozen in Egypt and a Government decree reduced rents by 15 per cent. In the Soviet Union, State retail prices for foodstuffs in general consumption were decreased, as from 1 April 1952, by between 10 and 30 per

cent. In Czechoslovakia and Poland, on the other hand, food prices were raised early in the year.

### *Money Wages and Real Wages.*

In most countries money wages generally move with the cost of living, although, in the absence of specific arrangements for a systematic adjustment of wages to changes in the cost of living, the adjustment may be slower and less complete than where such arrangements do exist. The relative economic stability which characterised 1952 is reflected in the relative stability of money wages in those countries for which information is available.

In a few countries the stabilisation of money wages was expressly sought as a necessary condition for the success of disinflationary policies. In the United Kingdom the Chancellor of the Exchequer warned trade unions in May that, in order to maintain the country's capacity to import food and raw materials, it was essential that prices should not rise any further. He called upon both sides of industry to establish conditions under which the national wage bill would advance in step with national production but not outstrip it.

In Sweden the Council of Representatives of the Confederation of Trade Unions recommended in December to its affiliated unions that they should put forward only such claims for higher wages as could be met without a rise in the price level and without endangering the maintenance of full employment.

In France legislation was enacted to provide for a systematic adjustment of the legal minimum wage to fluctuations in the cost of living. The adjustment is to be automatic when the cost of living rises by 5 per cent. or more. In general, no two adjustments will take place within a period of four months. In Italy the system of automatic adjustment of wages to changes in the cost of living, which had already been applied for some time in industry, commerce and banking, was extended to agricultural workers. In Australia the basic wage continued to be periodically revised by the Commonwealth Court so as to adjust it to the rising cost of living. The adjustment at the end of the second quarter of 1952 was still 11 shillings a week, involving an increase of some 5 per cent. in the basic wage ; at the end of the third quarter the increase was only 4 shillings, and in the next period no increase at all was required. In November the Egyptian Government decreed a

substantial rise in the wages of agricultural workers. In Greece the minimum wage was raised by about 15 per cent., but since the great majority of wage earners get more than the minimum the practical effect of this decision was rather limited.

A substantial fall in money wages accompanied the currency reform in Bulgaria. At the same time the entire price system was revised. Since no information on wages and the cost of living is currently available for this country, it is not possible to say whether and by how much real wages have been affected. It was officially stated that the workers would be affected by the currency reform only to a certain extent and for a limited period, since the greater part of the sacrifices was to be borne by the State. One result of the currency reform was the abolition of rationing. Nor is it known to what extent real wages have fallen in Czechoslovakia and Poland as a result of rising food prices. In the former country payments in kind, which had become important during the past few years, were withdrawn and it was announced that the usual Christmas bonuses and gifts were not to be given this year.

For most underdeveloped countries it is impossible to give accurate data on real wages, information on money wages and on cost of living being scanty and often inadequate. It appears that in some industries, where labour was fairly well organised or where the demand for labour had increased owing to economic development, money wages went up, exerting an upward pressure on wages in other industries. In Ceylon and Indonesia the rise in wages led to the abandonment of some tea estates, as entrepreneurs found it impossible to continue operations at higher wage costs when tea prices had not risen.

#### *Prices of Raw Materials.*

Increases in the cost of living have a direct impact on workers' living standards, although, in most industrialised countries, the impact is often alleviated by parallel rises in money wages. The influence of changes in the prices of raw materials, most of which are internationally exchanged, is more indirect. In countries which have to import raw materials on a large scale a substantial rise in their price usually leads not only to some increase in the cost of living but also to the adoption of measures designed to maintain or restore equilibrium in the balance of payments with worsened terms of trade. Such

measures, if they include import cuts, may tend to drive prices further up, to cause scarcities of particular commodities and to reduce output and employment in foreign industries which export less essential commodities to the country in question. If the measures adopted include vigorous monetary restrictions, they may also lead to lower production, earnings and employment in domestic industries.

In countries producing and exporting large quantities of materials which rise in price the immediate effects are likely to be a rise in the cost of living<sup>1</sup> and in other prices and an improvement in the balance of payments. As prices fall again, however, these countries are likely to be faced with acute crises in their balances of payments, forcing them to take drastic measures such as severe import cuts and devaluation. The resulting instability of the economy is a serious handicap to economic development.

The fact that both importers and exporters of raw materials suffer from the instability in demand and in prices of such materials forms the basic justification for the various plans for international commodity arrangements which seek to stabilise raw material markets. An additional argument in support of such arrangements is that, in the longer run, they may enable the production of raw materials to be better maintained. With the present organisation of international trade in raw materials, the production of such materials is essentially a speculative undertaking. Underdeveloped countries, generally the most economic producers of raw materials, can least afford to indulge in a type of production and foreign trade which involves heavy risks. Their reaction, in the absence of international agreement, has already become evident not only in top-heavy programmes for industrialisation in some underdeveloped countries but also in the persistent difficulty experienced by countries with a dollar shortage in diverting their imports of raw materials from the dollar area to regions with less "hard" currencies.

The events in Korea have caused extremely violent fluctuations in prices for raw materials, as can be seen from the following figures :

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<sup>1</sup> Usually this rise in the cost of living is relatively larger than in industrialised countries because, at low standards of living, the cost of the agricultural products (including raw materials) is a far larger component of total consumers' outlay than in countries with higher standards where manufactured commodities take a larger place.

TABLE V. FLUCTUATIONS IN PRICES OF RAW MATERIALS BETWEEN THE FIRST HALF OF 1950 AND NOVEMBER 1952

Commodity	Price unit per lb.	Price immediately before June 1950	Peak after June 1950	November 1952
Wool . . . . .	Pence	140	314	131
Cotton. . . . .	Dollarcents	34.6	46	36.6
Jute <sup>1</sup> . . . . .	£sterling	121.6	226.8	81
Copper . . . . .	Dollarcents	22.1	34.9	34.9
Lead . . . . .	Dollarcents	11.7	19	14
Zinc . . . . .	Dollarcents	14.7	19.5	20
Tin <sup>1</sup> . . . . .	£sterling	601.7	1,470	959
Rubber . . . . .	Pence	24 <sup>3</sup> / <sub>8</sub>	69 <sup>1</sup> / <sub>8</sub>	22 <sup>3</sup> / <sub>4</sub>
Wheat <sup>2</sup> . . . . .	Dollarcents	249	284	269
Coffee . . . . .	Dollarcents	44 <sup>1</sup> / <sub>8</sub>	53 <sup>3</sup> / <sub>8</sub>	55 <sup>3</sup> / <sub>8</sub>
Tea . . . . .	Rupees	1.62	2.50	1.96

1 Per ton. 2 Per 60 lb.

During the second half of 1950 and the first half of 1951 exporters of raw materials made substantial gains out of vastly improved terms of trade and their reserves of foreign exchange increased substantially. In fact, a number of underdeveloped countries found it physically impossible to increase the level of their foreign spending to the full extent of their increased receipts, not only because it was impossible to revise programmes for economic development at short notice, but also because industrialised countries were unable to make sufficient goods available for export. After this period, however, export proceeds fell dramatically, while import prices stayed at higher levels than before the boom.

The impact of this sudden change in the terms of trade may be illustrated by developments in the sterling area. In the main raw material producing countries in this group—that is, in the sterling area excluding the United Kingdom—foreign exchange reserves increased during the first half of 1951 by the equivalent of \$1,030 million. During the first half of 1952, however, sterling balances held by these countries fell by the equivalent of \$655 million. Similarly, the surplus of \$1,130 million in the balance of trade of 10 Asian countries (Burma, Ceylon, Hong Kong, India, Indonesia, the Federation of Malaya, Pakistan, the Philippines, Thailand and Viet-Nam) during the first half of 1951 was converted into a deficit of \$350 million in the second half of that year. As a report to the Economic Commission for Asia and the Far East has noted: "It is clear that in sheer quanti-

tative terms greater stability of demand [for raw materials exported by underdeveloped countries] has even more importance than the current scale of foreign aid and loans." <sup>1</sup> Australia represents a striking example of the tremendous changes in the whole economic position experienced by some countries. During the year 1951-52 wool export proceeds fell by more than 50 per cent. and total export proceeds declined from £A979 million to £A666 million. The resultant deficit in the balance of trade was £A377 million, more than 50 per cent. of the total value of exports. Uruguay, until recently, because of its strong financial position, one of the main centres to which capital was being transferred, was so gravely hit by the sharp decline in wool prices (and by a reduction in tourist trade from Argentina) that the allocation of dollars and other hard currencies had to be temporarily suspended at the beginning of April, a measure later extended to sterling. Many other countries also suffered from the decline in their export prices, in particular Pakistan and Egypt. Among industrialised countries which produce raw materials, Sweden and Finland experienced a serious decline in the prices and the volume of exports of forestry products.

Thus, while the raw materials boom has, taken by itself, not proved disadvantageous to the underdeveloped countries, it has not brought to these countries the advantages which were anticipated. In the summer of 1951, when the United Nations experts' report on measures for the economic development of underdeveloped countries <sup>2</sup> was discussed by the Economic and Social Council and two of its Commissions, representatives of some developed countries maintained that "the balance of payments position of most underdeveloped countries has measurably improved over the past year, and the prospects are that this improvement will continue during the period ahead", and it was suggested that the underdeveloped countries generally could be expected to be able to finance a great deal of their development programmes out of their own means and with only a fairly small amount of foreign financial assistance. Already by that time, however, the events described above had placed several underdeveloped countries in a position not

<sup>1</sup> UNITED NATIONS: *Economic Survey of Asia and the Far East, 1951*, New York, 1952, p. xiv.

<sup>2</sup> *Measures for the Economic Development of Under-Developed Countries*, op. cit. Cf. the report on these discussions, in *International Labour Review*, Nov.-Dec. 1951, Vol. LXIV, Nos. 5-6, pp. 473-503.

stronger, and perhaps even weaker, than at the beginning of 1950.

### INTERNATIONAL TRADE AND PAYMENTS

There are notable advantages to be derived from international trade, determined for any particular country by the rise in its productivity which results from the international division of labour and by the terms of trade on which the country is participating in the international economy. But these are long-run advantages. In any short period, they may be obscured, or even offset, by the disadvantage of frequent changes in national economic policy and by disturbances to employment, to real wages and to steady progress of domestic economic development, imposed by fluctuations in the balance of payments. The sudden changes in the balances of payments of various countries in response to fluctuations in raw material prices during 1951-52, referred to above, provide a vivid reminder of the disadvantages of relying heavily on international trade. In the case of Australia, for instance, imports had to be cut suddenly by 50 per cent., involving great disturbances not only to the economy of Australia but also to those of her chief suppliers.

The problem of the dollar shortage, which existed already before the second world war but was greatly accentuated thereafter, is another obvious example. Great efforts have been made by all parties to reduce the dollar gap. War-time lend-lease arrangements were followed by the Marshall Plan. From July 1945 to July 1952 the United States provided foreign economic aid to a total amount of \$33,600 million (excluding military aid), three-quarters of which went to Europe and one-sixth to Asia and the Pacific area. Originally the amounts going to Europe had been scheduled to decrease gradually and to end by the middle of 1952. However, as a result of new categories of aid provided under the Mutual Security Act, total foreign aid (and the share of it going to Europe) remained practically stable during the last three years. It amounted to \$5,100 million in 1950, \$4,800 million in 1951 and about \$5,000 million in 1952. The military component of this aid was 4 per cent. during the fiscal year 1950, 24 per cent. during 1951 and 38 per cent. during 1952. The foreign aid appropriation for the fiscal year 1953 amounts to \$5,800 million, of which about three-quarters is to be military aid.

The world's payments deficit with the United States, which had rapidly deteriorated during the second half of 1951 and the first quarter of 1952, showed a substantial improvement in the second quarter of last year. Factors contributing to this improvement included further import cuts for dollar commodities, temporary factors such as United States military outlays in Europe and the Far East, particularly Japan, and seasonal factors such as American tourist expenditure in Europe. A substantial part of the improvement was due to lower American coal exports to Europe and to decreases in grain and cotton shipments from the United States to India, which had been exceptionally large temporarily as a result of the crop failure in India. Imports into the United States did not increase, on the whole. Total imports were lower in the second quarter of 1952 than they had been during the corresponding quarter of 1951. The problem of developing exports to the dollar area remains a subject of serious concern to several countries, as is evidenced by the repeated appeals by European and other statesmen to the United States to substitute "trade for aid" through the adoption of purchase and import policies designed to give the world a fair chance to overcome its dollar shortage.

However, it is unlikely that the dollar deficit, which lies at the heart of Europe's problems of production, trade and payments, can be removed merely by an increase of exports to dollar markets. In my Report to the 33rd Session of the Conference, in 1950<sup>1</sup>, I urged that the dollar countries should make large-scale loans to the underdeveloped countries, which should be free to use these loans to purchase materials and capital equipment from Europe as from the dollar countries, their choice depending on the relative prices and quality of goods available; Europe would then have an opportunity once again to obtain needed dollars from the underdeveloped countries for financing its own deficit, and it would thus be possible to re-establish a system of multilateral clearing of trade balances such as existed before the war. This opinion is now widely shared. Provided industrialised European countries could compete successfully with the dollar countries in providing those export goods which are most needed by underdeveloped

<sup>1</sup> International Labour Conference, 33rd Session, Geneva, 1950, Report I: *Report of the Director-General* (Geneva, I.L.O., 1950), pp. 27-28.

countries, the two outstanding economic problems of the world—the dollar shortage and economic development—might thus be attacked by one vast programme.

### ECONOMIC DEVELOPMENT

As has been remarked in discussing prices of raw materials, the boom which followed the outbreak of the conflict in Korea and the subsequent decline in economic activity had notable repercussions on the progress of economic development in less advanced countries. The initial huge increase in receipts of foreign exchange was not unfavourable to most of these countries, in so far as it permitted them to finance existing programmes out of their own resources. In fact, these resources were often larger, especially in Asian countries, than was required for the carrying out of these programmes. Yet these countries have always been aware, not only that the benefits which they secured from the rise in demand provoked by the war in Korea would be temporary, but also that these benefits could not possibly be either fully devoted to an acceleration of economic development or saved for future projects to be carried out when the supply of resources required would be easier.

The boom was, indeed, shorter lived than seems to have been expected in some quarters. Moreover, a large part of the additional foreign exchange income had to be spent for purposes other than economic development. There were speculative private demand for, and Government stockpiling of, imported commodities in the underdeveloped countries. More important, perhaps, in order to avoid the grave inflationary consequences of steeply rising export incomes Governments had to relax import restrictions and to admit large quantities of consumer goods, including so-called non-essentials and even luxuries. Furthermore, the capacity of underdeveloped countries to increase, in the short run, the absorption of imported productive equipment proved to be very limited, not only because no easily expandable programmes had been prepared, but also because of the lack of essential complementary elements, such as technical staff, power and transportation facilities. Finally, industrialised countries could not immediately make much more equipment available for export in view of their increased domestic requirements.

Consequently, the import of capital goods into underdeveloped countries seems to have increased only modestly. According to the Economic Commission for Asia and the Far East, the total value of such imports from the United Kingdom, the United States and Japan into this region was 27 per cent. higher in 1951 than it had been during 1950. As prices had gone up also, the volume of imported capital equipment increased by only some 8 per cent. Capital goods imports from the United Kingdom, traditionally the chief source of supply, barely maintained their low 1950 level. In India capital goods imports were even lower than during 1950 as a result of the overwhelming need for imported foodstuffs.<sup>1</sup>

The serious drop in prices of raw materials has already created difficulties in a number of underdeveloped countries. In some Latin American countries acute liquidity crises arose. In Asia severe import restrictions had to be reintroduced. Moreover, with the fall in export prices, Government financial resources decreased substantially as a result of falling or vanishing revenues from export duties and income taxation. It is not yet possible to determine to what extent these more recent developments have had unfavourable repercussions on the actual process of economic expansion.

Despite the difficulties mentioned above, economic development in countries adhering to the Colombo Plan was not unsatisfactory during the first year of the Plan, which ended in the middle of 1952. Expenditure on development was much above what it had been during the preceding year, and appreciably greater than had been thought possible when the Plan was prepared. It must be borne in mind, however, that progress in these countries is still at a rate which at best is only just sufficient to avoid a further serious decline in living standards. In general, it must be said that there are not yet concrete prospects for any appreciable increase in these standards for the populations of these countries as a whole.

The countries concerned have prepared revised, and usually more comprehensive, versions of their earlier programmes which were put together rapidly after the idea of the Colombo Plan had been launched. The problem of raising food production, an essential element in the Plan from its beginning, is receiving increasing attention. The Indian Five-Year Plan provides for a number of important power and irrigation

<sup>1</sup> *Economic Survey of Asia and the Far East, 1951, op. cit.*, pp. 117 ff.

schemes which will bring new land into cultivation or substantially increase the productivity of land already cultivated. Work on a number of these projects is well under way. In Pakistan the main work on the Thal irrigation scheme has been completed. Good progress is also being made with hydro-electric power projects and a number of new textile and other factories were expected to begin operations in 1952 and 1953. In Ceylon programmes for increased production of rice, fish and electricity are under way. A number of industrial plants are being modernised and a variety of new factories established. In addition, an interesting new rural development scheme has been started with a view to utilising unused and immobile labour in the rural sectors, particularly during periods of seasonal unemployment.

Several countries are taking measures for land reform as a means of raising agricultural production and of satisfying fundamental principles of social justice. In China the nationalisation of land has now been completed in all but the most remote provinces. Approximately 80 per cent. of the rural population is reported to have been affected by this vast scheme. Land reform Bills, calling for the expropriation of large tracts of uncultivated land, were approved in 1952 by the parliaments of Greece and Guatemala. Measures for land reform were also taken by the new Egyptian Government. It was announced that a Bill for land reform would be submitted to the Spanish parliament around the end of 1952. In July the Italian Minister of Agriculture stated that, within the framework of the Italian land reform, plans had been approved for the expropriation of 712,000 hectares, while the expropriation of 245,000 hectares had actually been decreed.

Programmes to raise agricultural production by extending cultivable areas and introducing improved methods were prepared in Australia and in Chile. Notable progress in economic development has been made during the last few years in Turkey. In Greece, on the other hand, expenditure on reconstruction and development had to be substantially scaled down during the financial year 1951-52 in order to maintain monetary stability. In Iraq and Saudi Arabia the progress of economic development was facilitated by the increased payments negotiated with the oil companies. In the course of 1952 the United Kingdom announced that it is pursuing a policy of rapid development

of the British colonies. It is expected that the output of several minerals and of sugar, timber, and vegetable oils can be expanded in the near future without having to raise capital investment much above the present level. In the longer run the expansion of the production of aluminium, iron ore, lead and zinc will require an improvement of the whole basic equipment of the colonies.

#### CONCLUSION

In my last Report I remarked that it would be necessary, in order to reduce the balance of payments difficulties of a number of industrialised countries, to expand exports and to reduce imports on a scale which would inevitably tend to reduce the level of consumption and of living standards. Measures to restore equilibrium in foreign payments were, in fact, widely applied during 1952, not without considerable disturbance to the economies of the countries affected. Countries which in the present structure of the world economy are faced with long-run problems of maintaining equilibrium in the balance of payments are exposed to a continual threat to their economic prosperity. Concern for the welfare of their people will preclude them from engaging freely and on a growing scale in international trade, unless there is a substantial and permanent improvement in the conditions under which this trade takes place, promising a new element of stability in this vital sector of their total output and employment.

Other important factors were also at work to check the almost uninterrupted post-war boom in industrial output, notably the fall in consumer demand and the stretching-out of rearmament programmes. Investment in industries producing war equipment is largely dependent on expected increases in the output of such equipment. While it is difficult to establish to what extent public and private investment were determined, during 1951 and 1952, by such expectations, it does seem that their stimulating effect must now be levelling off as productive capacity approaches the reduced peak levels of war production which must, in the absence of any substantial change in international relations, be expected for the coming few years. Moreover, uncertainty as to the rate at which programmes will be carried out, aggravated by frequent revisions of these programmes, is likely to induce a great deal of caution among private investors.

The fact that during 1952 inflation in general gave way to disinflation does not mean, however, that the world situation was returning to any real normalcy. The direct and indirect impact of rearmament on economic life, continuing basic disequilibrium in foreign payments, and the fundamental vulnerability of economic conditions in underdeveloped countries are all potential sources of sudden disturbances and emergencies, which could lead either to a resumption of inflationary pressures or to a sudden accentuation of current tendencies towards slackening production and rising unemployment.

If no drastic changes in the international political situation and in existing programmes of rearmament occur, the prospect is that fairly soon expenditure on defence will begin to lose its direct influence on general economic growth. In my last Report I emphasised the challenging problem of the readjustments and adaptations of the economic structure of industrialised countries to this change in environment which would be required if large disturbances, in the form of falling production and employment, were to be avoided. This does not mean, at all, that any economy can be said to depend, in order to maintain prosperity, on the initiation or permanent continuation of rearmament programmes. But it is true that, once a country has found it necessary to increase the production of war equipment for the sake of its national security, a sudden ending or slowing down of that production may create difficult problems of economic readjustment. Such problems would arise out of changes in any large programme of public spending. In 1952 the general tendency was to reshape armament programmes in Europe and North America in ways which are likely to reduce the economic impact of their expansion to a minimum. This stretching out of armament spending not only reduces its current impact but will also reduce the impact of its eventual levelling off or contraction. We may therefore hope that the eventual problems of readjustment will be less difficult than might originally have been anticipated.

It will none the less still be vital to ensure that gaps left by contractions in expenditure on armaments are filled by alternative expenditures as soon as they materialise. Each reduction in the need to purchase armaments should be welcomed enthusiastically for the opportunities it will give to make significant contributions to our basic long-term objectives of

rising living standards. The world's needs for expenditure on economic development and for the raising of living standards among the lower-income groups are limitless. We have indeed cause only for thankfulness if its needs for armament expenditure turn out to be limited.

Contrary to what had been feared, real wages and employment, the most important indicators of wage-earners' welfare, have not suffered the reduction that it was, at one time, feared would result from rearmament. The most important reason is that, in spite of the recent tendency for industrial production to decline somewhat, output in the first half of 1952 was still substantially higher than during the first half of 1950. The United Nations world index of mining and manufacturing production (1948 = 100) rose between these periods from 112 to 134.5 ; for the world as a whole, excluding the United States and the U.S.S.R., the rise was from 121 to 144.5, and for Europe as a whole, from 125 to 149.

With respect to the economic development of less advanced regions, progress is still very slow and the prospects for future development are fundamentally uncertain. Receipts of foreign exchange, which are essential to such development, depend mainly on the scale of demand for raw materials in the world industrial centres and on international capital movements and grants, all of which are unstable and unpredictable. The problem of international financial and technical co-operation is being tackled seriously but, although impressive progress has been made, it is anything but solved. Nor is it clear to what extent the volume and prices of raw materials exported by underdeveloped countries can be stabilised in the foreseeable future.<sup>1</sup> Other problems for which no real solution is in sight as yet in a number of underdeveloped countries include the heavily depressive effect of rapid population growth and the need for a politically stable basis for the implementation of economic and social policies.

If reasonably high levels of production and employment can be maintained in the industrialised countries, if no serious balance of payments difficulties occur in the principal capital

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<sup>1</sup> In December 1952 the General Assembly of the United Nations adopted at its Seventh Session a Resolution (No. 623) which recommended a number of measures concerning the financing of economic development through the establishment of adequate, fair and equitable international prices for primary commodities and through the execution of national programmes of integrated economic development.

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exporting countries, in particular the developed countries adhering to the Colombo Plan, if food production can be raised in the underdeveloped countries themselves, and if no deterioration in their internal political situation occurs, it may be hoped that the fall in living standards in underdeveloped countries in Asia can be arrested, and that standards in other underdeveloped regions can be appreciably raised. The situation in Asia remains grave. Moreover, the mere stabilisation of misery is not enough. Only the most positive and wholehearted effort on a world-wide basis can make any significant contribution to solving the problem of the underdeveloped countries. The greatest responsibility lies always, of course, with the people of these countries. But if they are willing to make the efforts, sacrifices and readjustments in their ways of life that must accompany economic development and if, in addition, the people—all the people—of the more advanced countries can come to appreciate that the very existence, and the friendship, of the great mass of the world's population is at stake, if they can make for them even a fraction of the sacrifices they have made for their own protection, we can look to the future with confidence.

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## CHAPTER II

### SOCIAL POLICY

The prominence given each year in this Report to an analysis of the contemporary economic background gives full recognition to the dominant part played by economic factors in social progress. It would be quite wrong, however, to assume that social progress will inevitably result from economic progress. It is just as necessary for economic policies to have social justification as it is for social policies to take economic limitations fully into account. The Governments, employers and workers who are to an increasing extent becoming responsible for the development and implementation of economic policies need to have constantly in mind the social aims and aspirations of the people for whom they are working. This chapter examines some—but only some—of the considerations that need to be taken into account if public policies and their methods of execution are to be directed towards objectives which will make the greatest possible contribution to social progress.

#### WAGES

Despite the fact that the great majority of the world's population still draws its livelihood from subsistence agriculture or other small family undertakings in which the proportion of wage earners is relatively small, the number of people whose ability to satisfy their material needs depends on wages is steadily increasing. Problems of wage determination are, therefore, of world-wide importance though they naturally differ as between the developed areas where substantial progress has been made towards solving them and the less developed areas where they are only now beginning to be tackled.

The individual worker's wage is not simply a product of economic forces beyond human control. It is affected, within the limits of economic possibilities, by laws, customs and agreements which are an expression of social forces and are in process of constant adjustment.

In establishing the share of each worker in the wealth he has helped to produce, bargains struck individually with his employer in many cases still play an important part. The weakness of the worker's bargaining power, save in exceptional circumstances such as where he possesses particular qualifications for which competing demand is great, has, however, always constituted a disadvantage of this system. Individual bargaining has, therefore, mostly given way to collective bargaining or has been supplemented by the authoritative determination of legal minimum wages. In most countries, moreover, the law governing individual contracts of service has been strengthened to provide a minimum of protection for the worker in his relations with his employer ; indeed, in many countries these contracts now enjoy a special legal status distinct from that of other contracts, although much no doubt remains to be done, both nationally and internationally, to provide fully adequate guarantees for the worker as an individual.

Collective bargaining depends for its effectiveness on the ability of the workers to combine. Its development is therefore closely linked both with the right of association and with the type and organisation of industrial activity in each country. Progress has naturally been most difficult in agricultural areas and in economically underdeveloped areas, but in the older industrial countries collective agreements are today probably the most important single determinant of conditions of employment. In these countries trade unions have achieved size, power and standing which enable them to assume, moreover, the heavy responsibility of active participation in many spheres of social and economic action. So far as protection of workers' interests is concerned, Governments in these countries can confine their interventions to the relatively small groups of unorganised or weakly organised workers. On the other hand, the increasing participation of trade unions in the formulation of economic and social policy, and in particular their increasing willingness to discuss wage problems in the framework of broader issues, gives Governments an important opportunity and

responsibility to establish new institutions in which workers, employers and other parties concerned may come together to discuss their common problems, and to provide not only inspiration and leadership but also information and analysis which will ensure that all parties are equally well informed, as a basis for their discussions.

In the underdeveloped countries, however, Government policy remains faced with the need for protection of vast numbers of workers who are unorganised, economically depressed and often in wretched physical conditions. It must therefore lay particular emphasis on the development of machinery for the determination of minimum wages and on a variety of other measures to combat malpractices in wage payment and other forms of exploitation. There is, however, a long way to go yet, especially in Asia, before the problem of extreme poverty among the wage earners can be considered solved. Most Latin American and several Asian countries have devised regulations for the determination and protection of wages, but in many cases these are not yet in force, or have not yet been effectively applied, or fail to cover large categories of workers, especially in agriculture. In some countries, including Indonesia, Pakistan and Thailand, no minimum wage legislation is in existence as yet. This state of affairs reflects the immense economic and administrative difficulties with which several of these countries are faced and which depend for their solution largely on substantial economic development. I shall not go any deeper into this question here (problems of wage policy will be considered by the forthcoming Asian Regional Conference) but I wish to call attention once more to the grave social problems of wage policy which still await solution in these regions and which are of deep concern to this Organisation.

Some of the issues of wage policy in industrialised countries were outlined in my Report to the 34th Session of the Conference (1951) as part of a discussion of problems of wage policy under full employment and their relation to inflation and productivity.<sup>1</sup> With the lessening of inflationary pressures in most industrialised countries these problems have temporarily lost some of their acuteness. Thus, in the United States, the wage controls restored early in 1951 came to be operated on a more

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<sup>1</sup> See International Labour Conference, 34th Session, Geneva, 1951, Report I: *Report of the Director-General*, Chapter II (Geneva, I.L.O., 1951).

and more flexible basis during 1952 and were finally abolished in February 1953. On the other hand, as already stated in Chapter I, the issue of wage restraint is still very much alive in the United Kingdom. In the Netherlands the system of Government wage control introduced immediately after the war remains in force but the question has been raised there whether the decrease in real wages agreed upon in 1951 for the purpose of reducing the country's adverse balance of payments and meeting the needs of its rearmament programme has not been partly responsible for the increase in unemployment reported in the previous chapter. In Sweden, on the other hand, the question has been whether the level of wages is perhaps too high to permit the maintenance of full employment. This was the subject of extensive discussion during protracted wage negotiations started towards the end of 1952. In Greece an Act of 1952 ended the system of Government wage control which had been in force for eight years and replaced it by a tripartite council charged with the formulation of State policies governing wages as well as with the final settlement of collective disputes.<sup>1</sup> Significantly, the preamble to this Act declared it to be aimed at achieving a balance between labour, capital and consumers. The council is also expected to undertake certain tasks in connection with the stabilisation of prices and the fixing of minimum wages. In France, after prolonged debates in Parliament, a law instituting a measure of automatic adjustment of the basic minimum wage to changes in the cost of living was adopted in July 1952. It is apparently the first time that a nation-wide legal system of automatic adjustment of wages to prices has been established since Australia originated such a system some 30 years ago.

In the sphere of collective bargaining the tendency towards a certain automaticity in adjustment of wages is far more widespread, particularly in the case of adjustments to the cost of living but more recently also in the form of adjustments to increases in productivity. In the United States the wages of over 1,000,000 workers were recently reported to be determined by so-called "General Motors" type contracts.<sup>2</sup> These contracts are usually for several years' duration and the parties to them agree that during that term wage changes shall be

<sup>1</sup> Cf. *Industry and Labour*, Vol. VIII, No. 5, 1 Sept. 1952, pp. 221 ff.

<sup>2</sup> Named after the Company which was one of the first to negotiate this type of contract.

based not on any reopening of negotiations but on definite rules embodied in the contract. Contracts of this type usually provide for a cost-of-living adjustment and an improvement factor designed to ensure for workers a share in the benefits of rising productivity. These contracts are found in the automobile, aviation, distilling, machinery, textiles, paper and chemicals industries.

The possibility of nation-wide adjustment of wages in Denmark to changes in national prosperity (a wider concept than productivity) is discussed in a report<sup>1</sup> which an official committee on the adjustment of wages to changes in the cost of living submitted to the Danish Minister of Finance in 1952. The committee worked out a form of "prosperity index" taking account of national income per head at constant prices and of variations in the terms of trade and in crops. The committee did not, however, recommend the use of this index for wage adjustment since its margin of error would be large and its application difficult to explain.

The methods of wage regulation applied in the Eastern European countries with fully nationalised economies are still in the process of development and standardisation, with great importance being given to systems of wage-payment designed to stimulate rises in output per man-hour. The directives in regard to production standards, issued by the Minister of Labour of the German Democratic Republic in May 1952, provide that in all nationalised or comparable undertakings the piecework system of payment shall be adopted for all work to which it is applicable. Most of the production standards in force at that time were considered to be out of date and were to be replaced, taking into account, amongst other things, the working methods of shock-workers and the experience and established practices of workers and experts of the U.S.S.R.

Following the introduction in Yugoslavia, under the National Planning Act of December 1951, of measures of decentralisation and greater flexibility in planning, the Government issued an ordinance under which elected works councils are entrusted with the establishment, subject to the observance of legal minima, of rates of wages which are payable out of that portion of the undertaking's resources which the higher planning authorities rule is to be devoted to that purpose.

<sup>1</sup> *Udvalget vedrørende lønregulering efter Prisjallet: redegørelse afgivet til Finansministeren, Copenhagen, 1952.*

## SOCIAL SECURITY

In addition to their earnings an increasing number of workers today receive measurable benefits of another kind, namely those derived from social security.

It is probable that in no other sphere of social policy has progress throughout the world been so rapid as in that of social security. In the last quarter of a century it has spread from Europe to the countries of the Commonwealth, Japan and the American republics. Since 1945 the idea has been penetrating North Africa and the mainland of Asia and it has already given birth to important schemes in Egypt and India. The International Labour Organisation has been closely associated with this expansion, its work in this field developing steadily with the spirit of the times and with methodological advance.

The Convention concerning minimum standards of social security, adopted by the International Labour Conference in 1952, marks an epoch in this historic movement. For it consolidates and codifies, as the basis for further progress, the essence of the many instruments on social security that the Conference has adopted since its origin; and it does this making allowance for the needs and abilities not only of the highly industrialised countries but also and particularly of those whose economies are not highly industrialised. The Convention calls for the attainment by all ratifying Members, in a measurable future, of the same minimum standard, which consequently is set at a very modest level, while compliance with the full standards laid down in the Convention may be effected gradually, part by part.

No single figure could correctly measure the cost of the programme laid down in the Convention because of the variations, from one country to another, of the circumstances in which the programme must operate; but, as a typical figure, one might assume that the social benefits envisaged would amount to some 20 per cent. of wages. This may be compared with the figure of about 30 per cent. which has been reached in several European countries today, for a system of benefits similar in range but more generous in quantity than those which the Convention requires.

Though the need for social security is undisputed, even in the richest countries, it may nevertheless be asked, and is indeed being asked: what fraction of its income can a country

in a given economic situation afford to spend on social security, and what is the minimum it must spend, having regard to the extent of voluntary thrift and of voluntary contributions for charitable purposes, for the prevention and relief of indigence? In connection with the framing of the new Convention this question was considered. As a first step in a continuing investigation of this problem, the Office, with the generous co-operation of States Members, has compiled and published statistics of the sums spent in a large number of countries on social security in its widest sense.<sup>1</sup>

Evidently, a balance has to be struck in each case between the sum that can be transformed from earnings into benefits without substantially affecting the will to produce, and the sum needed to maintain such standard of living for people who are genuinely dependent as appears reasonable against the national background and acceptable to the public conscience. What fraction of the national income satisfies this balance surely differs from country to country, from time to time, and according to the methods of financing the social security scheme, and to the value which earners, as prospective beneficiaries, attach to this or that benefit.

Again, the desirable level of expenditure will be affected by the magnitude of other demands on the taxpayer. It is obvious, for example, that recent increases in expenditure for national defence tend to check the expansion of social services generally but there is no sign that they will reduce the level of the protection already provided. Nevertheless, this situation causes keener attention to be given to the need to avoid waste in social security expenditure, and the rising cost of certain social security benefits is in fact causing some concern. Notable examples are medical benefits of every sort, which are improved and become more elaborate with the progress of medicine. Another example is the old-age pension, the cost of which grows relentlessly in countries whose population is ageing. Again, it may happen that the cost of sickness benefit increases although, on other evidence, it seems that the health of the population is not deteriorating.

The reaction to these tendencies has sometimes consisted simply in stiffening the conditions on which benefits are granted. In some cases general measures of this kind may be justified.

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<sup>1</sup> See *International Labour Review*, Vol. LXV, No. 6, June 1952, pp. 726-791: "The Cost of Social Security".

But they should not be resorted to before the causes of the tendency have been thoroughly investigated with a view to making, if possible, such adjustments of law and practice as will curb the tendency without harming claimants and beneficiaries who are not to blame. Prevention of the contingency giving rise to benefit is the golden policy, but there are limits to what social security institutions alone can do in this direction. In default of prevention the duration of various contingencies may be reduced. The net cost of sickness may perhaps be lessened by a more precise diagnosis and a more skilled treatment, even if these improvements are expensive. Compensation for the higher cost of new drugs and more elaborate hospital care is to be expected in shortened sickness benefit. Frictional unemployment may be reduced by a more efficient employment service. The rise in the number of old-age pensions may be checked by furnishing opportunities for employment to prospective pensioners and offering a higher benefit to those who delay retirement. Social security authorities have, of course, always been aware of such approaches, which are both rational and humane, to their economic difficulties, but ample opportunities remain for reducing waste, especially perhaps in the domain of administration.

In addition to measurable factors such as wages, hours and social security benefits, there are a vast number of others which, if not measurable, yet play a not inconsiderable role in determining the workers' well-being. For example, in most countries today workers enjoy some amenities provided by the communities in which they live, such as housing under public housing schemes, transport or recreation facilities. It is not possible to compute the exact value of these to the worker, although their introduction or development may alter his way or standard of life considerably.

#### EMPLOYMENT

Among the most important of the elements in the worker's situation is his sense of security : security in his job or, more widely, in employment ; or, more widely still, his security against want. While from the purely economic point of view employment is a statistical concept of the degree of utilisation of manpower resources and industrial equipment, for the I.L.O. it is also a question of freeing human beings from an

oppressive and degrading fear, of guiding their energies towards constructive ends so that they may provide adequately for themselves and their families. The fact that workers have some security of income, be it income from employment or from unemployment benefit, not only removes their most basic fear but may also help to limit the extension of unemployment, and help to resolve it, since the workers' continued purchases serve to prevent or to moderate any steep drop in demand which might lead to contraction in sales, production and employment. This is but one instance, and there are many in this field, of a primarily social measure having marked favourable repercussions on the economic situation.

A secure job is often valued more highly by many workers than a well-paid one. By security we must understand in this connection more than the mere existence of favourable economic outlook for the branch of economic activity in which the worker is employed. Security is also a question of guarantees of an administrative nature relating to security of job tenure or to procedures for discharge, such as legal or customary provisions regarding notice, or of guarantees of an economic nature, such as a guarantee of continued employment at a given wage rate. There have been in recent years attempts to guarantee or promote security in employment by legislative means. In Italy, and more recently in Yugoslavia, for example, the dismissal of workers on grounds of redundancy without previous authorisation has been prohibited. In the Federal Republic of Germany "socially unjustifiable" dismissals were made illegal in 1951. In certain Latin American States workers have been guaranteed a fixed number of hours of employment at specified rates of pay. In other cases the guarantee has related simply to the continued payment of wages, as for example in certain undertakings in the United States. In discussing this question of employment guarantees it is necessary to enter an important caution. Such guarantees can be useful in meeting temporary difficulties, but if applied for lengthy periods they may have serious disadvantages in blocking the increases in productivity that can be secured by workers moving from declining to expanding industries.

This question of employment security is always present even in the most favourable of situations. Thus the general employment position has been relatively stable during the past year and the situation in the industrialised areas is relatively

healthy, yet there remain even in these areas certain dark patches, while in the underdeveloped areas, which include the greater part of the world's population, the situation is still extremely serious, with widespread unemployment, generalised underemployment and continuing refugee problems.

The level of employment in industrialised countries depends primarily on the level of demand for goods and services. In recent years the position has obviously been dominated by high levels of expenditure on rearmament. Nevertheless, some of the credit for recent high levels of employment must go to measures which have given the employment market some degree of resilience : reduction of hours, the maintenance of the worker's purchasing power, the decision of some employers not to dismiss workers at the first sign of setback ; and to measures which have tended to promote mobility of labour such as the operation of manpower services and the advance preparation of employment development plans.

These measures are of considerable importance for, even in the areas of present high employment, present stability rests on a precarious equilibrium of various forces. Preparedness against change in this employment situation is necessary. Measures such as the constitution in Switzerland by the State, or by the employers with State encouragement, of reserve funds to be used for productive enterprises giving employment in the event of a slump, can be considered as examples of wise foresight. Similarly, plans to use unemployment insurance funds accumulated in times of prosperity to offset the financing of public works at the outset of unemployment deserve the whole-hearted support of workers, employers and Governments alike.

The share which the I.L.O., in co-operation with Governments, workers and employers, can take in the fight against unemployment is by no means negligible. Many of the underdeveloped countries have, under the Technical Assistance and Manpower Programmes, requested its help in the assessment of manpower resources and requirements, in the organisation of training to fit people for existing and new jobs, in the development of employment services and in the provision of vocational guidance and education such as will turn the thoughts and aspirations of the people of those countries to the practical possibilities that exist for productive employment.

Manpower services are not just of temporary value but are of permanent importance for all countries in adjusting labour

supply and demand in dynamic economies. To develop them fully takes time but the benefits are cumulative, so that there is every incentive to get the task under way. Many other labour problems may well be resolved when generation after generation of young people have chosen the type of career they wish to pursue, with the help of vocational guidance services equally well-informed of the state of the employment market and economic development plans and of the needs and aspirations of the young people themselves. A steadily increasing proportion of the people will have been adequately prepared for their careers in vocational or technical schools under really competent instructors or through properly supervised and systematic training on the job and will have been notified of and satisfactorily placed in, jobs which are not only satisfying to them and suitable for them but are really useful to the community.

While all the manpower services are intimately related and mutually dependent, vocational training calls for special mention. The development of natural resources creates wealth, but one of the most effective ways in which this wealth can be distributed to the community is in the form of wages for work well done. Vocational training, backed up by general education, can give the people access to new earning opportunities and increase their earning power. It can contribute to increased productivity, to the cutting of production costs and to the satisfaction of the workers who are enabled by such training to advance on the basis of ability and determination to higher posts. Nor are its benefits confined to workers in industry. Training in a trade or craft could raise the earning power of many workers, particularly women who are at present engaged in a variety of totally unskilled and often heavy occupations and earn too little to make any effective contribution towards raising their families' standard of living. Rural households, too, can profit not only from the improvement of agricultural methods consequent upon training but from the manufacture and sale, or the domestic use, of handicraft products. Training is in many cases required for the introduction, maintenance, improvement or adaptation to modern requirements, of handicrafts. Many co-operative institutions are doing outstanding work in this connection.

The many problems relating to manpower services are still far from being completely solved, even in the technically advanced countries. The task in those countries is, however,

relatively easy compared with that facing the Asian countries, which need efficient manpower services to help them to develop their economic resources and employment possibilities but which have to develop these services in the face of under-employment, unemployment, lack of schools, lack of training facilities and a dearth of experienced officials and technicians.

However, while the value of these services needs to be stressed, the temptation to over-simplify must be resisted. There are, for example, plenty of other factors which promote or hinder the mobility of labour, such as the existence or non-existence of housing for transferred workers, the provision of social security and the existence of reciprocal agreements regarding social security entitlement in different areas.

#### INDUSTRIAL RELATIONS

The importance of good organisation and relations within undertakings has long been recognised, but it is interesting to note its emergence in recent years as a special branch of policy and planning, particularly in large industry. Personnel management, including responsibility for all aspects of administration in which the human factor is paramount—such as recruitment, selection, promotion, insurance and pensions—and very often also for many aspects of workers' welfare, from helping to solve personal problems to running a canteen, has become a special science and a profession with a status. This development would, however, be of little value if it had not been paralleled by the development of consultation and co-operation between the workers and management both within undertakings and on a wider scale.

In many industrial countries where unions have grown strong, national industrial councils, on which workers as well as employers are represented, are charged with the continuing task not only of determining conditions of work but also of making recommendations on such matters as recruitment, training and other policy in the industry or industries concerned. At the level of the undertaking a similar form of bipartite collaboration is being evolved with the appointment of works councils, safety or hygiene committees, or shop stewards. Such representation is of importance not only for bringing about

improvements in working conditions but also for raising productivity—a point to which I will return in my next chapter.

There have been many instances in the past few years of arrangements for such consultation and co-operation being introduced by legislation or given official sanction. In Yugoslavia<sup>1</sup> an Act of 1950 introduced works councils and management councils for undertakings and industrial groups, vesting in them the right to manage the undertakings on behalf of the community and within the framework of existing legislation. In India<sup>2</sup> 1952 saw the establishment of a Joint Consultative Board of Industry and Labour which not only is charged with the promotion of agreements between industry and labour but may also be asked to examine general questions, such as the productive efficiency of an industrial unit, the association of workers with management, the training of retrenched workers in new occupations—in short, the whole field of industrial relations.

In the Federal Republic of Germany<sup>3</sup> recent laws have given considerable powers connected with the administration of undertakings employing more than a specified number of workers to labour-management councils on which the workers occupy in general one-third, or in the iron and coal-mining industries up to one-half, of the seats. These works councils, which are no new feature in German life, having been originally introduced in the early '20's, were at the same time called upon to co-operate with management not only in matters relating to labour welfare and conditions of work but also in economic and personnel matters of direct concern to the employees.

Certain of the countries with some years of experience with works councils or committees, including France, Belgium, Sweden and Denmark, have recently conducted enquiries into their working and the results which have so far been achieved. While it is too early to draw final conclusions, some optimism as regards the future would appear to be justified provided both parties in these works councils refrain from using these bodies for the pursuance of political or ideological objectives and endeavour to use them solely in the interest of the prosperity of the undertaking concerned and of the well-being of those employed. Despite the failure of some committees to make full

<sup>1</sup> Cf. *Industry and Labour*, Vol. IV, No. 8, 15 Oct. 1950, pp. 328-333.

<sup>2</sup> *Ibid.*, Vol. VIII, No. 6, 15 Sept. 1952, pp. 289-290.

<sup>3</sup> *Ibid.*, Vol. IX, No. 3, 1 Feb. 1953, pp. 91-98.

use of their powers, technical problems are being solved in some instances with an efficiency which augurs well and which is already contributing to the establishment of a spirit of co-operation. This view seems to be borne out both by French enquiries and by recent investigations in Belgium.<sup>1</sup>

These developments and enquiries supply proof of the continued and growing importance attached to a type of machinery for co-operation and consultation which was outlined in a Recommendation adopted by last year's session of the Conference.<sup>2</sup> That text completed a series of instruments with which the Conference had been concerned ever since the end of the war. It would appear logical to devote some attention hereafter to the connected subject of the human or individual aspects of relations within the undertaking.

#### SOCIAL ASPECTS OF ECONOMIC DEVELOPMENT

Vast areas of the world are as yet insufficiently developed to afford their inhabitants an acceptable standard of living. Although the progress made to date in solving this problem has been meagre in relation to the need, we have good reason to feel hopeful as regards the future when we consider both the determination of the peoples directly concerned and the fact that they are not facing the problem alone. The interest of other nations and of international agencies in their well-being is real.

As reported in Chapter I, planned development in these areas over the last year has been somewhat disappointing. It has been hampered by various factors, including notably in many cases a fall in raw material prices, the general uncertainty of demand for the products which constitute the bulk of their exchangeable wealth, bad harvests, necessitating in some cases the purchase of food in place of industrial equipment, and the inflationary effect of preparatory expenditure on development.

<sup>1</sup> Cf. "L'Activité des Comités d'Entreprises en France depuis 1950", in *Revue française du Travail*, Oct.-Dec. 1951, p. 523; and FÉDÉRATION DES INDUSTRIES BELGES: *Réalisations Sociales dans l'Industrie Belge*, Brussels, 1950, p. 50.

<sup>2</sup> Cf. I.L.O.: *Official Bulletin*, Vol. XXXV, No. 2, 15 Aug. 1952, p. 72: Recommendation (No. 94) concerning consultation and co-operation between employers and workers at the level of the undertaking.

The fluctuations in raw material prices are a matter of international concern and, although the responsibility for action to deal with this problem does not lie with the I.L.O., the Conference cannot ignore the social consequences of these fluctuations. It will be recalled that in 1944 the Conference adopted a resolution<sup>1</sup> calling for international commodity controls under the auspices of the United Nations, to ensure the availability of adequate supplies of commodities at prices giving a reasonable return to the producer and affording protection against major short-term fluctuations. In the spirit of one of the original tasks of the I.L.O., namely that of preventing competition from depressing the conditions of workers, the resolution called attention to the need in internationally sponsored contracts, as in national public contracts, for some clause relating to the maintenance of good labour standards. This principle was later endorsed in the Havana Charter, which recognised that "all countries have a common interest in the achievement and maintenance of fair labour standards" that "unfair labour conditions, particularly in production for export, create difficulties in international trade", that Members of the I.T.O. should therefore take action to eliminate unfair labour conditions and that "Members which are also Members of the I.L.O. shall co-operate with that organization in giving effect to this undertaking".<sup>2</sup> Although the proposed International Trade Organization has not come into being, there is wide recognition of the importance of these principles.

The averred purpose of every economic development plan is to raise standards of living; but the promise of ultimate prosperity for all at some indefinite future date is not enough to carry whole peoples through the change and upheaval of economic development; it is essential that every step in this development be accompanied by a perceptible improvement in the workers' condition. Countries engaged in the vast enterprise of economic development must face squarely the problem of how this is to be achieved in practice, or all their plans may come to naught.

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<sup>1</sup> See I.L.O., *Official Bulletin*, Vol. XXVI, No. 1, pp. 92-99 : Resolution concerning Economic Policies for the Attainment of Social Objectives.

<sup>2</sup> United Nations Conference on Trade and Employment (Havana, 21 November 1947-24 March 1948): *Final Act and Related Documents*, Havana Charter for an International Trade Organization, Article 7 (Lake Success, New York, I.C.I.T.O., Apr. 1948).

The basic difficulty is that economic development requires capital. If this capital has to be provided out of the current national incomes of the underdeveloped countries, workers' living standards may fail to rise or may even fall during the early stages of development. Admittedly this capital formation will bear fruit later in the form of an increased volume of consumer goods ; but if the lean years are too lean or too long, economic development loses its social justification.

The people are therefore fully entitled to ask how long this initial stage is to last, whether for a few years only or for decades, and to press for everything possible to be done to raise their living standards even during the initial period. What, in fact, can be done ? That is a practical, a difficult and a complicated question which should be discussed by this Conference.

I have been striving to clarify my own thinking on this subject and, to stimulate discussion, I will lay before you certain of my ideas. Large-scale capital investment is not the only route to economic development. It can also be promoted through the introduction of new methods of production requiring little capital outlay. I believe that this possibility deserves more attention than it has received so far. If in each and every section of the economy—agriculture, handicrafts and cottage industries, trade, existing modern industries, business and services—all possible means of increasing output with little or no capital investment were fully exploited, a substantial increase in total national income and output could be achieved with a minimum of capital expenditure. Part of this increased income could then be used for immediate and direct improvement of workers' living standards and part could be used to swell other funds available for investment.

I am not suggesting that the search for and the application of such methods are easy. On the contrary they call for a sustained effort of imagination and ingenuity and for the use of all the creative energies available throughout the whole community. Government action alone cannot suffice, nor, needless to say, would an uncritical transplantation of the productive methods of technically advanced countries, for that would probably result only in the squandering of already meagre capital resources. What is required are true innovations and not merely the spread of technical knowledge already existent. The most important single function of the United Nations Expanded Programme of Technical Assistance, as I see

it, is precisely to assist countries in developing these new methods to meet their special problems.

A second idea which I would submit to you in connection with economic development concerns the utilisation of surplus labour. In a number of underdeveloped countries, particularly in Asia and the Middle East, there is widespread underemployment and a vast amount of surplus labour, with every likelihood of increase as population grows. It is obvious that if this surplus labour could be given productive work to do the result would be a marked increase in national output and income, carrying the possibility of a rise in living standards not only for the workers directly concerned but also for the population as a whole. The stumbling block is that capital is needed to equip this surplus labour, be it with ploughshares or power, tools or factories. As a general proposition it is now accepted that, by providing work for as many as possible of these surplus workers, the capital required for equipment could be created simultaneously with an improvement in current living standards.

To take one practical example, the rural community projects now in operation in several underdeveloped countries provide work for people formerly unemployed or underemployed and the goods produced and income earned under these projects constitute an addition to national output and income, that is to say an increase in national wealth, which can be used for extra consumption or investment. The addition is, moreover, a net one, since it does not take any substantial amount of capital to start these projects but rather thought, initiative, energy, and the labour of the erstwhile surplus workers.

That is simply one example of a step in the direction suggested, but my contention is that this whole approach to economic development deserves the most careful exploration, for in many of these countries labour is the one productive factor available in abundance. The possibility of making this very abundance the basis of development, of turning this apparent liability into an asset—that is indeed a real challenge and a beacon of hope for the countries where population increase is threatening to wipe out every small gain in living standards.

The work done in the field of community projects is only a beginning and needs to be expanded. Surplus labour could also be effectively employed on many large-scale construction projects such as the building of roads and railways, dams and factories which, when completed, will serve to increase output

and income and so facilitate the accumulation of capital for further development. If the employment of surplus labour on such projects is really to serve this purpose of capital formation, the projects must, of course, be efficiently organised so as to be completed quickly. This will serve also to minimise the inflationary effect of large-scale wage payments for work which does not directly produce consumer goods. There is a significant difference between employing some surplus workers in order to open up many more employment opportunities which will raise the general standard of living, and using construction projects as relief works for the employment of large numbers of people.

Many factors hamper the utilisation of surplus labour for capital formation. For instance, the skilled labour or the tools and implements necessary for certain projects may not be available, or some essential raw material may be in short supply. But the very essence of economic policy is the location of such bottlenecks; once located, they can generally be abolished. If there are not enough skilled workers, cannot this difficulty be overcome by training some of the surplus workers? If implements and raw materials are lacking, cannot some of the surplus workers be employed in their production?

There is, I would suggest, a good case for envisaging the deliberate deployment of surplus labour along different lines and stages of production so as to produce both capital and consumer goods.

To put forward these suggestions is not in any way to belittle the contribution of technical assistance, capital imports and international trade to economic development. The importance of these factors is fully recognised. What I am anxious to emphasise is the fact that the countries which have a large population of unemployed or underemployed workers do possess in them, in the capacity for work of their own people, a means of creating capital which need not entail even a temporary reduction of living standards; and that the employment of surplus workers in the production of consumer goods, which will become increasingly possible as capital is created can, at the same time, bring about a rise in living standards even in the early stages of economic development.

To sum up: there is every reason to hope that economic development can be accelerated and that living standards can be raised from the outset by: (1) the adoption in each and

every section of the economy of such new and improved methods as require relatively little capital outlay ; and (2) the maximum and most effective employment of surplus labour.

A point I would like to stress is that neither of these two policies can be implemented by Government action alone. To take the first : in countries where family-sized undertakings predominate, not only in agriculture but in other sectors also, improvement can only come through the workers themselves taking a practical interest in improving their own lot and through their passing on from one to another the benefit of new methods and ideas. In the case of the second, the larger the number of people initiating and organising projects involving the employment of surplus labour, the firmer and speedier will be the progress of capital formation and development. Governments can show the way, can initiate and facilitate, but the initiative must spread also to people generally. The rural community projects are a case in point. Their success clearly depends directly on the enthusiasm of the peasants themselves. This enthusiasm can be cultivated, can be encouraged, but it cannot be replaced by any official measures. I submit, therefore, that a first essential for the raising of standards of living through economic development is the full and active participation of the whole people. This is a basic requirement. How can we make it a living reality ?

It is not possible in discussing economic development to pass over the problem of population increase. On the one hand, the prospect of population increase calls for still greater increases in national output and income in order to achieve a rise in living standards ; and on the other, the rate of population increase has already risen and is likely to rise further as a direct result of the eradication of disease and of rising living standards, both of which are features of economic and social progress. The elimination of disease and of poverty is an enormously important objective ; moreover, the reduction in the wastage of young lives can itself make a significant contribution towards increased wealth and living standards ; but it would be folly to ignore the problems which population pressure is creating in the social and economic field.

I mentioned in Chapter I the extent of this problem in India, where an increase in employment opportunities at least three times larger than that proposed under the five-year economic development plan would be needed to cater for the rising

population. India's annual natural increase has been estimated at 10 per thousand of population. The estimated yearly natural increase for the whole of the Asian continent was, around 1947, some 12 to 18 million (compared with estimates for Europe, 5.3 million ; the United States and Canada, 2.3 ; Latin America, 3.5 ; and Africa, over 2.5). High fertility and high mortality rates still characterise most of the economically underdeveloped countries of the Asian and African continents but, in many of these countries, recent determined drives to stamp out prevalent diseases and improve public health have resulted in spectacular decreases in the death rate. Since birth rates still remain at or near the levels which were necessary in the past to keep up the population, there has been a corresponding startling acceleration of natural increase.

In Ceylon, for example, the birth rate, which in the years 1932-34 averaged 37.9 per thousand, rose to 38.8 in 1950-51, while the death rate fell from 21.5 to 12.1, with a resultant acceleration of the rate of natural increase from 16.4 to 26.7 per thousand. In Malaya during the same period the rate of increase rose from 15.3 to 27.2. If these rates are maintained, let alone if they increase still further, as is likely, Ceylon's population will double every 26 years and that of Malaya still more rapidly.

This phenomenon is by no means confined to Asian countries. It is paralleled in Latin America. Costa Rica, for example, in the same period, by reducing its death rate from 21 to 12, experienced a rise in the rate of natural increase from 23.4 to 35 per thousand.

## CONCLUSION

The implementation of the various aspects of labour policy which I have touched upon here undoubtedly requires not only the good will and determination of all parties concerned but also the expenditure of funds. In many countries efforts to combat inflation have led to a striving for economy in public spending. In periods of economy social policies and plans, even those excellently conceived at the start, inevitably suffer through frequent modifications, compromises and conflicts regarding priority. Discouragement frequently results. I would suggest, however, that such discouragement is not altogether

warranted. These periods of economy need not necessarily mean regression. Social progress can be maintained even during such periods, on condition that they are used to evaluate carefully and critically the schemes already under way and the services already being provided and that an effort is made, within the limits of available resources, to make these schemes and services as efficient and well co-ordinated as possible. In particular, the enormous and rapid post-war expansion of social activities, often in countries which did not have well-developed civil services, has, in many cases, entailed recourse to improvised methods of administration. It is necessary now to review carefully current administrative machinery in order to ensure that the maximum of available resources goes to the beneficiaries for whom they are intended and the minimum to administration, and that the time and effort currently required from employers and recipients in connection with social benefits is reduced to a minimum. The Office proposes to make this problem of more efficient administration one of its main concerns over the next few years.

The current need to determine priorities in public expenditure can be made an occasion to study and establish clearly the relation of various aspects of labour policy one to the other, and this too can be a real contribution to future development. Whatever priorities are established, it is a fundamental maxim that no one branch of labour policy should be allowed to lag far behind the others, for the problems of labour form a closely interwoven network. For example, where a policy of industrialisation is being pursued in the economically less-developed countries it would be fatal to neglect the problems associated with conditions of work, with labour administration or with inspection.

Many of the projects which are at present being undertaken under the auspices of international organisations other than the I.L.O. for the rehabilitation and development of certain areas call for integrated labour programmes. However, a labour programme is not something which can be established overnight. To foster that illusion would be to do a real disservice. Policies and services must be built up on a sound basis. Speed is not the main criterion by which to judge success in connection with problems in the labour field. The complexity of its interrelated problems rules that out. The establishment of manpower services, the study of the methods and of the effects of raising

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productivity, the transfer of workers from agriculture to industry—to mention but a few current problems—all require time. We who are concerned with labour problems have a duty to see that they are kept well in the foreground of economic and social planning, but we have also a duty, and I cannot stress this too strongly, to see that their solutions are based on careful study and investigation and are developed on sound and fruitful lines.

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## CHAPTER III

### PRODUCTIVITY AND WELFARE

The foregoing survey of economic and social problems facing the world today emphasises yet again the long obvious fact that the overwhelming need of the world is for a larger output of goods and services to satisfy its manifold urgent needs—to confirm the defeat of inflation and prevent its recrudescence, to raise living standards now and to provide the capital equipment essential to keep them rising in the future. It is becoming more and more widely realised that an essential contribution to this end is that whatever resources we have available for production should be used more effectively than they are at present.

This, quite simply, is the problem of raising productivity, to which I invite the Conference to direct special attention in its debates this year.

In doing so, I do not at all wish to suggest that the possibility of increasing productivity is in any sense a new discovery. The great increase in output per head that has taken place during the last two hundred years is in large measure due to the continual increase of productivity. What I do want to emphasise is that there is still ample room for further increases. This can be readily seen if we think of the well-known enormous differences in national income per head in various countries, which can be explained only in part by differences in availability of natural resources or in sizes of domestic markets. I would also emphasise that no one particular improvement in methods of production is likely to have a dramatic impact on living standards—it is rather a matter of an enormous number of small improvements, initiated more or less independently in many small sectors of all economies, all adding up to a gradual but perceptible increase of productivity which accumulates in even a few years to reach an impressive total. If these small and spontaneous improvements are to

continue and to become even more extensive, it is of overwhelming importance that what we might call the atmosphere of the economy should be conducive to the discovery and application of improved methods of production.

In putting forward this discussion of productivity, I am fully conscious of the fears and reservations which sometimes arise in the minds of both employers and workers when this over-worked word is mentioned. In my position as executive head of the I.L.O., which serves the interests of all parties involved in production, I am continually aware of workers' objections that they will have to work harder, that their work will be less interesting, that the profits will go to the boss, and that they will work themselves out of a job ; and of employers' objections that Governments, experts and workers will want to interfere in the running of their businesses, that they will have to scrap expensive equipment and that they will not be able to get enough profits to make their investment and risk-taking worthwhile.

Increased productivity could mean all these things—and if it did, it would certainly be a bad objective. But this Organisation and all the national organisations which are represented here exist precisely to ensure that these things shall not happen. It is for us to ensure that we shall enjoy the great advantages of substantial and continuing increases in productivity, and that they shall be accompanied by fair shares for all, by an over-all level of employment that rises steadily with the numbers of those seeking work, by more interesting and satisfying work, and by an increasing degree of co-operation between Governments, employers and workers in facing their common problems. This question of how to ensure that increased productivity shall bring increased welfare is the main concern of this chapter.

In considering this and other issues of productivity we need to keep in mind the different conditions which exist in different types of economic activity and in countries at different stages of economic development. The problems of agricultural production, for example, differ in many ways from those of manufacturing industries. There are, however, many considerations which are of general application. The conclusions of the I.L.O. meeting of experts on practical methods of increasing productivity in manufacturing industries, held in Geneva in December 1952, to which the Governing Body has drawn the attention of the Conference—they have been distributed as

a supplement to this Report—and to which I make frequent reference in this chapter, thus contain much that is of general interest. While it may be convenient at this stage in discussing the practical problems facing individual undertakings to focus attention mainly on manufacturing industries, I am sure the Conference will bear in mind the special characteristics of other branches of economic activity and will want to consider them in greater detail on a future occasion.

We may begin by examining exactly what is meant by productivity and why it is important to increase it.

### WHAT IS PRODUCTIVITY ?

In its broadest and most fundamental sense, the problem of increasing productivity may be described as the problem of making a more efficient use of all resources of production—of using them to produce as many goods and services as possible, of the kinds most wanted by purchasers, at the lowest possible real cost. Productivity is formally defined as the ratio between the output of wealth produced and the input of resources used up in the process of production. The concept of output will include all goods and services which satisfy wants—not only industrial and agricultural production but the services of doctors, teachers, persons engaged in shops, offices, transport undertakings, and so on. Input, when “productivity” is used in this broad and fundamental sense, will mean all the efforts and sacrifices involved in this production—the work of managers, supervisors, craftsmen and labourers ; the waiting on the part of those who do not consume all their incomes currently and so make possible the diversion of resources to public and private investment ; and the depletion of exhaustible and irreplaceable natural resources like oil and minerals.

When productivity is described in this way, it becomes clear that there is involved, above all, a question of *organisation*—it is a matter of combining in the most efficient ways available amounts of the various types of labour, capital, and natural resources, so as to produce the most useful collection of finished goods and services. It involves an infinity of decisions to be taken at the national level, at the industry level and at the level of the individual business. It is concerned with using existing resources more effectively. I have seen the problem aptly

described in terms of a traffic metaphor—two large cities, one with a well organised system of traffic, one with a badly organised system. In one, the traffic flows smoothly and rapidly ; in the other, there are continual jams and delays, traffic takes far longer to get through and everyone is frustrated and bad tempered. The first town is able to pass a much larger volume of traffic through its streets than the other. The difference lies, it must be emphasised, not in the skill and efforts of the drivers, nor in the quality of the vehicles, nor in the quickness of the pedestrians, but in the organisation of the traffic, in the arrangement of the flow of traffic, of one-way streets and parking lots, in the placing and timing of automatic traffic lights, in the skill, patience and speed of reaction of the traffic police.

In particular, let us emphasise right from the start that increasing productivity is *not* primarily a matter of making workers work harder. It is a matter of using more effectively the efforts that workers are already making. Productivity is a ratio

$$\frac{\textit{output of all kinds}}{\textit{input of all kinds}}$$

that is, the amount of output per unit of input. The problem of raising productivity is the problem of raising output per unit of input. If workers or employers choose to work harder because they get higher incomes as a result, or because in that way they get greater job satisfaction, then there may result an increase in welfare. That is something desirable in itself, provided that the extra efforts are willingly made by the people concerned, but it is not necessarily an increase in productivity in the sense used here, since input has gone up as well as output. This problem of the intensity with which people work during working periods is indeed of great importance. It is also of great complexity. It has seemed best not to attempt to discuss it here but to seek rather to concentrate on the organisational aspect of making the most effective use of resources. To repeat, an increase in productivity implies an improved use of the existing efforts and sacrifices which are made in order to produce a greater output.

We must also face squarely the fact that it is unfortunately extremely easy to confuse schemes which lead to an increase in a worker's output by forcing on him an increased pace of

work, and schemes which lead to an increase in his output by locating his materials more conveniently and economising his movements. If both types of scheme lead to an increase in his daily output by, say, 30 per cent., both tend inevitably to look like "speed-up" schemes and to be equally repugnant. But if the one has been imposed on him by an unpopular management, gives him no or little extra pay, leads to the dismissal of a number of his fellows, and leaves him exhausted and irritable at the end of the day, and if the other has been worked out by the management in consultation with himself or with his union representatives, gives him a satisfactory increase in pay and effective safeguards against unemployment, and leaves him with no more than normal fatigue and with a sense of a good day's work done well—then the one is bad and the other is good. And it is with this second type of improvement that we are concerned when we are discussing increases in productivity. It does increase output in relation to input and it does bring an increase in production which means also an increase in welfare.

Part of the widespread misunderstanding and scepticism about productivity lies in the problem of measurement. The measurement of output is difficult enough, although it is possible to make an approximation to a satisfactory measure. But it is quite impossible, in the present state of knowledge, to measure input of all kinds, as there is no way of adding units of labour, units of waiting and units of natural resources used up.

For this reason the usual procedure is to relate output to input of a particular factor of production—labour, land or capital. This yields a concept which is, if rather arbitrary assumptions are made, statistically measurable. It is described as the productivity of the particular factor of production used in the measurement. Thus the productivity of labour in the economy as a whole is measured by dividing total output by the input of labour; the productivity of labour in a particular industry or undertaking is measured by dividing the output of that industry or undertaking by the labour input in the industry or plant.

In this concept, input is usually measured in terms of man-hours of labour. This involves certain inaccuracies. In the first place it lumps together all types of labour, without distinction as to skill, experience and responsibility. Secondly, it ignores varying intensities of effort that might be made in

an hour of labour. It therefore tends to aggravate the confusion between, on the one hand, higher productivity in the sense of an increase in the efficiency with which a given labour-effort is used in combination with other resources and, on the other, increased production resulting from increased efforts by workers.

Finally, and most important, the concept of labour productivity does not indicate the specific contribution made by labour as a factor of production. It is "a measure of general efficiency in the use of labour; it is not a measure of the effort made by workers".<sup>1</sup> Thus, by an increase in capital equipment or a depletion of natural resources, it is always possible to increase the productivity of labour—but the use of these complementary resources may have been so extravagant that the efficiency of production in a wider sense, of the ratio between output and input of all kinds, may have decreased. The greatest danger in this direction is in underdeveloped countries. In an effort to reach levels of labour productivity comparable with those in developed countries, they may, for example, be tempted to cut down food imports and replace them by imports of capital equipment.

Up to a certain point, provided the capital equipment is wisely chosen so as to give effective aid to the usually plentiful supply of labour in these countries, both the productivity of labour and productivity in general might rise. But if the process is pushed too far, or if the types of capital equipment imported are not well adapted to the type of production most economical for the particular country, the extra capital equipment will not yield an increase in domestic production sufficient to compensate for the loss of food imports. Labour productivity may still be increasing, but productivity in general and the welfare of the people will be declining. In developed countries, it is usually labour which is relatively scarce and which needs to be economised, and it is in these countries that particular interest attaches to the raising of the productivity of labour. In underdeveloped countries, labour is usually fairly plentiful. It is capital and natural resources which are scarce and need to be economised, and it is more relevant in such countries to emphasise the productivity of capital and of land. For all

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<sup>1</sup>International Labour Organisation, Metal Trades Committee, Fourth Session, Geneva, 1952, Report III: *Factors Affecting Productivity in the Metal Trades* (Geneva, I.L.O., 1952), p. 5.

countries, developed or underdeveloped, the basic aim is to maximise the output that can be produced with available resources. The methods by which this aim can be achieved will vary between countries according to the differing availabilities of land, labour and capital.

The problem of maximising efficiency of production can be seen fairly clearly in the case of individual undertakings. Here the entrepreneur or manager is continually having to make decisions as to how to produce his desired output most economically. He may extend his buildings, install more plant or farm more land, incurring extra capital charges ; if he is in an extractive industry, he may step-up the rate of extraction of natural resources, possibly shortening the life of the undertaking ; he may take on more labour, or substitute more highly skilled workers for labourers, incurring extra wage costs. He makes this decision in the light of what he expects will maximise the firm's surplus—increases in which can be used to reduce selling prices, to increase wage rates, to improve working conditions or to increase profits. Always he has to balance changes in capital charges, changes in reserves of fixed assets, and changes in wage bills. In general it is fair to say that, provided the prices a firm pays for its various factors of production reflect truly the real efforts and sacrifices and costs that their utilisation entails for the community, any such increase in the firm's surplus, which is secured without raising its prices and without reducing wage rates or impairing conditions of work, represents an increase in its productivity and in productivity for the economy as a whole.

The raising of output is essentially a problem to be faced concertedly by employers, workers and Governments and requires a more economic use of all factors of production. Managers—the traffic controllers—have perhaps the greatest responsibility. But they need the co-operation of all parties.

#### WHY IS PRODUCTIVITY IMPORTANT ?

The resources needed to raise the living standards of the less well-to-do section of the community may be made available in three main ways.

First, a larger proportion of total output of wealth may be distributed to wages and social services, at the expense of

recipients of other income. In most countries the modification of extremes of wealth and poverty is already an accepted goal of social policy. It is not always pursued very wholeheartedly and there are certainly many countries where considerably more rapid advances towards fairer distribution could be made. In a few, the process seems to have advanced nearly as far as is compatible with the maintenance of economic incentives. Elsewhere, much yet remains to be done in this sphere. Nevertheless, for all countries, there are limits, both in the short run and in the long period, to what can be done to increase welfare by redistribution.

Secondly, where there is less than full employment, an increase in wealth can be achieved simply by bringing all available resources into employment. In many developed countries there is not much room for expansion at present by raising the levels of employment. But in some of them, and in practically all underdeveloped countries, existing levels of unemployment and underemployment offer a substantial opportunity for expansion of output if appropriate policies—necessarily different according to the conditions of particular countries—are adopted for expanding employment openings.

Thirdly, total output may be increased by securing a larger output per unit of resources already in employment—that is, by raising productivity. Increases of this sort depend on the continuing ingenuity of inventors, businessmen and workers and on the wisdom of the general economic policies of Governments. They are likely to be gradual, and individual contributions will often be small. But, so far as can be seen, opportunities for improving methods of production are likely to continue indefinitely.

All three sources of improvement are vital to progress. The relative importance of each is likely to vary from place to place and from time to time. While I have chosen this year to draw particular attention to productivity, I certainly do not wish in any way to be thought to be detracting from the importance of the other sources. It seems to me, nevertheless, that there is a less clear understanding of the nature and significance of productivity than is the case with the first two sources mentioned.

Yet in all countries, provided it is not accompanied by a fall in employment, an increase in productivity means always an increase in output. And, provided it is not accompanied by a

more unequal distribution of income, or by a reduction in dignity of labour or in the enjoyment of work, this increase of output must always bring an increase in welfare. It is clear by now that workers' living standards are in the long run fairly closely related to the level and growth of productivity. Workers' wages are highest in the countries with highest productivity. Moreover there appears to be no general tendency for unemployment to be higher in countries which have enjoyed the most rapid increases in productivity.

In the circumstances of many countries today, higher productivity is the key to higher living standards.

#### PRODUCTIVITY AND THE STANDARD OF LIVING

The rest of this chapter is devoted to a closer examination of the conditions under which higher productivity will yield an increase in welfare. Higher productivity always creates the opportunity for improving the standard of living. It does not automatically and inevitably yield such improvement, at least in the short run. We cannot be sure that higher productivity will do more good than harm unless various conditions are fulfilled—conditions which need to be explored and to which attention needs to be drawn.

I believe that the most essential of these conditions are—

(a) that there should be the fullest possible consultation and co-operation between employers and workers in the application of measures to raise productivity ;

(b) that the benefits of higher productivity should be fairly distributed ;

(c) that effective action should be taken to ensure that higher productivity does not lead to unemployment ;

(d) that higher productivity should be sought by means which only require of workers a speed and intensity of work which they can maintain without increased fatigue, strain or risk to health or safety ; if the technical conditions of production are such as to make extreme simplification essential, positive steps should be taken to maintain the interest of workers in their jobs.

These, it seems to me, are the issues on which we can most usefully concentrate our discussions.

*Consultation and Co-operation for Higher Productivity*<sup>1</sup>

Joint consultation is important as a means of ensuring that the fullest consideration is given to action that may need to be taken in order to ensure that the other conditions which I have distinguished above are fulfilled. It is important also for its own sake, as a recognition of what is due to workers as human beings, and as a means of giving them a greater interest in the establishment in which they work and of encouraging them to co-operate with management in the application of measures to raise productivity. "Consultation and co-operation on a basis of mutual confidence render an essential contribution to the efficiency and productivity of an undertaking."<sup>2</sup>

Experience seems to have shown that the atmosphere and spirit of the industrial relations in an undertaking are more important than any individual device, procedure or technique for promoting labour-management co-operation. If there is a basic desire to co-operate, appropriate machinery to give effect to this desire will generally be worked out in response to the needs felt; but when the basic feeling is one of mistrust, however carefully designed the machinery for co-operation, it will have no driving force behind it and may even create new points of friction. That a particular procedure or piece of machinery works well in one undertaking is no reason for assuming that it will give good results if reproduced elsewhere, where the basic conditions for its success may be lacking. As one employer has written—

The first condition of success concerns the attitude of the higher Management.

Unless Management is imbued with respect for its people as human beings and with a genuine desire to carry them with it, institutions and procedures will prove sterile.

Facilities for consultation should be approached not as concessions but as opportunities—opportunities to get at what their people are thinking and to put over the problems and point of view of Management. If the spirit is right the rest is a matter of organization and procedure.<sup>3</sup>

<sup>1</sup> For a discussion of consultation and co-operation see I.L.O., Studies and Reports, New Series, No. 26: *Co-operation in Industry* (Geneva, 1951).

<sup>2</sup> Resolution concerning Consultation and Co-operation between Employers and Workers at the Level of the Undertaking, adopted by the International Labour Conference, 35th Session, Geneva, 1952. See I.L.O., *Official Bulletin*, Vol. XXXV, No. 2, 15 Aug. 1952, p. 94.

<sup>3</sup> C. G. RENOLD: *Joint Consultation over Thirty Years* (London, George Allen and Unwin, Ltd., 1950), p. 120.

It is, however, not only on the part of management that it is important to have the right spirit. There is equal need for workers who participate in joint machinery to combine a strong sense of responsibility towards those whom they represent with a regard for the well-being of the establishment in which they work.

To say that a spirit of co-operation is more important than methods and procedures is not, however, to say that vague feelings of goodwill are all that is needed, for a spirit of co-operation which does not find expression in practical action is not likely to endure.

The least that management can do is to make sure that workers and their representatives are given adequate information about the firm in which they work, and especially about any changes which management proposes to introduce, and that the reasons for such changes are explained.

One-way communication, however, is not joint consultation. It suffers from the disadvantages, first that information provided is not always understood unless it is discussed and misunderstandings are cleared up, and second that the workers are merely informed of what is going on without being given any opportunity to formulate views and comments. There is a growing realisation that channels of communication, if they are to serve their purpose effectively, must carry two-way traffic, orders and explanations going down the ranks while information, suggestions, grievances and opinions come back by some agreed procedure.

The foregoing remarks have been concerned with labour-management co-operation at the level of the undertaking. Important contributions to higher productivity, and to ensuring a fair distribution of the gains and costs of higher productivity, can also be made through labour-management co-operation at the level of the industry and at the national level. Co-operation at higher levels is especially important in connection with problems of establishing new industries or planning and carrying out the modernisation or re-equipment of existing industries, since the employment opportunities and job security of workers in particular undertakings and places may in such cases depend largely upon decisions taken in the course of planning at higher levels. It is also important that representatives of employers and workers and/or their organisations should be consulted by Governments on questions of national policy affecting productivity.

*The Distribution of the Benefits of Higher Productivity*

Everybody agrees that workers as a whole should share in the benefits resulting from higher productivity, and it is evident that, at least in the more highly developed countries, they have in fact done so. What form this share should take, is, however, an open question. It is not only a matter of fair wages but of the prices at which goods are sold and of the proportion of the increase in wealth yielded by higher productivity which should take the form of social services, better working conditions or workers' housing. A part of the gain from higher productivity may also, in appropriate cases, take the form of a reduction in normal hours of work. Indeed, if one looks at the changes that have taken place in normal hours of work it is evident that a considerable part of the gain from higher productivity achieved in the course of history has taken this form.

Consider first the question of how far the workers' share in the benefits of higher productivity should take the form of higher money wages and how far of lower prices for consumer goods. In theory it would appear to be a matter of indifference, so far as workers' living standards are concerned, whether money wages remained constant and prices fell, or whether money wages rose and prices remained constant.<sup>1</sup> In fact, however, there is great controversy as to which course is likely to be more advantageous. Certain points may be made briefly. In the first place, one of the principal arguments in favour of a policy of encouraging money wages to rise in step with productivity is the argument that prices may not fall though money wages have not risen, or may not fall sufficiently to give workers a fair share of the fruits of higher productivity. Competition often seems inadequate to bring about prompt (or even in some cases gradual) reductions in prices when costs of production fall. Trade unions constitute powerful instruments for raising the money wages of their own members and, through this, the general level of wages and salaries. Since consumers are largely unorganised while workers are organised, it is safer, it is argued, to rely on rising wages than on falling prices to increase the real purchasing power of consumers and to secure a wide distribution of the benefits of higher productivity.

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<sup>1</sup> It might not be a matter of indifference to any particular group of workers (or of non-wage-earners) since their real incomes might rise more or less than the general average.

Secondly, however, most of those who in normal circumstances prefer rising money wages with stable prices to stable money wages with falling prices would probably agree that a policy of encouraging money wages to rise as productivity rises is not one which should be followed in all circumstances. If a country is in the grip of inflationary pressures, with too much money chasing too few goods, all the weapons in the armoury of those who are responsible for maintaining the stability of the economy may need to be brought into play. In this situation, the benefits of increased productivity might best be allowed to have their effect through reducing prices or at least through abating the rate of increase in prices.

In circumstances in which it is not considered desirable for money wages to rise with increases in productivity it is obviously of the utmost importance that everything possible should be done to ensure that prices are reduced. Vigorous action against monopolistic practices, and measures to improve the efficiency of distribution, may be called for. Efforts to bring down labour costs should be matched by efforts, equally or even more determined, to check increases in, or bring down, non-labour costs.

In circumstances in which it is considered desirable for money wages to rise in some agreed relationship to increases in productivity<sup>1</sup>, a number of questions arise as to what this should mean in practice and how this result could be secured within a social framework which permits free collective bargaining and in which the taking of decisions as to wages actually to be paid in various industries and undertakings is therefore decentralised.

In particular, there is the question of what concept of productivity we have in mind when we say that money wages should (in appropriate circumstances) increase with productivity. If a statement of this kind is to have any meaning, one must have in mind a *measurable* concept of productivity, *i.e.*, in order to get over the difficulty of adding together the unlike things of which total "input" consists, one must relate output to the input of a single factor of production; and the most appropriate factor to select for this purpose is obviously labour.

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<sup>1</sup> It is perhaps necessary to point out that we are not concerned here with the problem of how national income should be distributed between workers and others. That is primarily the problem of distribution, which is referred to on pp. 68-69 but is not otherwise considered in this chapter. We are concerned here rather with the problems of implementing any agreed formula relating wage increases to productivity increases.

It should, however, be emphasised that if it is decided to attempt to relate increases in money wages to measured increases in the productivity of labour, this is not a matter of rewarding labour for having caused the increase in productivity. The measure gives no indication of what caused the increase. The wage adjustment is simply a matter of ensuring that labour shares fairly in the total increase in national output resulting from any increase in productivity, however caused. For that reason, the wage increase should clearly be an increase applying generally to all workers, and be related to the increase in productivity for the economy as a whole. It would not be desirable to have widely differing wage increases for separate groups of workers, related to changes in the productivity of the separate groups.<sup>1</sup>

In circumstances in which it is considered desirable that wage rates should move with over-all productivity changes, the relationship must nevertheless be sufficiently loose to enable wage rates to rise somewhat faster in some industries than in others. The relationship should not be that *all* wage rates rise at the same rate, but that *on the average* wage rates rise with productivity in general. Otherwise the inter-industry structure of wage rates would be completely rigid and there would be no opportunity for expanding industries to attract additional labour by offering relatively higher wage rates. The following suggestions have been made by two American writers :

Assume that to match the anticipated productivity gains of the economy in the coming year, the average of wage increases should be 3 per cent. It could be suggested that 3 per cent. would be a desirable norm around which the various wage agreements, plus supplements, should cluster during the year. It could be further recommended that wherever value added per man-hour can be expected to increase by as much as 3 per cent., wages should be raised by that amount. This, with unchanged prices, would also

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<sup>1</sup>It should perhaps be noted, however, that nothing said here is meant to discourage well-designed incentive schemes which enable earnings of individuals or of groups of workers to rise as a reward for special efforts by these workers to increase productivity. Such incentive payments are a means of securing an increase in productivity. On the other hand it is clear that serious difficulties would arise if wage rates in particular industries were to change in full proportion to productivity changes in those industries. In the United States between 1939 and 1947, for instance, output per man-hour in the rayon industry rose by 100 per cent., while in the anthracite coal industry it fell by 10 per cent. If wage rates in the two industries had diverged to the same extent serious inequity would have been involved for workers who happened to be in an industry where possibilities of progress had been largely exhausted.

permit increased returns to other factors. Where value added gives promise of increasing more, not only should wages and profits be normally raised by more but there should also be reductions in prices. This would mean, in these latter instances, that wages and profits would be increasing somewhat faster than for the economy generally and would thereby tend to induce resources to be allotted to those places where they are used more effectively. Where value added per man-hour is not expected to increase by as much as 3 per cent., wages should nonetheless ordinarily be raised to some extent, even though price increases would thereby be necessitated. This policy would be justified, despite the desirability of a wage differential that would encourage voluntary transfer of workers, because labour working in unprofitable industries or areas should not have to accept wage increases greatly below the average for the whole economy. Raising wages and prices in these instances would result in more rapid elimination of marginal producers in declining industries than would otherwise be the case, thus leading to higher productivity for the whole economy.<sup>1</sup>

This assumes that changes in labour productivity in the various industries can be approximately measured and even forecast. In fact it is difficult to obtain a precise measure of productivity changes, particularly in the short period. But many other elements entering into wage negotiations are also incapable of precise measurement. It is a matter of making the best estimate in the light of the available evidence. Mistakes will be made but they should not be serious. If wages rise too much or too little in a particular period, appropriate adjustments can be made in succeeding periods. Rigid price stability is not necessary: it is merely desirable that over the long period prices should not rise so much or so rapidly as to upset confidence in the value of money or to distort the structure of production.

From this brief examination of some of the practical problems of giving effect to a policy of encouraging money wages (in suitable circumstances) to rise as productivity rises, it is clear that acceptance of this policy would provide only a very general guide to employers and unions conducting wage negotiations, or to authorities responsible for fixing wages in cases where this is not done by collective bargaining. No simple automatic formula can be derived from the policy to determine appropriate wage increases in particular cases. There would be ample room for negotiation. The various other factors (besides productivity changes) which at present influence the course of wage negotiations—such as changes in

<sup>1</sup> J. C. DAVIS and T. K. HITCH: "Wages and Productivity", in the *Review of Economics and Statistics*, Vol. XXXI, 1949, pp. 296-297.

the cost of living, the ability of a particular industry to pay, the relationship between wages in the industry concerned and those in other industries—would continue to have an important influence. So long as freedom of collective bargaining is preserved, acceptance of such a policy might mean little more in practice than a recommendation through appropriate Government-industry-labour machinery to employers and unions to give rather more weight in the course of wage negotiations to the past record and the future prospects of an industry in the matter of labour productivity, and to attempt broadly to apply the principles suggested above. Such a recommendation would have little meaning in industries where measurements of labour productivity are lacking, and where accordingly there exists little possibility of narrowing down, by reference to established facts, differences of opinion as to what has happened to productivity in the past and what is likely to happen to it in the future. But as techniques for measuring productivity improve and spread, a general recommendation along the lines suggested might become increasingly influential as a guide in collective bargaining and wage determination, and might have the advantage of focusing attention more constantly on the real source of national and individual well-being—an ever-increasing product for each hour of work and an ever better distribution of that product.

Certain recent wage agreements in the United States which contain an "improvement factor" providing for an increase in wages in response to expected rises in productivity, and at the same time hold out prospects of uninterrupted production for a number of years, represent an important departure in the direction of giving greater, or at least more explicit, recognition to the rate of growth of productivity as a factor which should influence wage rates.

The problem of ensuring that workers receive a just share of the benefits resulting from higher productivity (whether this share takes the form of higher wages or lower prices) presents certain special features in underdeveloped countries. It is in these countries, where widespread poverty, ignorance, disease and malnutrition impair the capacity of workers, that it is most important to bring about improvements in workers' living standards, primarily as an end in itself, but also as a means towards building up a stable and productive labour force. But it is precisely in these countries, where labour is abundant while capital is scarce and dear, and where trade unions are

in their early stages of development, that improvements in workers' standards of living are least likely to come about spontaneously as an outcome of the forces of competition or of collective bargaining. In such conditions it seems likely that, in the absence of special action, the benefits resulting from higher productivity may not be fully shared by workers.

It would seem, therefore, that in such circumstances Governments have a special responsibility (a) to take such steps as may seem appropriate, through minimum wage legislation, price control and other measures, to ensure that workers do receive a fair share of the benefits resulting from higher productivity, and (b) to do all they can, including the enactment of appropriate legislation, to create conditions favourable to the growth and strengthening of responsible trade unions.

#### *Action Against Unemployment*

There is room for further study and research regarding the effects of higher productivity on employment in particular industries and particular countries. As a broad generalisation, however, it is true that higher productivity enlarges the domestic market for goods and services in general and also enables a country to sell abroad more easily. There is no evidence that unemployment tends to be greatest in the countries in which productivity has increased most rapidly, and no reason to expect that vigorous action to raise productivity will give rise to general unemployment, especially as it is in expanding industries that the opportunities for increasing productivity are usually greatest. Most of the world's more highly industrialised countries have experienced relatively little unemployment since the war, and most people would agree that if a threat of widespread unemployment should recur in these countries, it would not be because of measures taken to increase productivity but because of other factors making for depression which it would be even harder to combat in an economy with low productivity than in an economy with high productivity. Nevertheless economic progress does change the nature of employment opportunities and does from time to time make particular groups of workers redundant in particular occupations and places. It is inevitable that workers who grew up, or who spent long years of their lives, under the shadow of the great depression should retain a very real fear of unemployment and

should look askance at anything which appears to threaten the security of their jobs.

The problem of the effects of higher productivity on job security is especially difficult in countries with a large amount of unemployment and underemployment—and this includes most underdeveloped countries. Where there is a surplus of labour, displaced workers are more difficult to absorb, and it might seem that policy in such countries should aim rather at increasing production and employment than at higher productivity. Certainly, measures taken in such countries to promote higher productivity should form part of a co-ordinated economic development programme designed to expand opportunities for employment as well as to raise output. Certainly, too, it would be inappropriate to attempt to adopt in countries where labour is abundant and cheap, and capital scarce and dear, the capital-intensive and labour-saving methods of production which are appropriate in such countries as the United States and Canada. Most of the countries with widespread unemployment or underemployment are, however, faced with the need to reduce costs of production and improve products so as to expand domestic and foreign markets and thus achieve higher incomes and more opportunities for employment ; higher productivity must, therefore, go hand-in-hand with measures to expand employment opportunities.

In my Report to the 33rd Session of the International Labour Conference the question was asked : “ How far is security compatible with maximum productivity ? ” and the following answer was suggested :

If “ security ” is interpreted to mean security that no worker will ever lose his present job, the two things are quite evidently incompatible. A highly productive economy is an economy which responds rapidly and efficiently to changes in needs and in the conditions of supply and production ; in which resources move out of industries and occupations where they are less productive into others where they are more productive ; in which improved techniques of production and management are grasped and applied as soon as they become known and available. In short, a highly productive economy is essentially a dynamic economy ; an economy offering security of continued employment for all workers in their present jobs would be static in the last degree. If, however, “ security ” is interpreted to mean confidence that society will continue to need, and to pay for, the services of all who can contribute to the work of production, and will take pains to make sure that those who can no longer be employed in their present jobs will be fitted to contribute in other ways, then high productivity and security are not merely not incompatible :

security in this sense is a necessary condition for maximum productivity.<sup>1</sup>

Security in this sense requires, I suggest, the adoption of effective measures of three kinds: the first designed to maintain a high general level of employment; the second to deal with problems of redundancy in particular industries and undertakings; and the third to protect the living standards of workers who may lose their jobs.

*Measures to Maintain a High General Level of Employment.*

This is not the place to discuss the content of a "full employment" policy, nor the difficulties which are likely to be encountered in the course of implementing such a policy. These matters have been discussed in numerous I.L.O. reports<sup>2</sup> as well as in other publications. It will suffice here to emphasise, first, that a policy aimed at maintaining a high general level of employment is not sufficient to ensure that there will be no unemployment in particular industries, arising out of increased productivity or shifts in the direction of demand, which can occur even with a high general level of activity. Such a policy aims at ensuring that there shall be, in the aggregate, enough jobs; it cannot ensure that new jobs shall be available in precisely the occupations and places where workers may lose their present jobs. Secondly, however, effective measures to prevent general unemployment will enormously ease the problem of re-absorbing into productive employment any workers who may lose their jobs in particular industries. As long as there are enough jobs, and provided that suitable training, retraining and transfer facilities are available, there is no reason why an unemployed worker who is willing to undergo training, and if necessary to change his place of residence, should remain unemployed for long.

The number of workers for whom new jobs must be available if unemployment is to be avoided will depend partly upon the circumstances confronting the particular industries in which technological improvements occur. In so far as Governments, through national development programmes, capital allocation, allocation of raw material supplies or in other ways, influence

<sup>1</sup> *Op. cit.*, pp. 111-12.

<sup>2</sup> The latest I.L.O. report which deals with these problems in general terms is *Action against Unemployment*, Studies and Reports, New Series, No. 20 (Geneva, 1950).

the relative rates of growth of productivity in different industries, it seems desirable that, without neglecting the need for structural changes which may sometimes be unavoidable, they should use this influence to ensure that priority is given to the task of raising productivity in industries where higher productivity is not expected to lead to a displacement of labour. In selecting such industries attention needs to be given both to the market and to raw material supplies. At times when there is a shortage of materials, increased productivity in the industries using the scarce materials is particularly likely to lead to unemployment. Higher productivity in the automobile industry, for example, at a time when additional supplies of steel are unobtainable, is likely to lead to unemployment in the automobile industry, whereas higher productivity in the steel industry may not only not lead to unemployment in that industry but may stimulate employment in the steel-using industries.

In countries in which handicraft and cottage industries employ large numbers of persons an increase in productivity in modern industries which produce similar products may lead to considerable unemployment. This will obviously be an important consideration in the minds of those responsible for selecting industries to which priority is to be given in national programmes for economic development or drives for higher productivity.

#### *Measures to Deal with Problems of Redundancy.*<sup>1</sup>

On this subject I do not think I can do better than to quote the conclusions of the Meeting of Experts on Productivity in Manufacturing Industries. The experts concluded that—

Measures should be taken, in accordance, where possible, with agreed procedures, to keep to a minimum the number of workers who may lose their jobs and to assist the re-employment of displaced workers. Such measures should include—

(i) advance planning by employers of changes in industrial processes or equipment, and advance notification of displacements expected to result therefrom ; consideration should also be given to reducing or suspending new recruitment with a view to retaining redundant workers until sufficient jobs become available for them as the result of normal labour turnover ;

<sup>1</sup> Attention is drawn in this connection to the Conclusions concerning Practical Measures Enabling Individual Undertakings to Alleviate the Immediate Social Effects of Dismissals of Staff, adopted by the I.L.O. Advisory Committee on Management at its Third Session, Geneva, 1938 (see I.L.O.: *International Labour Code 1951* (Geneva, 1952), Vol. II, pp. 164-170). With reference to salaried and technical employees, see the resolution adopted by the Advisory Committee on Salaried Employees at its Fourth Session, Geneva, 1936 (*ibid.*, pp. 230-231).

(ii) the granting by employers of preference to displaced workers in the filling of vacancies, with due regard to efficiency, good conduct and seniority ;

(iii) the provision, where appropriate, of vocational guidance, training and retraining facilities ;

(iv) improvements, where necessary, in employment service organisation, designed to ensure that information regarding suitable vacancies is promptly made available to all who need such information ;

(v) measures to promote the geographical mobility of labour, such as, where appropriate, removal grants and programmes for the construction of workers' houses.

### *Measures to Protect the Living Standards of Unemployed Workers.*

The greater the success of measures to maintain a high general level of employment and to deal with problems of redundancy the less will it be necessary to fall back upon measures to maintain the incomes of workers unemployed between jobs. Such measures are, however, an essential counterpart to the measures thus far considered if productivity is to be increased with a minimum of hardship.

A comprehensive scheme of unemployment insurance or unemployment assistance can play an important part in alleviating hardship. The administration of unemployment insurance should be, and usually is, linked very closely with the employment service mechanism. Employment exchanges generally serve as the local agencies of the unemployment insurance scheme. This ensures that, before benefit is granted, claimants are given such opportunities for suitable work as may exist. Where there is no general system of unemployment insurance, or to supplement such a system and to deal with cases which cannot easily be brought within its framework, a national system of unemployment assistance or relief is also of the utmost importance.

### *Productivity and Job Satisfaction*

Consultation between Governments, employers and workers, a fair distribution of the benefits of higher productivity and effective action against unemployment will provide most of the conditions needed for ensuring that higher productivity does in fact lead to greater economic and social welfare. There are, however, other conditions connected with the impact of improved

methods on job content. Two aspects of this in particular are discussed briefly under the present heading—namely, that higher productivity should be sought by means which only require of workers a speed and intensity of work which they can maintain without increased fatigue or strain; and that where work has to be greatly simplified, the resultant disadvantages should be countered by positive steps to maintain workers' interest in their jobs. If these conditions are not fulfilled, increased satisfaction from higher earnings or greater consumption may be offset by a loss of satisfaction of workers with their jobs.

In the minds of many workers measures to raise productivity have become identified with measures to speed-up work and increase work loads. This identification, for which faulty application by some managements of techniques to raise productivity must be held partly responsible, is most unfortunate, for it is not primarily by calling upon workers to make greater efforts that productivity can be increased. If the productivity of labour in United States industry is two or three times as high as in Europe, nobody imagines that this means that American workers work two or three times as hard as European workers. Indeed the view is expressed in many reports by productivity teams which have visited the United States that American workers do not work harder than their European counterparts, but that they have more and better machines and tools and that their work is more efficiently organised and directed. The productivity team from the French pattern casting industry, for example, found that—

The American worker, all of whose movements have been studied, simplified, facilitated—those which were useless having been eliminated—appears to work more slowly than the European worker.<sup>1</sup>

Yet his output is perhaps twice as great. The team from the French machine tool industry likewise found that the rhythm of the American worker was not fast, but that he wasted no time.

A reasonable employer will not wish to get more than a fair day's work out of his workers, and it will not be in his long-term interests to try to do so. What constitutes a fair day's work is not, it is true, always easy to establish, especially when

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<sup>1</sup> COMMISSARIAT GÉNÉRAL DU PLAN, Commission Interministérielle de la Productivité : *Recueil de documents relatif à la productivité*, Paris, 1949, p. 42.

methods of production are changing. Techniques of work measurement are, however, now available which, especially for repetitive work, do make it possible to reduce to fairly narrow limits differences of opinion as to the amount of work that can normally be done in a given time. The attitudes of workers and trade unions towards time study and other techniques of work measurement are undoubtedly coloured by the fact that exaggerated claims have sometimes been made regarding the accuracy of these techniques, which have, moreover, sometimes been applied in a slipshod or even dishonest manner. Yet—

Time study, applied fairly and correctly under joint consultation, not only protects the worker but shows up inefficiencies in management and techniques and is an essential aid to modern methods of costing.<sup>1</sup>

It is, however, of the greatest importance that workers' representatives should have the opportunity to question and check time studies, especially if there is any risk that workers may be called upon to work at a pace which causes undue fatigue.

One difficulty is that this requires technical qualifications which workers' representatives do not ordinarily possess. The International Confederation of Free Trade Unions has expressed the view that "trade unions should have the right to check all times and rates ; for this, if appropriate, they should train their own technicians".<sup>2</sup> A number of United States trade unions have established engineering and research departments, and train officials in the techniques of time and motion study and rate-fixing so as to enable them to check the times and rates fixed by management. In countries where unions are financially less strong than in the United States they may be able jointly to provide for the training of a certain number of officials in these techniques. In France, such training courses are provided by the *Centre intersyndical d'Etudes et de Recherches de Productivité*. In the United Kingdom a team of trade union officials who visited the United States has recommended that the large unions and federations should train and employ their own production engineers to study work loads and employers' plans for reorganisation, and that the Trades Union Congress should

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<sup>1</sup> ANGLO-AMERICAN COUNCIL ON PRODUCTIVITY : *Internal Combustion Engines* (London, 1950), p. 49.

<sup>2</sup> UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL, Document E/C.2/330, 26 May 1952, p. 2.

employ similar experts for the use of small unions.<sup>1</sup> A number of British trade unions, and the T.U.C., have taken steps to carry out these recommendations. Some unions, indeed, were already providing such training.<sup>2</sup>

Employers frequently co-operate in providing such training for union officials. The I.L.O. Meeting of Experts on Productivity in Manufacturing Industries concluded that—

Where industrial consultants are employed in an undertaking to introduce work-study or industrial engineering principles, or where such techniques are to be introduced by the industrial engineering department of the firm, the advantages of training a workers' representative from the outset of the work-study process should be given the most favourable consideration as a further guarantee that workers' interests will be protected. This practice is common in some countries and industries ; the firm concerned maintains the normal earnings of the workers' representative.

The British Institute of Management has recommended that in order to win the confidence of employees at all levels an employees' representative should be trained in time study techniques in all cases where they are used, and should be authorised to check any times arrived at by the management's time study engineers.<sup>3</sup> A Committee was set up in 1951 to organise trade union co-operation with the British Institute of Management, to which some 25 unions subscribe. Through publications and conferences this Institute has contributed much to the education of trade unionists in production subjects.

Work measurement, properly carried out, requires time and patience and involves some expense. It is not usually worth while to measure accurately the work content of a job until the method of doing the job has been thoroughly studied in order to make sure that it is being done in the most practical, economic and effective manner.

It is sometimes felt that method study is liable to lead to an undue simplification of work, and to a loss of the satisfaction which workers, especially craftsmen, derive from their jobs.

Method study does not always lead to simplification of the work of the individual worker ; its principal results may be

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<sup>1</sup> TRADES UNION CONGRESS : *Trade Unions and Productivity* (London), p. 60.

<sup>2</sup> The National Union of Boot and Shoe Operatives and the Amalgamated Weavers' Association were among the first unions to have officers trained by industrial consultants. They reported good results and the T.U.C. recommended that other unions should follow this lead.

<sup>3</sup> BRITISH INSTITUTE OF MANAGEMENT : *Wage Incentive Schemes*, (London, 1950), p. 7.

improvements in plant layout, production control or materials handling. Conversely there may be cases when work is simplified without any prior systematic method study. Workers themselves are often able to improve and simplify their own methods of work. They can be encouraged to do so by creating a "psychological climate" favourable to higher productivity.

Method study and work simplification do, however, very commonly go together. It will very often happen that the most practical, economic and effective method of doing a job, as determined by method study, will be a method which simplifies the work of the individual worker. Where such simplification takes the form of improvements in the arrangement of the work post or other changes which eliminate unnecessary movements and reduce fatigue without impairing the interest and satisfaction derived from the work, it may make an important contribution to higher productivity and may be welcomed by workers—at least after they have had time to get used to the initial change.

A number of cases have been reported, however, in which work simplification has been carried so far as to defeat its own purpose of raising productivity by depriving the work of all interest or meaning for individual workers. It is indeed generally recognised that many workers prefer a job with a reasonable degree of variety and that, for such workers, completely uniform and repetitive work is less productive. It appears that the intrinsic nature of the work, and the satisfaction which workers get out of it, are more important factors affecting morale and productivity than employers sometimes realise.

There is no one solution to the problems raised by the inevitably repetitive nature of many jobs in modern industry. Some workers suffer more from monotony than others, and care taken in the selection and placement of workers may help. In addition, it may be possible so to organise work that, while the work of a group is determined in accordance with sound principles of industrial engineering, there is nevertheless enough flexibility within the group to enable the members of the group to organise the work in their own way. Again, while it is true that the breaking down of jobs into their simplest constituent elements is sound industrial engineering, it does not follow that a worker can learn and execute efficiently only a very small number of the motions prescribed by a work study expert.

It is often possible to re-combine the elements of the work to be done in such a way as to enlarge the content of the job and give it more interest and meaning for the workers.

If intelligence and imagination are used, I do not believe that there is any reason why measures to raise productivity through simplification of operations should be associated with a loss of the satisfaction which workers derive from their jobs. For most people, indeed, knowledge that their services are being effectively utilised, and that they are not being made to waste time and effort as a result of faulty organisation, is in itself a considerable source of satisfaction.

#### ACTION TO RAISE PRODUCTIVITY

The greater part of this chapter has been concerned with the general conditions that need to be fulfilled and the action that may need to be taken if one is to have confidence that higher productivity will in fact promote, in the short run as well as in the long run, the ends which the I.L.O. exists to serve—higher standards of living, social progress and social justice. I should like to devote this final section to drawing attention briefly to the Conclusions reached by the I.L.O. Meeting of Experts regarding practical methods of increasing productivity in manufacturing industries, some of which Conclusions I have already quoted.

As I mentioned before, by decision of the Governing Body these Conclusions have been referred to the Conference and form a supplement to this Report. There is not a great deal, therefore, that I need say about them. I should, however, like to say, first, that it was to me a source of great encouragement and satisfaction that in this divided world 16 experts, drawn from Government and independent circles, employers' circles and workers' circles in 13 countries, found it possible to adopt unanimously so solid and substantial a statement of conclusions on a subject which has so many controversial aspects. It will not be out of place for me to express here my appreciation of the work of the distinguished experts who participated in this Meeting.

Secondly, since the desirability and acceptability of specific measures to raise productivity may depend largely upon the framework of industrial relations and of general economic and social policy within which such action is envisaged, it seems to me appropriate that the experts should have drawn attention

in Part I of their Conclusions, entitled "General Considerations", to the importance of such matters as joint consultation and co-operation, a wide distribution of the benefits of higher productivity, and effective action against unemployment. There is much in this part of their Conclusions which needs to be borne in mind in connection with measures to raise productivity in other sectors of the economy besides manufacturing industries.

Thirdly, in the more detailed Part II of their Conclusions, entitled "Measures to Promote Productivity Within Undertakings", emphasis is laid by the experts on the importance of action to be taken at the level of the plant, under the three headings "Organisation and Control of Production", "Personnel Policy" and "Plant and Equipment". The recommendations of the experts in this part of their Conclusions merit the most careful consideration by all groups engaged in manufacturing industries.

Finally, in their report to the Governing Body, the experts expressed the hope that their Conclusions would "receive the widest possible circulation among all those whose initiative and co-operation may contribute to the raising of productivity". If the Conclusions of the experts are to have the influence which I am convinced that they deserve, they need to be not merely studied and examined but acted upon to the fullest possible extent. Delegates to this Conference, if they find themselves broadly in sympathy with the Conclusions reached by the experts, can do much to ensure that these Conclusions, by promoting action to raise productivity and to ensure that the benefits of higher productivity are widely distributed, will make a solid contribution to the ends which the I.L.O. exists to serve.

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## CHAPTER IV

### ACTIVITIES OF THE I.L.O.

In this Report I have laid special emphasis on problems of raising productivity. This emphasis is reflected to an increasing extent in the work of the I.L.O. We may say, in fact, that the two major world problems with the solution of which the I.L.O. is now principally concerned are to increase productivity and to combat underemployment and promote economic development in the underdeveloped countries. These two emphases in I.L.O. activities correspond to outstanding needs of both the more industrialised countries and the underdeveloped countries. The two problems are, moreover, bound up the one with the other.

A most urgent need in underdeveloped countries is for extra capital investment. However, even under the most favourable conditions of domestic savings and foreign lending and grants, the capital available for economic development is likely for many years to be much smaller than the real needs. Efforts in the underdeveloped countries need, therefore, to be concentrated heavily on opening up new employment opportunities and on raising production, with a minimum of capital expenditure. It is only by such immediate measures to raise national incomes that the vital margin for savings, and a consequent expansion of capital formation, can be increased. I.L.O. activities directed towards these two major goals of higher productivity and the elimination of underemployment are designed to meet these needs. The assistance which is being given, for example, in the raising of productivity in particular industrial and other undertakings, and to which reference is made later in this chapter, is designed specifically to show how productivity can be raised by better use of existing equipment. Again, the development of handicrafts and co-operative organisations has the dual purpose of providing more employment for workers, particularly those in rural areas, and of raising their

incomes through higher productivity deriving from use of more efficient techniques and economic organisation.

It will be seen from Chapter III that the possibilities of I.L.O. action to promote productivity cover a very wide field. Improvement of labour-management co-operation and industrial relations lies at the root of such action, since the readiness of the parties concerned to initiate or accept the changes in existing practices required to raise productivity depends in large measure on their confidence in one another. Industrial relations in the widest sense covers such questions as systems of wage payment, training facilities in the industry and promotion policy, workers' welfare facilities and safety and health measures. I.L.O. activities have a bearing on all these. A number of factors outside the strict scope of industrial relations affect this factor of confidence. Among them, the level of employment and the degree of income security determine the workers' attitude towards acceptance of measures to increase productivity, and on these questions I.L.O. action has a direct bearing. The improvement of management techniques making for a better use of existing equipment, and national measures to improve the organisation of employment and promote training facilities for workers can contribute greatly to higher productivity. The concept of increasing productivity, in addition to having a bearing on several activities directed specifically to the problem of productivity as such, has served to give a general orientation to a very wide range of I.L.O. action. Much of this action is not new but is a continuation of activities which have been going on for some time. It is an instance of the kind of flexibility which the I.L.O. has always endeavoured to maintain in its work that such continuing activities can now be further developed with particular reference to the contribution they make to higher productivity. The account of I.L.O. work below endeavours to reflect these further developments.

It will be understood if, as in the case of previous Reports, in addressing this Report to members of the Conference I dwell at greater length upon the operational and technical work of the I.L.O. than upon that part of the I.L.O.'s work which comes directly before the Conference itself and concerning which members have other reports available to them. An artificial distinction has sometimes been drawn between the work of formulating objectives and standards of policy, which has traditionally been the chief function of the Conference, and

the technical and operational work of the I.L.O. now being carried out in large part through the Expanded Programme of Technical Assistance. I have consistently sought to emphasise that these two types of activity are, in reality, necessary complements one to the other, and for that reason I have endeavoured to give the Conference full information on the development of our operational work. The Governing Body has, moreover, decided that it will itself report to the next session of the Conference, in 1954, on the I.L.O.'s technical assistance programme so as to give the Conference an opportunity to discuss the matter fully. The present Report therefore, in so far as it deals with I.L.O. operational work, must be considered as in a sense an interim report preliminary to the full assessment by the Governing Body for the next session of the Conference. There are a number of important missions in progress, the preliminary results of which it may be possible to assess more adequately next year. One of these, for example, is a comprehensive survey of labour problems in Pakistan which is being undertaken with a view to elaborating long-term social policy and is accompanied by assistance in training of officials for the labour administration and allied services. Such general survey missions should prove to be of great value in developing technical assistance in a country in full knowledge of the most important social problems. Another mission of general significance, and which is referred to below, is concerned with problems of indigenous workers in the Andean High Plateau. It will not be amiss, however, before describing the detailed activities of the I.L.O., to give some general indications concerning the operational programme.

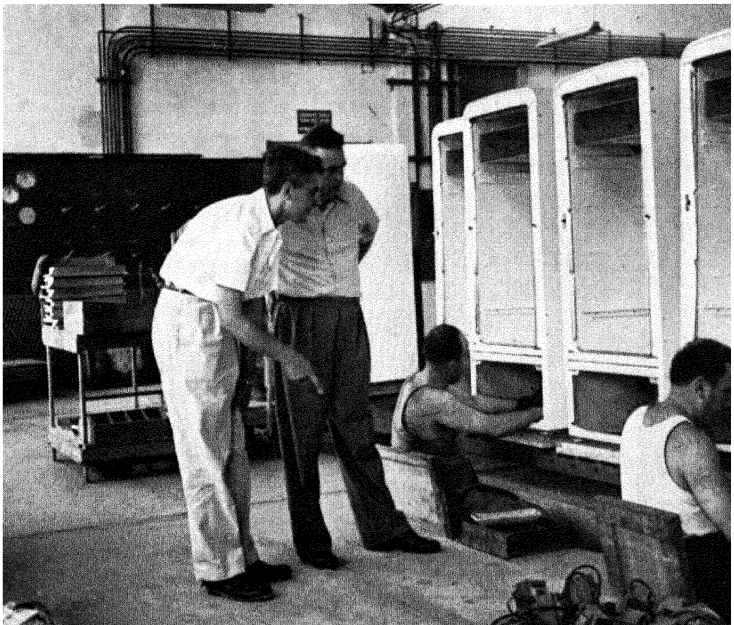
Some idea of the expansion of the I.L.O.'s operational activities may be had from the fact that whereas during the first financial period (1 July 1950 to 31 December 1951) the I.L.O. spent \$336,315 of Expanded Programme funds, expenditure for the second financial period (January to December 1952) reached \$1,875,561. Comparable growth in the programme is shown by the increase in the number of experts engaged. On 31 December 1951, 65 experts had been engaged by the I.L.O. for technical assistance and 20 were at work in the field ; by 31 December 1952, the number of experts engaged had risen to 199 ; 101 were in the field and 98 had completed missions. As of 31 March 1953, the total number of experts engaged has reached 238. As regards the Fellowships Pro-

gramme, by the end of January 1953 the I.L.O. had awarded 197 fellowships under the Expanded Programme of Technical Assistance; 125 fellows had completed their studies, while 41 were still undergoing training. Arrangements had also been completed for the remaining 31 fellows, who were expected to begin their training shortly. In addition, a further 181 fellowships, which are to be awarded under agreements already signed with different Governments, were in various stages of selection and placement. The number of fellowships requested for which no agreement had yet been entered into was then over 260.

To cope with the expansion in activities I have reorganised the internal I.L.O. arrangements for handling the operational programme. This reorganisation is designed to meet two main problems in the present stage of evolution of the operational programme. On the one hand, an effective means must be provided for organising technical assistance activities within each region so as to take account of every specific social problem in each country within the context of that country's social and economic problems as a whole, and to follow up and reinforce the work of each mission in a continuous manner; and on the other hand, effective central control and policy direction for all operational activities must be ensured in order to avoid any risk of dispersing efforts or losing sight of the general objectives of I.L.O. policy. Steps which have been taken to meet these needs are, on the one hand, an administrative integration of operational activities at headquarters and, on the other hand, the broadening of the functions of the Field Offices in the different regions, combined with measures to ensure their effective co-ordination from headquarters. The Field Offices will no longer be confined to manpower problems but will be generally competent in the types of technical assistance needed in their regions. One of the most important factors affecting the success of technical assistance is the extent to which contact is maintained with experts after they have been sent into the field. It will be one of the main functions of the Field Offices to maintain liaison with the technical assistance experts and, with the help of the technical services of the I.L.O. in Geneva, to provide continuous guidance over their work, giving them whatever advice and assistance are necessary. Another important function to be entrusted to the Field Offices will be to maintain close contact with the Governments and the employers'



A simple change in the placing of the worker in relation to his work—achieved by cutting a seat and leg-space into the floor by the conveyor—required little capital outlay and reduced the worker's fatigue. This and other improvements suggested by technicians, who were trained by and worked under the supervision of an I.L.O. expert, resulted in an increase in the output per man-hour of 74 per cent. in this refrigerator assembly plant





and workers' organisations in their respective regions. Through their medium the development of the I.L.O.'s operational work in the field will be kept under constant review and control. The Field Offices will be able to advise headquarters with regard to the development of technical assistance requests which are under discussion with the Governments. They will undertake preparatory work in connection with projects, including the collection of as much background information as possible. They will help considerably in the rapid conclusion of agreements with Governments requesting assistance and will, it is hoped, prevent much of the delay experienced in the negotiation of agreements at the present time. They will brief all experts going to their regions on the general economic, social and political conditions in the requesting country, as well as on the technical aspects of the mission. During the mission, the experts will refer to the Field Offices all questions on which they need immediate advice or other assistance and will receive the necessary guidance and help. After the completion of missions it will be the duty of the Field Offices to discuss follow-up action with the countries concerned and give them such other information and advice as is needed. In the matter of fellowships, too, increasing use will be made of Field Offices in the selection, assessment and briefing of candidates, as well as in the task of keeping in touch with them on their return home on completion of the fellowship.

In my last Report I referred to certain problems which arise in the conduct of our operational activities. A number of these are matters which involve both the I.L.O. and the Governments receiving or desiring assistance. One such problem is the shortage of information available to the I.L.O. on conditions in many countries, which makes it difficult for the I.L.O. to plan or carry out assistance projects. Various meetings, including the Fifth Regional Conference of American States Members of the I.L.O. (Petropolis, April 1952) and the Latin American Manpower Technical Conference (Lima, December 1952), have drawn attention to this problem in connection with different types of assistance. The I.L.O. is making efforts to collect as much information as is available, but much remains to be done by Governments in this regard.

Another major problem is the selection of experts. In different regions generally considered as "underdeveloped" as a whole, there are some countries or areas where progress

has already been achieved of a nature likely to be of great value also to their less developed neighbours, since social, psychological and perhaps also material problems are often similar. Thus, while these "more developed" of the underdeveloped countries may require assistance in many fields, their own experience may be better adapted to the needs of other less developed countries and should, where possible, be used. This applies equally to selection of experts and to the choice of host countries for fellowship holders to study in. There are major obstacles, of course, not the least being that the administrative and technical resources of countries in process of development are frequently too strained to permit them to lend their experts for considerable periods of time to assist other countries at earlier stages of development. Nevertheless, there have been some notable examples of such assistance and it certainly will be encouraged by the I.L.O.

There is one development of considerable importance to which I would like to refer before giving an account of the detailed activities of the I.L.O. During the past year great strides have been made towards European economic and social integration involving a number of States Members of the I.L.O. The Schuman Plan for a European Coal and Steel Community has become a reality. At the time of writing discussions are proceeding in certain European capitals concerning ratification of the proposed European Defence Community Treaty; and there are negotiations for the creation of a European political authority. There is also at present a proposal, towards which Governments have not yet defined their attitudes, for the establishment of a European Economic and Social Council. The Council of Europe is closely related to these developments; it will be recalled that the I.L.O. has a formal agreement with the Council of Europe, which has had under consideration such questions as full employment, migration, social security and housing, which are of concern to the I.L.O. It is, of course, impossible at the present stage to foresee the exact shape which European regional organisation will assume several years, or perhaps even several months, hence; nevertheless, it is obvious that the present developments affect the I.L.O. very closely, and that if the I.L.O. is to continue to be an effective instrument of social advancement in Europe it must be brought into any future arrangements which will cover matters of social policy. The I.L.O. has many times indicated its willingness, while

remaining outside political controversies, to assist such regional groupings as Governments may think desirable in dealing with social policy within its sphere. This willingness has taken concrete form in our collaboration with the Council of Europe on such questions as social security, and with the Council of Europe and O.E.E.C. on migration. More recently we have been in contact with the European Coal and Steel Community, and have assisted it in making a general survey of conditions of work, including wages and hours of work, and of social security of miners in the countries belonging to the Community, and arrangements are being made to extend the assistance of the I.L.O. to other fields of common concern. Such technical collaboration must, however, in the long run be followed by co-operative arrangements of a more organic character if the I.L.O. is to continue to fulfil its mission in Europe.

The activities described below reflect the fact that the I.L.O.'s budget for 1953 was somewhat lower than that for 1952. This cut meant that we had to distinguish between what was essential and what was desirable ; activities which might have been desirable, even highly desirable, in themselves, and which in other circumstances might well have been undertaken, had to be modified or postponed. As indicated, the objectives which receive priority, and which have encompassed a wide range of the I.L.O.'s activities, are to raise productivity and to combat underemployment and promote economic development in underdeveloped countries. Two matters of great importance are the work connected with the Fact-Finding and Conciliation Commission on Freedom of Association and with the joint United Nations-I.L.O. *Ad Hoc* Committee on Forced Labour. The investigations carried out by the Forced Labour Committee are expected to be completed this year ; the Committee has as yet issued only progress reports and has not yet formulated conclusions.

### PRODUCTIVITY

The recognition of a need for international action to raise productivity has made it necessary to take a look at the whole picture of production in different branches of economic activities so as to see clearly what are the most important things to be done towards raising productivity and what the I.L.O. itself can most effectively do towards this end. From

this point of view the Meeting of Experts on Productivity in Manufacturing Industries, held in Geneva in December 1952, was particularly useful. The Conclusions of the experts are being placed before the Conference in full, so I shall not go into them in detail here. It does, however, seem useful to point particularly to certain of the results of the Meeting.

The greatest emphasis was laid by the experts on the need for labour-management co-operation in all efforts to raise productivity. Primary responsibility for action to raise productivity in individual undertakings, they agreed, rests with management ; but no effort in this direction could succeed without good relations between management and workers. A free and strong trade union movement and the practice of collective bargaining were considered to be of the greatest importance. A recommendation was made for the establishment and use of machinery for co-operation between employers and workers at national, regional or plant levels. Employers' and workers' groups should also be consulted by Governments on national policies designed to promote higher productivity.

The experts also stressed the importance of sound personnel policy and the development of personnel management. Their conception of the functions of personnel management in an undertaking had a very wide sense, covering selection and placement of members of the undertaking and the follow-up procedures designed to review their progress and adjustment to their jobs, induction courses or orientation courses to new employees in industry, servicing of skilled workers whether by mechanised means or by providing unskilled assistants, apprenticeship and training programmes, training designed to promote "productivity consciousness", use of the T.W.I. (training within industry) method, promotion policies, systems of remuneration, use of employee suggestion schemes, physical working conditions, and safety and health. The key role of the foremen and supervisors as the link between higher management and operatives and the consequent importance of supervisors' grasping the principles of human relations in industry were emphasised. The importance of personnel policy in industry, it may be added, was also stressed by the Metal Trades Committee at its meeting of April-May 1952.

• The conclusions of a meeting such as that of the experts on productivity in the manufacturing industries are useful in enabling us to review the programme of the I.L.O. in the light

of this objective of increasing productivity and in considering how I.L.O. activities can best be developed to further the policies indicated by the experts. The experts concluded that the work of the I.L.O. in the field of productivity should have three main objectives : (a) to promote a wider understanding of the meaning of higher productivity and of the results which may be expected from it ; (b) to examine and try to promote agreement on the types and sequence of the measures that may need to be taken to ensure that increases in productivity will in fact lead rapidly to improvements in economic and social welfare for the community in general and in particular for those working in the undertakings where productivity is raised ; and (c) to provide, in fields within the competence of the I.L.O., technical assistance and advice on the raising of productivity.

Methods to further the attainment of these objectives would include studies and publications, expert and tripartite meetings and discussions, and technical assistance. Activities of these three types have been undertaken already by the I.L.O. A study based upon the report submitted to the Meeting of Experts on Productivity in Manufacturing Industries and upon their observations thereon and incorporating the experts' conclusions will be published. A study on productivity in the metal trades has already been published.<sup>1</sup> A handbook on methods of raising productivity is in course of preparation. The I.L.O. is also preparing, at the request of the United Nations, a report on the role of labour in any programme for increasing productivity, particularly its participation in the framing, development and implementation of such programmes, and on methods of ensuring a fair reward for the human effort applied to the increasing of productivity, and the extension of purchasing power to make the increase in productivity permanent ; this report will go before the Economic and Social Council.

Some of the Industrial Committees have considered problems of productivity in their industries. Reference was made in my Report for last year<sup>2</sup> to the consideration of productivity in coal mines ; the question has also been placed on the agenda of the next session of the Coal Mines Committee for further discussion. At its last session (April-May 1952) the Metal Trades Committee examined the question of productivity in

<sup>1</sup> *Factors Affecting Productivity in the Metal Trades, op. cit.*

<sup>2</sup> International Labour Conference, 35th Session, 1952 : *Report of the Director-General*, pp. 90-91.

those industries; and factors affecting productivity in the construction industry will be considered at the next session of the Building, Civil Engineering and Public Works Committee. Consideration by the Chemical Industries Committee, at its September 1952 session, of the organisation of shift work has a direct bearing on the efficiency of production in these industries. It has also been proposed that the Chemical Industries Committee at a future session should consider improvements in productivity obtained in the chemical industries from systems of payment by results and from the techniques concerned with their application.

Most technical assistance missions are designed to contribute broadly to increasing productivity, but there have been some missions dealing specifically with productivity as such; for example, the mission to assist the Israel Productivity Institute in connection with training in the techniques of higher productivity for the staff of the Institute and with training of selected persons from individual factories in the techniques of work study; and the mission to India on payment by results and productivity in the textile and engineering industries, the purpose of which is to show how productivity and the earnings of workers in Indian textile and engineering industries can be increased by the application of modern techniques of work study and plant organisation and, in addition, where appropriate, by the introduction of suitable systems of payment by results.

#### MANPOWER

The main emphasis in the I.L.O.'s manpower work continues to be on technical assistance directed to immediate national problems in each region. A particular effort has been made to analyse more closely the manpower problems of the various countries, to evaluate needs for advisory assistance in as precise and practical terms as possible, and to help to meet these needs through measures which form part of a well co-ordinated manpower programme. One means of enabling the I.L.O. to assess the needs of countries is through regional technical manpower meetings.

My Report last year referred to the Asian Manpower Technical Conference held at Bangkok in late 1951.<sup>1</sup> A conference of a similar type was held in Lima for the Latin American

<sup>1</sup> *Op. cit.*, pp. 87-89.

region in December 1952. This conference examined problems of utilisation of available manpower; it explored the desirability and practicability of establishing national public employment services for the transfer and placement of workers in industrialising areas; and it considered methods of dealing with the mass movements of unskilled labour which constitute a major social problem for many Latin American countries. The conference also dealt with vocational training and migration. There was a general feeling that more accurate and detailed information on manpower problems of Latin America was required before well-balanced manpower programmes could be developed in these countries, and several proposals bear upon means of securing such information. One suggests the establishment of a Latin American manpower committee of a permanent character, composed of experts from different Latin American countries, to keep the I.L.O. informed of developments in the manpower situation and the most urgent needs of their countries in respect of manpower; these experts could also be consulted as appropriate in planning technical assistance projects. Another proposal was that the I.L.O. should undertake a comprehensive manpower survey of the region in consultation with the countries concerned and with other international organisations which could assist. It was suggested that the I.L.O. might publish a guide to the establishment of an employment service for the use of Governments. The conference pointed out the possibilities of I.L.O. technical assistance in setting up pilot employment offices, in improving the operation of existing employment offices, in the establishment of placement facilities where they do not exist and in introducing vocational guidance and job analysis techniques. The conference considered the I.L.O. should give special attention to the need for long-term solutions, adapted to the special conditions of the countries concerned, to the problem of mass movements of unskilled workers.

At the same time the I.L.O. could help in the short term in the setting up of reception centres for rural workers migrating to urban areas, in planning both seasonal and permanent migration of workers, in developing co-operatives, in planning the land settlement of new areas and in setting up pilot projects for indigenous workers. It suggested the I.L.O. should develop model plans for vocational training for Latin American countries. The conference was of the opinion that one of the chief obstacles

to increasing migration into Latin America was the high cost of land settlement schemes and suggested that the Inter-Agency Regional Co-ordination Committee on Migration in Latin America should assist Governments to draw up projects which they might submit to the International Bank for Reconstruction and Development for loans to finance settlement projects. It called attention to the possibilities of technical assistance from the I.L.O. in regard to the establishment of machinery for selection, reception and placement of immigrants, the furnishing of information to prospective immigrants and the preparation, in co-operation with the other organisations concerned, such as F.A.O., the Intergovernmental Committee for European Migration, and the International Bank, of a model project for land settlement for immigrants.

The demonstrated need for employment information services, the lack of which has proved a serious limitation to the development of national manpower programmes, has lent emphasis to I.L.O. activities designed to promote manpower surveys and continuing machinery for obtaining employment information. A manual on manpower surveys, designed to assist Asian countries wishing to carry out such surveys, is being prepared by the I.L.O. and manpower surveys have been carried out by I.L.O. experts in Ceylon and Burma. The development of employment services has been another important aspect of I.L.O. activities in the employment field. There have been useful results from pilot employment service projects such as those established in the Lima-Callao area of Peru and in Guatemala; these pilot employment offices help to train staff and will serve as a nucleus for expansion into a national public employment service. Another technique of assistance is the employment service institute. An Asian Regional Employment Service Institute was held in Tokyo in the autumn of 1952 covering such subjects as the need for organisation of employment, international standards for employment service organisation, administrative organisation of employment services, employment service functions and procedures, private employment agencies, employment information and statistics, service to special industries and other specialised employment service activities. Technical assistance on employment service and related matters has been or is being given to Brazil, Burma, Ceylon, Greece, Guatemala, India, Indonesia, Iran, Israel, Italy, Pakistan, Peru and Uruguay.

I.L.O. Experts Bring New Skills  
to Underdeveloped Countries...



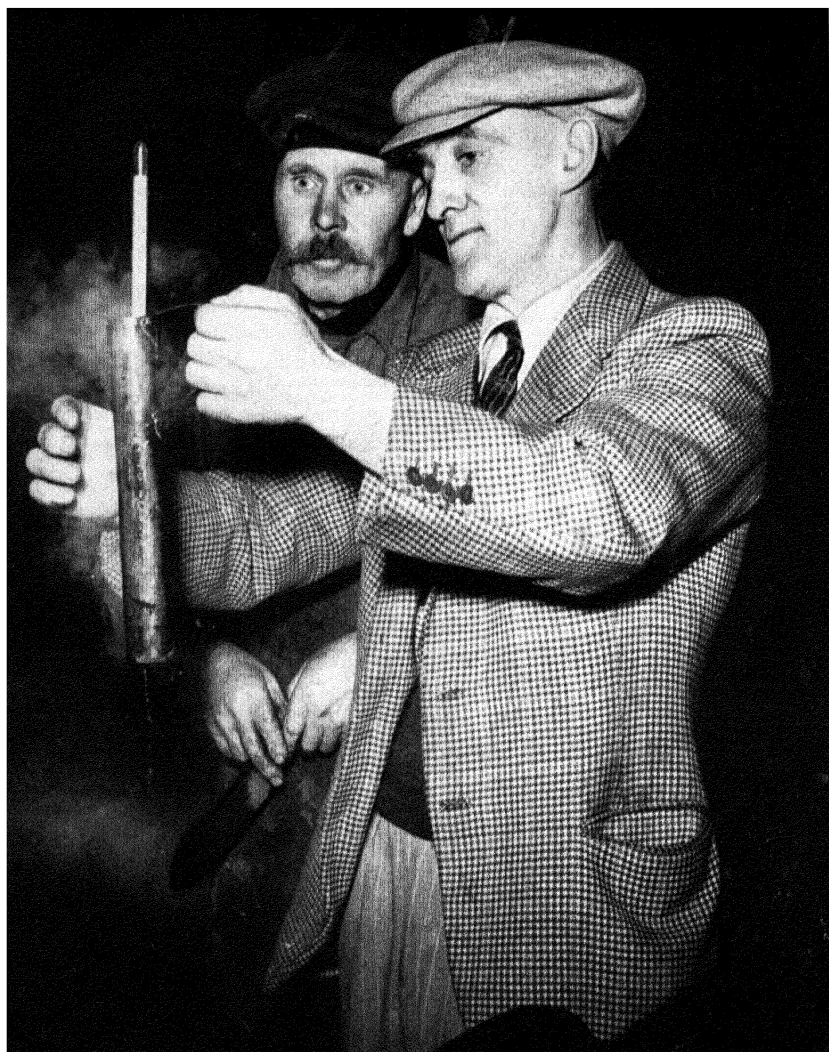
... pottery-making



... studying a blue-print of the oil conduit pipes in a diesel engine ...



... using a T-square to check a plane surface ..



... determining the density of a hot liquid.

The *International Classification of Occupations for Migration and Employment Placement* has been completed. In serving to facilitate both geographical and occupational mobility the classification system can help to overcome manpower shortages standing in the way of increased production and productivity. An increasing number of countries is using it in national efforts to develop an occupational structure for employment service use. In addition, the series of handbooks on national employment services has been added to with the publication of the handbook on the National Employment Service of the United Kingdom; and a handbook on the United States employment service is nearing completion.

There has been a marked expansion of work in respect of vocational training, with particular emphasis on vocational education and apprenticeship for youth in Asia and Latin America. A Technical Meeting on the Protection of Young Workers in Asian Countries held at Kandy, Ceylon, in December 1952 dealt particularly with the vocational preparation of young workers, including elementary education and compulsory schooling, vocational training and youth placement and vocational guidance. An apprenticeship training institute for Asian countries was organised at the end of 1952; trainees visited the I.L.O. headquarters at Geneva and four host countries in Europe. Another institute on the organisation and administration of national vocational training programmes is being held in Australia, the Philippines and Japan for 12 weeks beginning at the end of February 1953. An I.L.O.-O.A.S. seminar on vocational education organised with the co-operation of the United States Department of Labor, the Institute of Inter-American Affairs and the University of Maryland was held at the University of Maryland in August and September 1952.

The Yugoslav project referred to in my Report to the last session of the Conference<sup>1</sup> is one of the most striking examples of I.L.O. technical assistance in this field. Forty-four foremen-instructors are to be sent to Yugoslavia for nine sectors of its industry; 12 of these foremen-instructors have arrived at the time of writing. At the same time, the I.L.O. agreed to arrange to place 377 Yugoslav skilled workers and technicians in factories abroad for periods of four to 12 months' training. Training facilities in 61 industrial establishments in Western

<sup>1</sup> *Op. cit.*, p. 51.

Europe have been found for over 180 of these workers. Out of these, on 31 January 1953, 29 had already completed their training and returned to Yugoslavia, while 151 were still at work in Austria, Belgium, France, Germany, the Netherlands and Switzerland. The trades studied include shipbuilding, boiler-making, railways, concrete works, iron and steel, electrical equipment, tractors and agricultural machinery, machine tools, lead accumulators, petroleum, asbestos, trucking, textiles and mechanical precision instruments. This type of project is designed to overcome the problem of getting the assistance directly to the people who most benefit by it—the operatives themselves—and it also ensures that the effect of training will be cumulative since the trainees will be in a position to spread their new skills through Yugoslav industry. Similar projects for other countries are under study.

Reference was made in last year's Report<sup>1</sup> to the training project for Latin American countries undertaken through the facilities of Senai, a training institution organised by the Brazilian employers' groups. The Senai project has now been put into operation; its main objective is to develop training of vocational instructors from all Latin American countries. This is being done by—

(1) short intensive courses for instructors in trades and industries for the vocational training schools in each of the Latin American countries;

(2) provision of experts from overseas to teach in these and other courses of the Senai schools;

(3) provision of fellowships to Senai personnel to increase their experience and knowledge; and

(4) provision of correspondence courses for instructors and workers in Latin American countries unable to attend Senai courses in Brazil.

In addition to these projects, technical assistance in vocational training is being given to a large number of individual countries, including Bolivia, Burma, Ceylon, Ecuador, Greece, Haiti, India, Indonesia, Israel, Italy, Libya, Pakistan, Thailand and Viet-Nam; assistance is also being given in conjunction with the United Nations Relief and Works Agency to Palestinian refugees in Jordan.

<sup>1</sup> *Op. cit.*, p. 51.

A series of technical documents on vocational education, apprenticeship and the training of adults has been prepared for the use of missions of experts or as a working basis for seminars or study tours. Certain of the Industrial Committees have also discussed training problems in their respective industries ; during the past year the subject has been considered with regard to the iron and steel and chemical industries.

Experience with the manpower programme indicates that the types of activity most useful in the field of training are the training of administrative staff and teaching personnel for vocational education schools and other training institutions, the development of new types of training to meet changes in industrial technique, and the setting up of "pilot" or demonstration vocational schools ; and projects of these types will hold a particularly important place in the I.L.O.'s programme for the next few years.

In regard to migration the main emphasis has been placed on building up a migration information service. Present activities to this end include the production of a series of memoranda on national immigration policies and regulations which, when completed by the end of 1953, will cover 26 of the main immigration countries of the world. Another project is to provide information on conditions of life and work in countries of immigration for the use of governmental services and persons and bodies engaged on advising migrants, covering such matters as climate, language, economic structure, educational system, social security, taxation, transport, currency ; employment possibilities, guidance and training facilities ; reception arrangements, admission of personal effects, transfer of effects, transfer of savings, legal status of immigrants ; wages and conditions of employment ; accommodation ; and cost of a selected range of essential commodities. A new periodical, *Migration*, was issued at two-monthly intervals in English, French and Spanish, during 1952. It contained special articles devoted mainly to technical procedures and also current information on the development of national policies and programmes and the activities of international organisations ; texts of recent laws, regulations and agreements ; reviews of books and periodicals ; and statistics. This periodical, some 3,000 copies of which are distributed free of charge to Government departments, interested organisations, migration specialists and other persons on request, is now being published as a monthly supplement to *Industry and Labour*.

Information on specific questions is also supplied to Government services, interested non-governmental organisations, research institutions and individual enquirers in response to requests received.

Other activities referred to in last year's Report have been continued. The *Guide to Vocational Training of Migrants* is being used as a manual by experts in the field ; the criteria for medical selection of migrants drawn up by I.L.O. and W.H.O. have been circulated to Governments.

The I.L.O. has continued to give assistance to European emigration countries and to Latin American immigration countries on the same lines as in previous years, although such assistance has of necessity been less extensive because the Special Migration Fund was no longer available from the middle of the year. There has been a growing emphasis on more direct forms of assistance in improving standards of migration processing, particularly in connection with vocational pre-selection, vocational selection and placement operations.

The I.L.O. continues to work in close co-operation with the United Nations and the specialised agencies and other organisations in migration work. Activities in this field are co-ordinated centrally through the Technical Working Group on Migration of the Administrative Committee on Co-ordination ; and in Latin America by the Inter-Agency Regional Co-ordination Committee on Migration. Working relations have been established with the Intergovernmental Committee for European Migration, and the existing co-operation with regional organisations such as the O.E.E.C. and the Council of Europe, on migration questions, has been maintained.

The I.L.O. has also been concerned with the problem of vocational rehabilitation of the disabled. Action is now being taken to prepare for the discussion of this question by the Conference at its 1954 Session. Co-operation with the United Nations and other agencies concerned with the question in furtherance of a co-ordinated international programme has been continued.

The increasing experience of the I.L.O. in technical assistance work has emphasised the need to plan employment information, placement, vocational guidance and training, and migration work as part of a comprehensive and integrated manpower programme. This applies equally to national programmes and technical assistance for their development and to the I.L.O.'s

manpower programme. Training programmes, for example, have proved effective in direct relation to the extent to which they have been integrated in programmes for the development of education and employment, based on analysis of the manpower situation in all its aspects and in line with their general social and cultural evolution, and developed progressively with the active support of the authorities and peoples concerned. Emphasis is also being laid on longer-term projects designed to continue and be self-supporting in the country concerned.

#### WAGES

Of late, I.L.O. activities in the field of wages, based upon the general lines of wage policy now laid down by the Conference in various Conventions and Recommendations, have centred around two main things : the relationship of wages to increasing productivity, and problems of wage policy as they affect particular groups of workers or particular regions. In addition, continuing attention is being given to the guaranteed wage, a subject which has received a good deal of consideration in recent years as a means of ensuring income security.

The relationship between wages and increased productivity was the essence of the problem considered by the Meeting of Experts on Systems of Payment by Results, held in April 1951, and which was referred to in my last Report to the Conference.<sup>1</sup> The matter was considered further in a larger context at the Meeting of Experts on Productivity in Manufacturing Industries, held in December 1952. This latter meeting reported conclusions on the sharing by workers in the fruits of higher productivity in the form of increased wages, lower prices, better working conditions and other benefits (considering also the problem of the sharing by workers in industries where an increase in productivity is not immediately possible, in benefits arising from increased productivity in other industries), and drew attention to the conclusions of the experts on payment by results, particularly concerning wage incentives, commenting on various aspects of this question.

The missions to Israel and India mentioned in connection with productivity<sup>2</sup> both include work on incentive wage systems within their terms of reference. Payment by results in the

<sup>1</sup> *Op. cit.*, pp. 91-92.

<sup>2</sup> See p. 98.

construction industry will be considered by a small meeting of experts to be held in July 1953 ; this meeting will report its findings to the Fourth Session of the Building, Civil Engineering and Public Works Committee (to be held in the autumn of 1953). The Metal Trades Committee (Fourth Session, April-May 1952), in its consideration of productivity in these industries, dealt, among other things, with the structure of wage rates and systems of wage payment, and included proposals on this question in its recommendations.

Consideration has been or is being given to various wage problems at the regional level. The Fifth Conference of American States Members of the I.L.O. examined the question of methods of remuneration of salaried employees. It adopted a comprehensive resolution on the question<sup>1</sup> which stated that the general policy in regard to salaries should be that conditions of remuneration should be adjusted to economic conditions in the country as a whole and to its economic development, and that salaries should be fixed with due consideration for the cost of living and the general economic situation. The resolution covered collective bargaining and adjustment of disputes, minimum wage fixing, protection of wages, labour clauses in public contracts and equal remuneration for equal work. It suggested measures which should be taken by the American States Members of the I.L.O. and measures which should be taken by the I.L.O. It called upon the Organisation to be ready to supply technical assistance on special problems of remuneration of salaried employees, and invited the Office to prepare and publish a detailed study of salary and wage regulation in Latin American countries, to be supplemented at a later stage by a study of the application and effects of provisions in force as information from Government sources became available. The Conference recognised that it would be premature for it to make detailed recommendations on supplementary compensation for employees (profit sharing, dismissal compensation, bonuses, family allowances, etc.). As a result of its recommendation, however, the Governing Body has authorised the I.L.O. to undertake further investigations into the question of supplementary compensation for salaried employees. A report on wage regulation in Latin American countries is also in process of publication.

<sup>1</sup> For the text of this resolution, see *Official Bulletin*, Vol. XXXV, No. 1, 20 June 1952, pp. 25-30.

The question of wage policy in Asian countries has been included in the agenda of the Asian Regional Conference to be held in Japan in September 1953. It is expected that particular attention will be devoted at this Conference to wage protection and to minimum wage regulation. The Asian Advisory Committee had already examined the subject of wage policy in Asia and made recommendations which will be taken into account in the discussion of the Asian Regional Conference. The Committee will consider at its next meeting the question of fair wages in the construction industry in Asia.

Various of the Industrial Committees have considered wage problems in respect of their particular industries. The Chemical Industries Committee, at its Third Session, in September 1952, examined in connection with its discussion on hours of work the question of rates for shift work and overtime. The Petroleum Committee, at its Fourth Session, in October 1952, made recommendations on principles and methods used in determining wages in the petroleum industry. The question of regulation of wages on plantations is to be considered at the Second Session of the Plantations Committee. In accordance with a resolution adopted by the Advisory Committee on Salaried Employees and Professional Workers at its Second Session (Geneva, February-March 1952), the Office is to make a study on methods and principles of wage determination for salaried employees.

The Governments of Burma and Guatemala have been given technical assistance in the establishment of suitable wage-fixing machinery. General survey missions such as those which went to Pakistan, El Salvador and Thailand also made recommendations on wage questions.

Work is continuing on a study of general problems in connection with the guaranteed wage, particularly those concerned with the relationship between guaranteed wage schemes and unemployment insurance, the types of schemes which are applied in various countries, and experience gained in the working of these schemes. The guaranteed wage in the textiles industry was considered at the Fourth Session of the Textiles Committee in February 1953, which adopted a Memorandum on the subject; the question of methods of facilitating the progressive application in the construction industry of the principle of a guaranteed wage, including methods of eliminating temporary stoppages or fluctuations in plant operations and in employment, has been included on the agenda of the forthcoming

session of the Building, Civil Engineering and Public Works Committee. A study on the application of a guaranteed minimum income for metal trades workers and practical means of ensuring higher and more stable earnings for metal trades workers is also to be undertaken by the I.L.O.

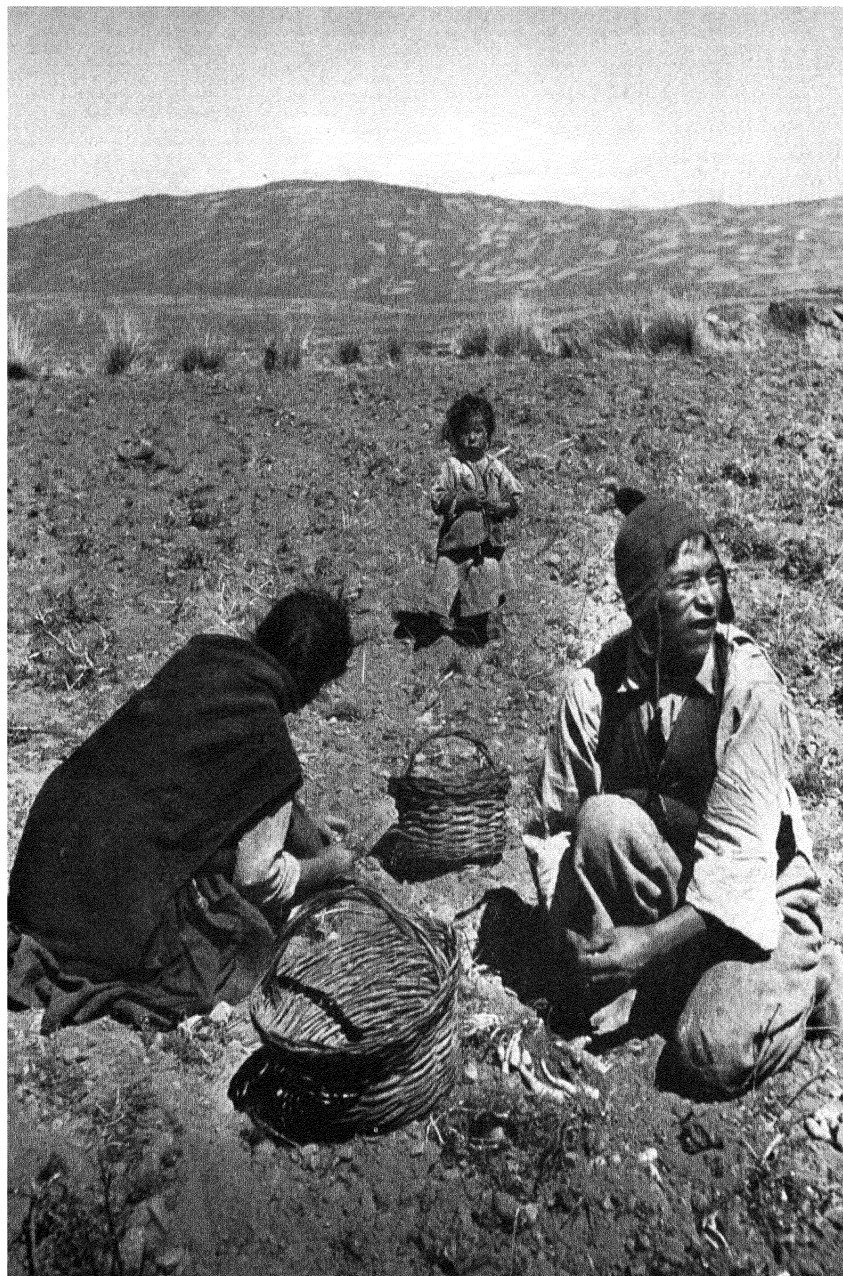
### INDUSTRIAL RELATIONS

Emphasis has been given to the importance of labour-management co-operation as a condition for raising productivity, and to the possibilities of personnel management in this connection. The I.L.O. has given increasing attention to problems of human relations in industry in recent years. The Metal Trades Committee, at its meeting of April-May 1952, considered human relations in metal-working plants and pointed out the relationship existing between the well-being of the workers, the interest of the consumers and the prosperity of the undertakings derived from an improvement in human relations. In addition to recommending a series of points for the guidance of employers and workers in applying the principles of human relations, the Metal Trades Committee, aware of the larger implications of improved human relations not only in metal-working plants but in a wide range of industries closely associated with the metal trades, proposed that the Governing Body should consider bringing the subject of human relations in industry generally before an early session of the International Labour Conference. The Iron and Steel Committee, at its meeting of May 1952, recommended that the subject of human relations in the iron and steel industries be brought before the next session of the Committee. The Petroleum Committee also requested that the question of human relations in the petroleum industry be brought before it at a future session.

Technical assistance is being given to some countries on industrial relations problems. Missions to Burma and Pakistan, for example, are advising on various industrial relations questions.

### WELFARE FACILITIES AND SOCIAL SERVICES

Welfare facilities and social services, particularly when furnished by industrial undertakings as benefits to workers supplementary to wages, directly affect industrial relations. The problems of furnishing such services are particularly



An exploratory mission has drawn up plans for 35 experts from the ILO and other international agencies to help to raise the living standards of the Indian people in the Andean High Plateau. To help farmers like these, it has recommended the organisation of agricultural co-operatives



important in the underdeveloped areas where normal facilities may be poor or where industries are established in isolated centres. In approaching this question, care has been taken by the I.L.O. to distinguish between the problems and needs of areas in different stages of development. A number of Industrial Committees have examined welfare and social service facilities in their industries.

The Iron and Steel Committee (May 1952) expressed the view that welfare services in the industry play an important part in improving human and industrial relations and may also have a favourable effect on productivity and thereby benefit employers, workers and consumers. The Committee pointed to the need for adequate minimum legislative standards for welfare amenities within the works (washing facilities, cloak-room accommodation, canteens and works' medical services) and suggested that improvements over and above this minimum are the responsibility of management and should be effected in consultation with the workers concerned. It further dealt with the provision by the industry of facilities for general education in countries where education facilities normally provided by the competent national or local authorities have not been highly developed ; provision of housing for workers where there are insufficient houses to meet the needs of the community ; and recreation facilities and supply schemes for workers.

The Petroleum Committee (October 1952) also dealt with social services. The fact that the petroleum industry is often the only industry of importance in an area where community facilities are lacking or are inadequate for petroleum workers and their families makes the problem of social services of particular interest to this industry. The Committee recognised that the problem was very different according as producing and refining operations in a country are carried on in developed areas or underdeveloped areas respectively. Bearing in mind this distinction, the Committee made recommendations bearing upon canteens and meals, supply schemes for workers and their families, hygienic amenities, transport facilities, cultural and recreational amenities, the administration of social services, co-operative societies and the absorption into the normal life of the community at the earliest opportunity of social services provided by petroleum companies.

Problems of welfare facilities will continue to receive the attention of the I.L.O. The subject of social services on planta-

tions is on the agenda of the next meeting of the Plantations Committee. Social welfare facilities and services for coal miners will be before the Coal Mines Committee ; and the question of welfare facilities for dock workers is to come before the Inland Transport Committee. The Building, Civil Engineering and Public Works Committee will examine the results of I.L.O. on-the-spot investigations into welfare conditions of constructional workers in underdeveloped areas.

### HOUSING

The question of workers' housing arises directly in connection with workers' welfare provisions, particularly as suggested above, in less developed areas. It also has many other aspects in which the I.L.O. must take an interest. Shortage of housing is unquestionably one of the major social problems affecting workers in many of the more industrialised countries, and this shortage affects productivity ; for example, by limiting the mobility of workers. Moreover, there are labour problems to be solved in increasing existing housing facilities : the raising of labour productivity in the construction industry, and settlement of the special problems of conditions of employment in that industry, for instance. I.L.O. action in regard to productivity in the construction industry has been mentioned above. The question of workers' housing in Asian countries is on the agenda of the I.L.O. Asian Regional Conference to be held in Japan in September 1953 ; special attention is being given in the preparatory work to administrative and financial measures which workers, employers and Governments may take to improve housing accommodation. The I.L.O. also prepared a survey of building research and experimentation in the Asian region for the information of the U.N.E.S.C.O. Asian Regional Symposium on Scientific Aspects of Tropical Housing held in New Delhi in December 1952. The problem of workers' housing in non-metropolitan territories has also been studied by the I.L.O., with special attention to the responsibility for housing development in such territories and to the possibilities of collaboration between workers, employers and Governments in providing additional housing accommodation. Studies have been made of housing programmes in Latin American countries and of rent control policies. Consideration is being given to the possibilities of I.L.O. technical assistance to underdeveloped

countries in connection with housing, in line with recommendations made by the Asian Advisory Committee and by the Building, Civil Engineering and Public Works Committee.

### OCCUPATIONAL SAFETY AND HEALTH

The I.L.O. has for long worked to improve health and safety conditions of workers as an essential aspect of its efforts towards the achievement of better working conditions. The emphasis laid on the need to raise productivity has also attracted attention to the great economic losses resulting from inadequate safety precautions and health measures. The main work of the I.L.O. in this field has been connected with the consideration by the Conference of protection of the health of workers in places of employment ; with the prevention, diagnosis and treatment of pneumoconiosis ; co-operation with W.H.O. on occupational health problems ; studying safety and health problems of particular industries ; providing technical assistance to Governments ; and acting as a centre for the collection and diffusion of information.

The Conference has before it separately reports which give evidence of the work done in connection with protection of the health of workers at places of employment and there is no need to elaborate the question here.

The most important development in regard to our work on pneumoconiosis was the holding of a meeting of experts on the prevention and suppression of dust in mining, tunnelling and quarrying, which met in Geneva in December 1952. This meeting made a detailed series of over 100 recommendations on dust prevention and suppression. It attached importance to the exchange of information and experience on this question and expressed the hope that the I.L.O. would act as a centre for such exchange. In addition, a technical study of dust problems in foundry operations has been made and the I.L.O. has distributed to Governments a note on the problem of health risks due to dust in handling of grain cargoes. Work on an international classification of radiographs in certain pneumoconiosis cases is proceeding.

In October 1952, the joint I.L.O.-W.H.O. Committee on Occupational Health met and discussed workers' nutrition, control of communicable diseases, health of women and children, mental health, environmental sanitation, health education,

notification of occupational diseases, and the organisation of health services for large and small undertakings and for agricultural workers, and laid down guiding principles in regard to these, with special attention to methods of co-operation between public health and industrial health departments and services and of implementation of existing industrial health legislation and standards. Co-operation with W.H.O. is particularly important in view of the modern trend in occupational health, which is to concentrate upon protection of the total health of the worker at and outside his workplace and not, as previously, on specific occupational risks.

A revision of the study on safety in coal mines has been partially completed; the first volume, dealing with accident statistics, inspection and safety activities generally, is being published. A second volume will include detailed analysis of safety and health regulations relating to underground work. The revision has been carried out in consultation with the mining administrations of the countries concerned. A report is being prepared on railway coupling operations, based upon numerous visits to railway yards in France, Italy and Switzerland. The I.L.O. is continuing its work on the transport of dangerous substances, a matter which has been discussed by the Inland Transport and Chemical Industries Committees. The Chemical Industries Committee, considering that it would be useful to have a limited number of internationally recognised symbols representative of the serious risks involved in the handling of dangerous substances, called upon the I.L.O. to continue its efforts with a view to achieving the adoption, for use in international trade, of five symbols characteristic of the chief types of danger associated with the handling of dangerous substances, and to prepare a list of dangerous substances for which such symbols should be employed. Another study relates to statistics of occupational accidents due to electricity. A report has been prepared on law and practice relating to safety of dockers in connection with the proposals made by the International Transport Workers' Federation and by various Governments for revision of the Convention concerning the protection against accidents of workers employed in loading or unloading ships (revised 1932).

The I.L.O. has co-operated with other organisations in regard to certain specific safety and health activities. It has undertaken a study of safety at level crossings at the request of the Economic

Commission for Europe, and has co-operated with the Economic Commission for Europe in regard to physical requirements to be met by drivers of motor vehicles. It has collaborated with the International Organisation for Standardisation in the standardisation of colours and symbols for identifying pipes conveying fluids. The I.L.O. also co-operated in the organisation of a European Seminar on Occupational Health sponsored by W.H.O. and held in Leyden in December 1952. A study on the health conditions of workers in mines in India and in Bolivia and Peru has been made with a view to ascertaining the extent of the safety and health problems in these mines. Other studies concluded or in progress relate to safety and health questions in agriculture, the building, textile, chemical, sugar, petroleum and iron and steel industries and inland transport. Studies on industrial nutrition in Latin American countries and on toxic hazards of pesticides are being made in conjunction with F.A.O. and W.H.O. A survey of industrial safety and health research facilities in several countries has been undertaken.

The I.L.O. has undertaken a considerable number of technical assistance projects on health and safety questions. An expert is being sent to Indonesia to advise the labour inspectorate on the organisation of services and the establishment of regulations and standards in connection with the protection of the health and safety of workers ; he will also organise training courses for labour inspectors and give advice regarding rehabilitation in connection with workmen's compensation cases. The Indonesian Government has also requested assistance in the drafting of legislation concerning safety in the installation and operation of steam plant and electrical equipment, and the training of safety inspectors. An expert is being sent to Burma to advise on social welfare, including occupational health conditions ; and fellowships have been granted to Burma for purposes of study in connection with the preparation of industrial safety and labour protection legislation. A general survey of labour conditions in Pakistan gives particular attention to a number of aspects of occupational safety and health, including the law and practice relating to the protection of workers, inspection services, specific measures for the promotion of safety and health, the training of an inspection staff, etc. Guatemala is being assisted in regard to the improvement of safety and hygiene conditions in industry, with special reference to railway and textile operations.

The I.L.O. has continued its informational activities in the field of safety and health, in particular the publication of the journal *Occupational Safety and Health*. A new edition of the *Catalogue of Occupational Safety and Health Films* was published in December 1952.

#### SOCIAL SECURITY

During recent years the I.L.O. has been engaged in preparatory work on the Social Security (Minimum Standards) Convention adopted by the Conference last year. At the same time, as was pointed out in previous Reports, at the request of some Governments assistance was being given in the establishment and operation of national social security schemes. With the completion of work on the Convention, even greater importance may now be accorded to advisory assistance. Such assistance is strengthened by consideration of the special problems affecting the development of social security in the different regions. During the year under review the Fifth Regional Conference of American States Members of the I.L.O. examined the question of social security (achievements and future policy), and made a number of recommendations bearing on the particular problems of Latin American countries in this field. The Conference requested that the Governing Body of the I.L.O. should consider the most appropriate procedure to facilitate the conclusion of a special agreement for social security protection for workers migrating between American countries. It further requested the I.L.O. to organise training courses for officials of social security institutions and the exchange of officials of social security institutions in American countries, and to assist these institutions in drawing up programmes for staff training. Another resolution dealt with the investment of funds of social security institutions for purposes of social and economic utility, such as the financing of workers' housing. A further resolution recommended extension of social security medical services, or other appropriate methods, to intensify measures of disease prevention.<sup>1</sup> The proposals concerning training of staff of social security institutions were advanced a stage further at the Social Security Seminar convened by the I.L.O. under the Expanded Programme of Technical

<sup>1</sup> For the text of these resolutions, see *Official Bulletin*, Vol. XXXV, No. 1, 20 June 1952.

Assistance in Rio de Janeiro in September and October 1952, at the invitation of the Government of Brazil. This was the third such seminar sponsored by the I.L.O. in Latin America, the previous two having been held in San José and in Lima during 1951.<sup>1</sup> The Rio Seminar was concerned exclusively with administrative problems, including the registration and identification of insured persons under social security schemes, the registration of employers, collection of contributions, maintenance of registers of insured persons and verification of the fulfilment of general conditions giving entitlement to benefit. The I.L.O. has, meanwhile, continued to assist in the technical work of the Permanent Inter-American Committee on Social Security, and has co-operated in the preparation for this organisation of a general survey of social security and its problems in the Americas, a study of social security terminology, a supplement to the handbook of social security institutions published in 1950, and a report on methods of collecting social security contributions in the Americas. The Fourth Inter-American Conference on Social Security held in Mexico City in March and April 1952, and attended by delegates from the 22 American countries, made recommendations on the extension of social security to agricultural workers, general family benefits, medical and pharmaceutical problems of social security, and social security terminology.

In addition to these activities at the regional level, the I.L.O. has given technical assistance on social security questions to several Latin American countries during 1952. A mission to Panama covered the organisation of services provided by hospitals and dispensaries belonging to the Social Security Fund ; advice on actuarial and administrative problems is being given to the social security institution of Paraguay and advice on plans and financial estimates for a new social security scheme for salaried employees, as well as on premium rates for accident insurance, was supplied to the Government of Peru. An actuary has been sent to assist the Dominican Republic and further assistance on social security questions is also to be furnished to Guatemala and Venezuela. The I.L.O. also nominated the social security expert who formed part of the general technical assistance mission sent by the United Nations to Bolivia.

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<sup>1</sup> See International Labour Conference, 35th Session : *Report of the Director-General, op. cit.*, pp. 60-61.

Countries in Asia and the Middle East have likewise been given technical assistance. In Burma, a mission has studied social security needs and helped to prepare recommendations for the introduction of social security measures. The Government of India has been advised on administrative organisation, staff training and organisation of medical services in connection with the new employees' State insurance scheme. In Indonesia and in Pakistan, missions have studied the problems of introducing social security schemes. Iran has been given actuarial and statistical advice in connection with the implementation of laws extending social insurance and workmen's compensation. An expert is investigating the needs and possibilities for social security in Iraq, and will make recommendations concerning the introduction of such measures. A mission to Libya is studying the adaptation and extension of the Italian social insurance legislation which had previously been in force in that country. The I.L.O. has also assisted in the work of a social welfare seminar sponsored jointly by the United Nations and the Arab League, and held in Damascus in December 1952, which was concerned with the organisation and implementation of social assistance in Arab countries.

The I.L.O. has continued its support of the International Social Security Association which, during the year, held several meetings of experts to consider problems relating to social medicine, mutual benefit societies, the evaluation of invalidity and family allowances. The subject of relations between doctors and social insurance institutions was discussed at a meeting held jointly by the I.S.S.A. and the World Medical Association. The I.S.S.A. has published a study on social security of independent workers. The Association has assisted the I.L.O. in arranging for the obtaining of the services of several experts for I.L.O. technical assistance work.

Co-operation with the Council of Europe on social security questions, to which I referred in previous Reports, has been continued during the year and, as pointed out above, the European Coal and Steel Community has also been assisted in this field. The five Governments which were a party to the agreement concerning social security of Rhine boatmen, adopted in 1950, have now ratified the agreement; in anticipation of its coming into force on 1 June 1953, the I.L.O. has been requested to prepare draft administrative arrangements for its application.

As a basis for its work in this field, the I.L.O. has continued to assemble information on social security developments throughout the world, and to produce studies on social security problems ; for example, a study has been made of the cost of social security measures in 24 countries which are Members of the I.L.O.<sup>1</sup> Studies have been carried out on social security problems of plantation workers, on pension schemes for miners, and on social security rights of workers migrating from one country to another ; and further studies are planned on unemployment insurance and on techniques for improving social security administration.

### FULL EMPLOYMENT

Apart from the close attention given to the vast problem of underemployment in underdeveloped countries, concern for the full use of manpower resources has in the past year continued to centre on certain areas (*e.g.*, Italy), where chronic unemployment prevails and where efforts are being made to alleviate the situation by encouraging international migration, and on the pockets of unemployment in particular industries such as textiles. Under present conditions, the maintenance of full employment is not considered as a primary problem for the industrialised countries generally, but the I.L.O. continues, of course, to study the situation as regards full employment, and to present its views on it to the Economic and Social Council. Moreover, attention has been directed to the problems which might develop should an economic recession occur. Thus, the Iron and Steel Committee (May 1952), noting that the iron and steel producing capacity is at present being rapidly expanded in a number of countries, requested the I.L.O. to prepare a study on the problem of maintaining a high and stable level of employment in the iron and steel industry in the event of any recession in the present high level of demand for iron and steel, and to bring the matter to the attention of the United Nations. The Metal Trades Committee (April-May 1952), also called upon the I.L.O. to continue its study of the regularisation of production and employment in the metal trades, and the Textiles Committee referred to unemployment problems in its discussion on the guaranteed wage.

<sup>1</sup> See *International Labour Review* : "The Cost of Social Security", *loc. cit.*

## UNDEREMPLOYMENT

In my last Report I indicated that the Asian Advisory Committee in November 1951 had drawn attention to the need for enquiries and surveys in Asian countries on underemployment, to lead to proposals for practical remedial measures.<sup>1</sup> At its session in November 1952 the Asian Advisory Committee took up the matter again with regard particularly to the broad problem of rural over-population in Asia. The Committee concluded that first, as an immediate objective, the conditions of living of the poorest sections of the agricultural population had to be improved, and that land reform would seem to be the most effective instrument of social policy to achieve this objective. The next objective was to raise agricultural output and income per head of agricultural population as rapidly as possible, by introducing improved techniques of farming. Thirdly, the average size of farms should be enlarged by encouraging the progressive shifting of surplus agricultural labour from existing cultivated land to newly reclaimed land and, more particularly, to industrial employment. Finally, as a long-term objective, it might be necessary to adopt a demographic policy in order to shorten the time lag between the fall in birth rates and the rapid fall in death rates which was expected to occur in the course of economic development. The Committee proposed that the I.L.O., in association with other international organisations concerned, should undertake pilot community projects in selected rural areas, designed to demonstrate ways in which levels of employment and income could be raised by making fuller and more effective use of local resources, and by introducing, particularly in agriculture and handicrafts, such improvements in organisation and production techniques as could be carried out with the limited capital available. The Asian Advisory Committee proposes to continue its enquiries with an examination of seasonal fluctuations in agricultural and allied employment in Asia, and of handicraft and small-scale industries, and their importance for combating underemployment in Asia.

The problem of land reform, it will be recalled, was brought before all the international organisations concerned by the Economic and Social Council, and, in response, the Governing Body indicated the I.L.O.'s concern with the problem and its desire to collaborate with the United Nations, F.A.O. and other

<sup>1</sup> *Op. cit.*, p. 89.

interested organisations in working out a programme of international action for its solution. The Governing Body also brought the matter to the attention of the I.L.O. meetings dealing with matters which might have a bearing upon land reform. The Fifth Conference of American States Members of the I.L.O. drew the attention of Governments to the importance of efficient use of land resources as a paramount factor in economic development, and to land reform as a positive means of providing security of employment, of checking rural exodus, of increasing productivity and real incomes, and of raising standards of living in the countryside. The Conference noted that many important aspects of the problem of land reform fall within the purview of the I.L.O., and expressed the wish that the I.L.O. should make a full contribution to the co-operative action undertaken by the United Nations and the specialised agencies, and be prepared to furnish the necessary assistance that may be required by the Governments in this and related fields. The Permanent Agricultural Committee, recently reconstituted by the Governing Body, will have before it, at its forthcoming session (May 1953), the question of the participation of the I.L.O. in international action on land reform. Meanwhile, in accordance with the desire of the Governing Body, the I.L.O. has participated in a working group on land reform, including representatives of the United Nations, F.A.O. and U.N.E.S.C.O., which is elaborating a programme of action.

#### CO-OPERATION AND HANDICRAFTS

Recognition of the value of cottage industries and co-operative organisation as means of increasing production and raising average incomes in agriculturally overpopulated areas, thus contributing substantially to a solution of the problem of underemployment, has lent great importance to I.L.O. activities in these fields. Technical assistance is the most appropriate direct method of action for the I.L.O. in this regard, and co-operatives and handicrafts continue to hold an important place in I.L.O. technical assistance work. The I.L.O. also, of course, continues to act as a world centre of information on the co-operative movement, and to study various problems of co-operative organisation.

The direct operational approach has been advanced in Asia with the establishment at Lahore, Pakistan, of the Asian Field

Mission on Co-operation. This field mission consists of experts on the principal types of co-operatives, and a specialist on co-operative education ; one expert on agricultural co-operatives will be appointed by F.A.O. Its principal task is to train officials of co-operation departments and leaders of the co-operative movement, to assist Asian Governments which wish to carry out programmes of basic education in co-operation, and to act as a regional study and information centre on co-operative questions. Fellowships may be granted to the most promising students at the centre to enable them to perfect their training in other countries.

An example of the type of assistance given by the I.L.O. in this field is afforded by the I.L.O. mission in Burma. This mission is to advise the Government on its plan for the development of co-operatives. It consists of four experts, one of whom was appointed by the United Nations. In making proposals for practical implementation of the Government's plan, the experts have helped to develop industrial co-operatives and a national supply centre for co-operatives. They have taken steps to promote co-operative education ; two seminars have been held ; a manual on co-operation for use in educational institutions has been prepared (this manual will be translated into Burmese and illustrated by a local artist); and a study tour for eight officials of the Department of Co-operation has been carried out.

In Haiti, I.L.O. assistance on handicrafts has taken the form of practical demonstrations in the use of sisal fibre, palm leaves and coconuts and their products, in tannery and other leather work, and in ceramics and pottery. The results obtained by these demonstrations have proved satisfactory ; an exhibition of handicrafts production by students was held in Port-au-Prince, and showed, for the first time in Haiti, that leather of a quality corresponding to the needs of other processing industries could be obtained with the use of Haitian resources alone.

I.L.O. experts on handicrafts have continued to participate in the work of the U.N.E.S.C.O. Fundamental Education Centre for Latin America at Pátzcuaro, Mexico. They are training instructors who in turn will train handicrafts workers. The I.L.O. is also co-operating in the work of the U.N.E.S.C.O. Fundamental Education Centre in Ceylon, through an expert on handicrafts attached to the centre who has conducted practical courses in handicrafts training. He has assisted in setting up handicrafts co-operatives designed to help handicrafts

workers to overcome certain of their economic problems, such as the obtaining of raw materials and the marketing of finished products. He also helped to set up a co-operative credit bank to give financial assistance to certain primary producers. Following a study on handicrafts carried out by the I.L.O. in Iraq, it is proposed to send an expert on industrial co-operatives, who would form part of a U.N.E.S.C.O. mission on the establishment of farmers on the Dujaila land settlement project. These are several examples drawn from a number of technical assistance projects in this field.

In fulfilling its function as a centre of information on co-operation and handicrafts questions, the I.L.O. has produced a manual entitled *Introduction to Co-operative Practice*, designed to help people concerned in the establishment or management of co-operatives; another manual, entitled *Model Smithies and Carpenters' Shops*, is designed especially for Asian countries. The Fifth Regional Conference of American States Members of the I.L.O. recommended that the I.L.O. should assist in setting up national co-operative councils or committees to review co-operative progress and make recommendations for future action; and that it should give expert assistance on technical and organisational problems of handicrafts and cottage industries. Information is now being sought from Governments on the organisation of the co-operative movement in Latin America; and on the organisation of handicrafts and small-scale industries throughout the world. Work has continued on the new edition of the *Directory of Co-operative Organisations* and on the study on co-operative legislation. The I.L.O. has also replied to enquiries such as the request received from the Japanese Ministry of Labour for information concerning legislation on and the organisation of labour banks and workers' credit banks, and the enquiry concerning a bibliography on co-operatives, and a list of co-operative banks, received from the administration of British Honduras.

## WORKERS IN VARIOUS OCCUPATIONS AND SPECIAL CATEGORIES OF WORKERS

### *Agricultural Labour*

The importance of agricultural problems in the effort to reduce underemployment and to increase production in underdeveloped countries has been pointed out above. The I.L.O.'s

work on agricultural labour problems is an integral part of its action in regard to such general problems as productivity and underemployment. There are, however, certain activities which relate specifically to agriculture and which are best dealt with separately.

The question of the application and supervision of labour legislation in agriculture was before the Fifth Regional Conference of American States Members of the I.L.O. The Conference recognised that the objectives of labour legislation in agriculture cannot be achieved unless complementary action is taken to raise the standard of living of the agricultural population in general. It laid down principles to guide Governments in the development and application of labour legislation in agriculture, and in the supervision of the observance of that legislation, particularly by means of inspection. Its conclusions cover the development of legislation in agriculture and its enforcement ; the qualifications and duties of labour inspectors ; special problems of the protection of children and young workers ; co-operation of workers and employers in determining and implementing social standards, and the creation, where appropriate, of joint boards on a local, regional or national basis ; and technical assistance in the development of labour inspection services and in the setting up of social services for agriculture. The Conference also recommended the adoption of a policy providing financial guarantees or fixing minimum nation-wide prices for agricultural produce by competent bodies, as well as the establishment of voluntary insurance against the hazards inherent in agricultural production, by such methods as the Governments may deem appropriate, suggesting that these questions be dealt with by F.A.O. and the I.L.O. in co-operation. Following this Conference, the I.L.O. participated in a rural welfare seminar for Latin American countries organised under the auspices of the Government of Brazil in January 1953 ; the I.L.O.'s co-operation related particularly to the application of labour legislation to agriculture, the organisation of co-operatives in rural centres, problems of women and young workers in agriculture, and problems of indigenous agricultural workers.

The Permanent Agricultural Committee has now been reconstituted and will meet in May 1953. In addition to the question of land reform referred to above, it will have before it the subjects of vocational training in agriculture and the

employment of children and young persons in agriculture. The I.L.O. prepared, in co-operation with F.A.O., a report for the Economic Commission for Europe on vocational training of forestry workers, for discussion by a pilot committee on logging techniques and training of forestry workers, meeting in Helsinki in February 1953.

### *Maritime Labour*

The Joint Maritime Commission met in its Seventeenth Session in May 1952. The main work of the I.L.O. in regard to maritime labour has centred about questions which came before the Commission: conditions of employment of Asian seafarers, conditions in the short-sea trades of North-West Europe, and fishermen's conditions of work. As a result of the I.L.O.'s investigations into certain aspects of conditions of work of Asian seafarers, it has been decided to convene an Asian Regional Maritime Conference in 1953, which will deal with methods of recruitment and engagement of Asian seafarers and welfare of Asian seafarers in Asian ports, and will review the position as regards ratification of the Maritime Conventions by Asian countries. On the question of conditions in the short-sea trades, a tripartite Subcommittee of the Joint Maritime Commission is to consider in 1953 the need for a regional conference on hours of work and manning in the trades. As regards conditions of work of fishermen, the Joint Maritime Commission called upon the Governing Body, as soon as the views of Governments are known, either to set up a tripartite subcommittee of experts to consider which aspects of the question are ripe for international action, or to take other steps to have the question placed on the agenda of an early session of the International Labour Conference.

Other questions relating to the maritime work of the I.L.O. have also come up during the year. The Governing Body is to give further consideration to the desirability of a further revision of the Wages, Hours of Work and Manning (Sea) Convention (Revised), 1949, as a means of encouraging ratifications; and the Joint Maritime Commission requested the Office to study the question whether all recruitment of seafarers takes place through official or approved employment offices, and to report the results of this study to the Commission at its next session, with a view to consideration of the

desirability of a revision of the Placing of Seamen Convention, 1920. The Joint Maritime Commission also attached great importance to the question of seafarers' welfare in ports, suggesting that the I.L.O. should draw the attention of Governments to the 1936 Recommendation on seamen's welfare, and collect information on the subject. The I.L.O. convened a meeting in September 1952 to consider international minimum standards of accommodation for migrants on board ship, as a result of which there will be further consultation of Governments. The Governing Body has agreed to convene a meeting during 1953 of the Joint I.L.O.-W.H.O. Committee on the Hygiene of Seafarers to consider radio appeals from ships for medical aid, medical chests on board ship, certain aspects of the prevention and treatment of venereal disease, and the examination of seafarers to detect tuberculosis. The Governing Body is also to consider an increase in the membership of the Joint Maritime Commission with a view to certain countries of great maritime importance which have rejoined the Organisation becoming members of the Joint Maritime Commission.

#### *Women Workers*

The problems of women's employment in the textiles industry were considered by the Textiles Committee at its meeting in February 1953, with particular reference to recruitment, the needs of women workers for welfare services, vocational training and promotional opportunities, and equal remuneration for work of equal value. The I.L.O. is studying, with particular emphasis on women's need for vocational training, problems of women's employment in Asian countries, a matter which has been considered by the Asian Advisory Committee. Attention has also been given to vocational training problems of women generally; and a report was prepared on vocational guidance and training, and technical education for women, and communicated to the United Nations Commission on the Status of Women. Further studies on problems of women's access to apprenticeship, part-time employment of women, and the employment of older women workers will be prepared for the Commission. Several I.L.O. technical assistance projects, affecting the Andean region, Pakistan and El Salvador, cover problems of women workers; and the assistance given to India on administration of social insurance covers also maternity insurance.

### *Performers' Rights*

My last Report <sup>1</sup> indicated how the Advisory Committee on Salaried Employees and Professional Workers had examined the draft of a convention on the rights of performers, manufacturers of phonographic records and similar instruments and broadcasting organisations which is under consideration by the International Union for the Protection of Literary and Artistic Works (Berne Union) and which was drawn up by a Mixed Committee of Experts, the I.L.O. delegation to which included tripartite representation of the Governing Body. The Governing Body has under consideration further action by the I.L.O. in this field, including recommendation of the inclusion in the proposed convention of principles to ensure observance of the provisions on performers' rights. It is proposed that a diplomatic conference be convened for the purpose of adopting the proposed convention.

### *Young Workers*

The Technical Meeting on the Protection of Young Workers in relation to their vocational preparation, convened by the I.L.O. in Kandy, Ceylon, in December 1952, has been referred to above, as have the Asian Apprenticeship Institute, the Asian Employment Service Institute, and the Vocational Training Institute planned for 1953, all of which are of importance to the I.L.O.'s work on young workers' problems. The I.L.O. will continue studying the problem of protection of young workers and the relation between the adoption and enforcement of legislation for this purpose and the development of employment opportunities for young persons in Asian countries; and the subject is on the agenda of the forthcoming Asian Regional Conference. As mentioned above, the Permanent Agricultural Committee will consider at its forthcoming meeting the regulation of employment of children and young persons in agriculture. Some technical assistance missions have dealt with the protection of young workers. An expert on labour inspection sent to Iran in 1952 gave particular attention, within the scope of a broader mission, to the problems of enforcing labour legislation concerning child labour, and of the protection of the young worker. An I.L.O. expert forms part of a team of experts

<sup>1</sup> *Op. cit.*, p. 105.

which is working in Burma on social services with a view to initiating, among other things, a co-ordinated long-range programme to meet the needs of children and youth. In Thailand and Burma experts on vocational training are assisting with the organisation of technical schools for boys and girls. Assistance on problems of young workers is also being given to Pakistan and El Salvador.

### *Workers in Non-Metropolitan Areas*

Last year's Report to the Conference describes the work of the Committee of Experts on Social Policy in Non-Metropolitan Territories which met at the end of 1951. A further meeting of this Committee is proposed for late in 1953. Meantime, the Governing Body decided to place on the agenda of the 1954 Session of the International Labour Conference, with a view to the adoption of Recommendations, the questions of migrant workers (underdeveloped countries) and of penal sanctions for breaches of contracts of employment. The activities carried out during the year under review, which represent an interim stage between the last meeting of the Committee of Experts and the 1954 meetings of the Committee and of the General Conference, centred particularly on aspects of productivity in non-metropolitan territories and on workers' housing. Preliminary papers on these subjects were laid before the United Nations Committee on Information from Non-Self-Governing Territories at its meeting in New York in September-October 1952. There is also in course of preparation a collection of the texts of laws and regulations on social and labour questions in African territories which, together with an introductory analysis of law and practice in these territories, will be published on completion. An observer from the I.L.O. attended the Third Session of the Inter-African Labour Conference held under the auspices of the Commission for Technical Co-operation in Africa South of the Sahara, in Bamako, French West Africa, in January and February 1953. This Conference discussed the prevention of accidents and industrial diseases; vocational training, guidance and apprenticeship; methods of initiating the study of means of increasing productivity; the improvement of workers' welfare and medical and social services for workers and their families; and family allowances. Following the Conference, I.L.O. officials undertook a two months' tour

of British, French and Portuguese territories in West Africa, to study labour and social conditions at first hand and to complete the I.L.O.'s documentation on subjects of interest today, with a view to the subsequent publication of a study on labour and social conditions in the region.

### *Indigenous Workers in Independent Countries*

In February 1952 the Technical Assistance Board approved the project on conditions of indigenous populations on the Andean High Plateau to be carried out by the I.L.O., the United Nations, U.N.E.S.C.O., F.A.O. and W.H.O., in co-operation. The first stage of this project has now been completed ; it consisted of a general preliminary survey mission to study previous efforts to integrate the indigenous populations into national economic and social life, so as to see what types of technical assistance would be best adapted to supplement existing national programmes or to develop new programmes, to explore the practical utility of certain pilot projects and to select the best locations for such projects. The mission was composed of experts appointed by the organisations mentioned, together with a representative of the Organization of American States. The United Nations was responsible for the administrative control of the mission and the I.L.O. for its technical direction. After consultations at the headquarters of the I.L.O., the United Nations and the Organization of American States, the mission went first to Mexico and Guatemala, where it studied the work under way in these countries on indigenous problems, and then proceeded to the Andean region, where it held discussions with the Governments of Bolivia, Peru and Ecuador and visited the principal centres of the indigenous population. The report of the mission, which contains recommendations for the second stage of the project, is now before the Technical Assistance Board. The recommendations propose technical assistance activities to reinforce existing or proposed national programmes covering such questions as the development of co-operative organisation for agriculture, stock-raising and handicrafts ; advancement of education and hygiene through co-operatives ; practical training in handicrafts, with examination of the possibilities of partial mechanisation in certain instances ; training of Indian teachers and community leaders ; and the possibilities of land settlement in new areas of the countries

concerned of Indian workers migrating from the High Plateau. It is foreseen that this second stage will take about five years to carry through and may require the services of some 35 experts, a high proportion of whom would be Latin Americans.

The study on indigenous populations in independent countries, mentioned in my last Report, is in course of publication and the study on integration of forest-dwelling indigenous populations into national life should also be completed this year.

#### FREEDOM OF ASSOCIATION

In my last Report I referred to the establishment of the Governing Body Committee on Freedom of Association and described the procedure agreed upon for its work. I also indicated how the 39 cases which had then come before it for preliminary examination had been dealt with. At its March 1953 Session, the Governing Body discussed at some length the question of the effectiveness of the procedure hitherto adopted for the examination of complaints of violations of trade union rights.

The Workers' group of the Governing Body, while giving its support to the reports issued by the Committee up to the present, stated its dissatisfaction with the procedure adopted and urged that changes be made in the manner of considering complaints. In particular the Workers urged that the whole procedure should not be dependent upon the consent of the Government concerned but that there should be provision for international investigation and the securing of evidence from representatives of Governments and from complaints without having to obtain prior consent. The Workers considered that action to strengthen the procedure for the examination of complaints was necessary in order to retain the full confidence of the international free trade union movement that effective measures would be taken to safeguard trade union rights.

An Employers' member stated that there was need to proceed with caution in the work of the Committee, for three reasons. First, the only criteria the Committee had as a guide were contained in the Freedom of Association and Protection of the Right to Organise Convention, 1948, and the Right of Association (Non-Metropolitan Territories) Convention, 1947; the Employers had always maintained that the

I.L.O. had no right to urge a Government to ratify a Convention, and in many cases the Committee's conclusions could not be based upon the texts of Conventions since the Governments concerned had not ratified them ; hence the Committee could be guided only by the general principles of the Conventions and even here it was sometimes in danger of overstepping its rights. Secondly, sometimes it was very difficult to separate trade union questions from questions affecting public order. Thirdly, in some cases the questions raised in the complaints concerned only the right to strike or affected freedom of association only in respect of the right to strike ; and whereas there were international labour Conventions containing principles regarding freedom of association there were no international regulations concerning the right to strike and the Committee was only competent to consider the questions concerning the right to strike in so far as they affected freedom of association.

Other members of the Governing Body expressed the view that, while some consideration of the procedure might be desirable, the Committee on Freedom of Association had in fact already produced demonstrated results involving a definite improvement in the situation of trade unions in a number of countries, and they stressed the desirability of continuing to preserve the unanimity in the Committee's proceedings maintained hitherto. They pointed to the need to proceed with great caution in these matters if real results, beneficial to the people concerned, were to be achieved. One member said that in practice the Committee had sought to carry its examination of cases before it as far as was possible without seeking the express consent of the Government concerned, having regard to the definite possibility of refusal by the Government to a reference of the case to the Fact-Finding and Conciliation Commission ; and that through the observations and advice of the Committee being accepted by a number of Governments, it was in fact helping to establish the principle of freedom of association as a customary rule of international law. Another member emphasised that the root of the problem was to secure the co-operation of Governments without which any procedure would be ineffective and that a number of Governments had co-operated wholeheartedly in the work of the Committee. He argued that the co-operation of Governments could not be secured through injunctions or pronouncements, even though

these might sound extremely impressive, but rather through encouraging those tendencies which might be apparent and which pointed to the possibility of improvements in the situation; the ultimate purpose of the procedure, he said, was not to label a Government right or wrong but to look after the people whose interests were affected, by taking the course of action most likely to improve the position in regard to freedom of association in a country.

Some Government members, while indicating the practical difficulties of quickly supplying full information on vague charges, expressed the desire and willingness of their Governments to co-operate in the work of the Committee.

The Governing Body decided that the Committee should re-examine the questions of procedure raised in this discussion and the matter is therefore still under consideration by the Governing Body.

Members of the Conference will doubtless be interested to know the position in regard to the work of the Committee on the cases before it. In all, 57 cases have been before the Committee for preliminary examination up to March 1953, including both those received directly by the I.L.O. and those forwarded to the I.L.O. by the United Nations. The Committee has unanimously recommended, and the Governing Body unanimously approved, that 45 of the 57 cases so far submitted to it be dismissed as not calling for further examination. The decisions in these cases were reached for reasons stated in the Committee's reports, and subject to the observations there made. The Committee in a number of these cases included recommendations of substantial importance for the consideration of the Governments concerned relating to the situation in law or in fact of the trade union movement in the countries concerned.

In one case, which relates to Bolivia, the Committee, in view of the special arrangements for technical co-operation in force between the Bolivian Government and the United Nations and the specialised agencies, made certain suggestions for consideration by the Bolivian Government. In another case, relating to Venezuela, the Committee noted there had been improvements in the trade union situation since the original complaint was laid, and made a number of observations for consideration by the Government. A similar procedure was adopted in a case concerning the Dominican Republic, in which the Committee

made certain observations for the Government's consideration regarding in particular the application in practice of the principle of freedom of association. Finally, in the case of a complaint submitted by the International Confederation of Free Trade Unions concerning Czechoslovakia, regarding which the Czechoslovak Government has not replied to communications from the Director-General, the Committee recommended that the case should receive further consideration by the Governing Body. The Governing Body decided to ask the Czechoslovak Government to grant its acceptance to referral of the case to the Fact-Finding and Conciliation Commission.

As pointed out above, the Committee has on several occasions, even though considering that a complaint did not call for further examination, nevertheless drawn the attention of Governments, through the Governing Body, to certain aspects of the situation in law or in fact of occupational associations in a given country. It would appear from information that has since come to the knowledge of the Committee that several Governments have spontaneously given effect, or have expressed the intention of giving effect, to recommendations contained in the Committee's reports. The Committee noted such information regarding improvements of the trade union situation in Bolivia, Peru, India, Chile and Greece. The Committee concluded that, even though it may not be possible to establish a direct relationship of cause and effect in every case between the recommendations of the Committee and the measures taken by the Governments of these countries, it would appear from the information received that the recommendations of the Committee on Freedom of Association have not been without effect on the evolution of the trade union situation in a fairly considerable number of countries.

#### PROGRESS OF INTERNATIONAL LABOUR LEGISLATION

During the year 1952, 102 ratifications were registered by the International Labour Office, bringing the total number to 1,346. This represents the largest yearly figure in the history of the Organisation, the previous highest yearly total being 87, in 1933. It is also significant that no less than 22 countries, *i.e.*, one-third of the States Members, have contributed to this result : 27 ratifications were received from Italy, 13 from Guatemala, 11 from Cuba, six each from Greece and Portugal,

four each from Belgium, Haiti, the Netherlands and Yugoslavia, three each from Ceylon and Mexico, two each from France, Iceland, Ireland, New Zealand, Pakistan and Turkey and one each from Brazil, Norway, Switzerland, the Union of South Africa and the United Kingdom. Again, the fact that countries from every region of the globe figure in this list provides clear evidence of the truly universal character of the international standards to which these States have thus solemnly subscribed.

The marked advance in ratifications has led to a substantial increase in the number of Conventions in force. No less than six additional texts will become internationally binding instruments before the end of 1953, namely: the Certification of Ships' Cooks Convention, 1946; Right of Association (Non-Metropolitan Territories) Convention, 1947; Contracts of Employment (Indigenous Workers) Convention, 1947; Accommodation of Crews (Revised) Convention, 1949; Minimum Wage-Fixing Machinery (Agriculture) Convention, 1951; and Equal Remuneration Convention, 1951.

The subjects dealt with in these texts illustrate the steadily expanding scope of the International Labour Code. Two of the Conventions form part of the "Seafarers' Charter", adopted in 1946 and partially revised in 1949; they required ratification by at least nine and seven countries respectively, including several with more than one million gross registered tons of shipping, before they could come into force. Two others are part of the group of five Conventions which the Conference adopted in 1947 following a thorough examination of labour standards especially appropriate for non-metropolitan territories. Finally, it is noteworthy that the last two mentioned of those Conventions have secured the requisite number of ratifications to bring them into force, within two years of their adoption by the Conference.

While the total number of post-war Conventions in force, now 20, coupled with the more satisfactory record of ratifications, provide encouraging evidence that the many pressing problems of the day have not prevented Governments from giving increased attention and wider effect to the legislative work of the Conference, the achievements of the past year should not lead to any relaxation of our efforts in this field, but should rather serve as a yardstick for the accomplishment of further tasks which lie ahead.

The close interdependence between the legislative and the operational activities of the Organisation, to which I referred at the beginning of this chapter, is implicitly recognised in the warning, so often heard in the Conference, that a ratification which is not followed by scrupulous application is bound to reflect unfavourably upon the work of the I.L.O.

Technical assistance by the I.L.O. may be a useful instrument to promote wide ratification and application of Conventions: it may help a country to develop the services and social measures which would allow that country subsequently to ratify a Convention, it may help in the drawing up of legislation to give effect to the provisions of a Convention, and it may help to promote measures for the practical implementation of a Convention.

Adequate national administrative machinery to deal with labour and social problems is essential if technical assistance is to produce lasting results and if ratified Conventions are to be applied so as to benefit the population. Thus the discussion on the organisation and working of national Labour Departments which is scheduled to take place at the present session of the Conference assumes added importance not only from the national but also from the international point of view. It is to be hoped therefore that the exchange of views which will take place on that subject will contribute to a wider measure of acceptance and implementation of international labour standards in the Member States and will thus increase materially the practical usefulness of these standards to the countries concerned.

#### PUBLICATIONS

Extensive changes are gradually being made in the whole programme of publications of the I.L.O. During the post-war years it was found that the publication of documents connected with meetings—reports and records prepared for or resulting from the General Conference, the regional Conferences, the Industrial Committees and various technical Conferences—were absorbing such a large proportion of the resources available that very little could be done to carry out the constitutional function of the International Labour Office as a research and information centre. Very few studies were being published, and it was difficult even to keep up the basic periodicals—the *International Labour Review* and *Industry and Labour*.

Since almost everything published by the I.L.O. appears in three languages, any considerable expansion of the total programme would have serious budgetary repercussions in terms of staff as well as of printing credits. The only alternative, if the publications other than those of a formal or procedural character were not to be abandoned altogether, was a rather drastic curtailment of publishing activity connected with the various meetings.

The principal reports prepared for the General Conference, as well as the Conference Record, must clearly continue to be printed and published because of their universal scope and importance, but after careful study of the problems involved it was found possible to reduce their volume appreciably by eliminating repetitions and simplifying the presentation. As a result of these changes the reports submitted to the Conference at its present session are noticeably less bulky than was the case in the past. Nothing of substance has been sacrificed, however, and the effect of the simplification is to make the reports easier to handle and better adapted to their purpose.

As regards other meetings—those confined to a particular region or industry or of a preparatory character—it was felt that the resources hitherto devoted to the publication of printed reports might with advantage be used to issue studies of more permanent value and of interest to a wider circle of readers. It was therefore decided to discontinue the publication of documents of Industrial Committees and technical Conferences, and those of regional Conferences with the exception of the Director-General's Reports and a record in one language.

These decisions, taken about a year ago, have made possible an increase in the output of publications of broader scope. Among the volumes issued during the last 12 months are an international study on *Textile Wages*, which has been favourably reviewed in different countries, *An Introduction to Co-operative Practice*, of which several thousand copies have been purchased by U.N.E.S.C.O. to be used for educational purposes, a very detailed illustrated description of the British employment service published under the title *National Employment Services: Great Britain* as one of a series covering a number of countries and intended for practical use in the field of technical assistance, and the first volume of *Safety in Coal Mines*, a comprehensive survey of the incidence and causes of underground accidents and the law and practice relating to safety

in some of the principal coal-producing countries. An exhaustive study of the living and working conditions of indigenous populations in independent countries is in course of publication.

At the same time an effort is being made to improve the periodicals. Changes have been made in the presentation of the *International Labour Review*, and more articles of general interest are being published in it so as to make it once more a medium for the international exchange of ideas and information rather than an internal organ devoted to activities of the I.L.O.

Both the *Review* and *Industry and Labour* have been affected in recent years by the great increase in the number of meetings held and the growth of other forms of activity—particularly operational work—within the I.L.O. The effect was twofold—a reduction in the amount of time which could be devoted to the preparation of articles and an increase in the proportion of space which had to be allotted to reports of meetings and other aspects of the Organisation's work. The problem of the *Review* has been solved in part by arranging for more articles by outside contributors. This solution can hardly be applied to *Industry and Labour*, which is essentially a digest of information received directly by the Office. The question is being studied, and it is hoped that ways and means can be found of maintaining this periodical, which is highly appreciated in many quarters.

It is gratifying to note that the receipts from the sale of publications in 1952 were the highest ever recorded.

#### FINANCING THE WORK OF THE ORGANISATION

I do not propose to deal in detail in the present Report with questions relating to the financing of the activities of the Organisation, as these questions are dealt with at length in the report submitted to the Conference on *Financial and Budgetary Questions* (Report II).

That report has a close connection with this chapter of the present Report, in which the activities of the I.L.O. are described. Financial questions are indissolubly linked with the programme of work of the Organisation. The budget must necessarily be considered in the light of the activities which it is intended to finance. Conversely, the future programme of work must necessarily be considered in the light of the financial resources which can be made available for its implementation.

It is in virtue of this close connection between activities and financial resources that, on the one hand, the Report on *Financial and Budgetary Questions* includes an annex containing for purposes of information a summary of the estimates presented on project budget lines, with an indication of the main activities of the Organisation projected for 1954, together with estimated workloads of the Divisions and Services of the Office contributing to the effectuation of each of the projects listed and, on the other hand, the present Report contains a brief summary of the financial situation of the Organisation, the budgetary proposals for 1954, action to encourage the payment of contributions and the financial aspects of I.L.O. participation in the Expanded Programme of Technical Assistance.

#### *Financial Operations in 1952*

In 1952, as in previous years, the activities of the I.L.O. were financed within the limits both of the budgetary appropriations and of the cash receipts available. The gross budget amounted to \$6,549,639. We received as income slightly more than this, namely, \$6,586,784.78, and we spent \$6,389,538.92. The working of the Organisation in 1952 therefore left us at the end of the year with a cash balance of \$197,245.86.

In the course of the year, two special programmes for which extra-budgetary financial resources were available were successfully completed.

First, under the Special Migration Programme, funds amounting to approximately one million dollars were accepted in 1950 by the Governing Body from a number of States Members of the I.L.O. who are Members of the Organisation for European Economic Co-operation, to enable the I.L.O. to undertake an expanded programme of international action to facilitate European emigration. The programme was completed on 30 June 1952; expenditure on each of the 21 projects composing the programme was kept within the limits of the credits authorised for each project.

Secondly, under the arrangements approved in 1950 by the Governing Body and the Conference, a loan of 2¼ million Swiss francs was made available by the Genevese authorities for the construction of an extension to the I.L.O. building at Geneva. The extension was completed in 1952; expenditure was kept within the limits of the financial resources available.

*Budget Estimates for 1954*

The consideration by the Conference of the budget estimates is one of the most essential stages in the provision by the States Members of the Organisation of the resources necessary to enable the Organisation to fulfil the tasks laid upon it by the Conference and the Governing Body.

The net expenditure estimates for 1954 proposed to the Conference by the Governing Body amount to \$6,311,170, compared with the net expenditure budget for 1953 of \$6,223,368, and the gross expenditure budget estimates for 1954 amount to \$6,556,887, compared with the gross expenditure budget for 1953 of \$6,469,085. The estimates for 1954 therefore show an increase of \$87,802 over the budget for 1953.

In preparing the budget proposals, the Governing Body and I myself, as Director-General of the Office, have been very conscious of the need to avoid imposing upon the States Members of the Organisation financial obligations which they would find it unduly difficult to discharge. At the same time, it has become clear that it is no longer possible to carry on the necessary activities of the Organisation without the provision of some increase in its regular financial resources.

I have continued to do everything possible to secure economies, and I will intensify my efforts. In this connection, I have taken an active part in all the steps being taken by the United Nations and the specialised agencies to effect the greatest possible degree of co-ordination of effort and resources including, in particular, the co-ordination of services in Geneva.

In the preparation of the estimates for 1954 and the discussion of them in the Financial and Administrative Committee of the Governing Body and in the Governing Body itself, the fullest account has been taken of the recommendations made by the General Assembly of the United Nations and the Economic and Social Council in favour of the limitation of budgetary expenditure by the elimination or deferment of less urgent projects. The budget estimates for 1954 as recommended by the Governing Body do involve the elimination or deferment of a certain number of projects. In determining the priority to be given to the various projects, account has been taken of the criteria recommended by the Economic and Social Council, namely, urgency, feasibility, scope, time and expenditure essential for preparation and co-ordination, and expected results, and

the projects have been classified in the three groups specified by the Economic and Social Council.

*Action to Encourage the Payment of Contributions*

The Governing Body gave special consideration at its 121st Session (March 1953) to the problem of action to encourage the payment of contributions. The Governing Body noted that, while it was too early to assess fully the results of the resolution adopted by the Conference at its 1952 Session, recommending all States Members to pay their contributions within the year for which they are assessed and as early in the year as their national budgetary procedures permit, certain Governments whose contributions were in the past paid in the closing months of the year or even in the early months of the following year had in 1952 expedited the payment of their contributions. The Governing Body had before it, to facilitate its discussion, a table showing in respect of every year since 1948 (a) the percentage of assessed contributions in respect of the year concerned received in that year, and (b) the percentage of assessed contributions and arrears of contributions combined received in each year. This table showed that in 1952 (a) the position in respect of the collection of assessed contributions within the year of assessment was better than in the previous two years but not so good as in 1948 and 1949, and (b) the position in respect of the collection of current contributions and arrears combined was less good than in 1948 and 1951 but better than in 1949 and 1950 ; the over-all position in 1952 was a good average on the basis of the experience of the Organisation.

The Governing Body also noted that, while the great majority of the States Members pay their contributions regularly and punctually, a minority of States fall into arrears, for reasons which vary. In some cases, delay in paying contributions is due to delay in the adoption of the national budget in which provision for the payment of the contribution is made. In other cases, delay in paying contributions is due to difficulty experienced by the country concerned, after the national budget has been voted, in finding the dollars or Swiss francs required for the payment of the contribution. These difficulties of a budgetary or financial character are undoubtedly real and

serious for many States Members, but the great majority of Members, nevertheless, successfully surmount them and pay their contributions regularly and punctually. This result is only attained in the countries concerned by assigning a sufficiently high priority to the payment of the contribution to the I.L.O.

I should like to express cordial appreciation of the financial support willingly given to the Organisation by the great majority of the Members, and I would urge those Members which are in arrears to make a special effort to pay off their arrears as soon as possible and thus enable the Organisation to face the future with renewed confidence.

### *Expanded Programme of Technical Assistance*

The Report on *Financial and Budgetary Questions* contains information on the financial aspects of the Expanded Programme of Technical Assistance. That information includes details of actual expenditure in 1952 and projected expenditure in 1953 in respect of each project under the Expanded Programme and also the budget proposals relating to I.L.O. participation in the Expanded Programme in 1954. The I.L.O.'s participation in this Programme is developing rapidly, as the following figures illustrate. In the first financial period, which covered 18 months until the end of 1951, our expenditure under the Programme amounted to \$336,000 and in 1952 it amounted to \$1,876,000 ; in 1953 our estimated expenditure is \$2,539,000, and in 1954 it is \$4,646,400.

It is important to remember that the resources made available to the I.L.O. under the Expanded Programme of Technical Assistance enable it to expand and intensify its work in the field of technical assistance but they do not, and they are not intended to, provide any relief for the regular budget of the Organisation in financing its normal activities.

Last year, in the course of the consideration by the Conference of the Director-General's Report, a most valuable discussion took place on the operational work of the I.L.O., including work under the Expanded Programme of Technical Assistance. I warmly welcomed that discussion. At meetings both of the Administrative Committee on Co-ordination and of the United Nations Advisory Committee on Administrative and Budgetary Questions I have expressed myself in favour of the fullest consideration by the representative bodies of the agencies con-

cerned of the Expanded Programme of Technical Assistance and of its financial implications.

As the Conference has fully recognised, the Expanded Programme of Technical Assistance has now become a most important part of the work of this Organisation. It is a matter of great satisfaction that, thanks to the financial resources available, on the one hand through the regular budget and, on the other, through the Expanded Programme of Technical Assistance, this Organisation is being enabled to make a really valuable contribution in the operational field towards meeting the needs of the economically underdeveloped countries of the world.

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## CONCLUSION

The world is faced with many grave issues. We continue to live in times of unusual anxiety. Nevertheless, in many ways, the year that has passed since we last met has been less bad than we might have expected. There has been no extension of war, inflation has largely given way to stability, unemployment has not grown as appeared possible at one time. But it is at best an uneasy equilibrium. And in any case insufficient progress has been made towards the goals we are pledged to achieve. The overwhelming need is for peace. Second only to that, and indeed an essential part of it, is the problem of economic and social justice. In particular, what is wanted now is more output in order to confirm the check to inflation, to maintain the growth of employment, to make a positive contribution to the battle against poverty in the great bulk of the world, and above all to tip the balance in favour of peace. The attainment of social and economic justice is a matter of common concern for all employers, workers and Governments. Our debates should give new inspiration to all those throughout the world who work to that end.

2 April 1953.

DAVID A. MORSE.











