

Managing Human Development

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FOREWORD

After many decades of development, we are rediscovering the simple truth that human beings are both the means and the end of economic development. Often this simple truth gets obscured because we are used to talking in abstractions, in aggregates, in numbers. Human beings, who do not easily lend themselves to becoming an abstraction, are conveniently forgotten.

When we talk about means of development in economics, we often talk about investment capital. In fact, capital (to the exclusion of many other factors of production) has taken center stage. And yet human capital, which makes the critical difference among various societies, is measured neither quantitatively nor qualitatively, nor does it receive the kind of attention that it deserves. Many societies have not been able to develop despite an abundance of financial capital. The recent experience of OPEC is an apt illustration. In the final analysis, it was human capital, human institutions and skills which were missing, and without which it proved impossible to translate the vast, windfall gains of the OPEC countries into real development. Some of these countries did develop by converting their temporary gains into a

permanent; but that transformation required both human initiative and human capital, above and beyond financial savings.

We have also seen that many societies with similar development potential based on their natural resource endowments have developed very differently due to differences in their human capabilities. This fact largely explains the real problems and differential development paths of African, Asian and Latin American countries today. We have seen neighbors achieving vastly different outputs from similar investments, and growth rates varying from 3 percent in one country to 7 percent in another with similar investments. In each case, the critical difference has been made by human skills and enterprise and by the institutions responsible for producing these. Yet our preoccupation as economists is largely with savings and investments, exports and imports, GNP. When we do come to recognize the contributions of human beings as a means of development, we tend to treat these as almost residual elements.

The lack of recognition given to human beings as an end of development is even more glaring. It is only in the last decade that we have started focusing on who development is for and started looking beyond GNP growth. For the first time, we have begun to acknowledge - still with a curious reluctance - that in many societies, GNP can increase, but human lives can shrivel. We have begun to focus on basic human needs, the question of poverty profiles, and the situation of the bottom 40 percent of society often bypassed by development. We have started to measure the costs of adjustment not only in terms of lost output, but also in terms of lost lives, lost human potential. We have finally begun to accept the axiom that human welfare is the ultimate end of development, not GNP figures, which are only convenient aggregates.

And yet there has rarely been any consistent, comprehensive analysis of how to integrate this human resource factor into development as both means and end. There are four major intellectual challenges which need to be addressed in this context.

First, can we accept the challenge of providing education to all human beings by the year 2000? We have launched many global campaigns, some very successfully - the immunization campaign for children launched by WHO and UNICEF being one example. The "Health for All by the Year 2000" campaign is also mobilizing societies to put together primary health systems to eradicate preventable diseases. But the campaign for universal literacy by the year 2000 could be the most important of all. Today, we have the resources and the technology which, if used properly, could ensure that nobody will be illiterate by the year 2000.

It is often said that modern breakthroughs in informatics technologies can abolish, if not poverty, at least illiteracy. And yet we have a situation where there are more than a billion illiterates in the world today, many of whom are concentrated in South Asia. In the seven countries which have now come together under the umbrella of SAARC (South Asian Association for Regional Cooperation), about 70 percent of the population is illiterate. One striking development within the SAARC region is that while many things may divide us - political differences, economic competitiveness, ethnic divisiveness, etc. - in one area we have a shared concern: we all need human resource development, both through national efforts and through international help. The same is true for some societies in Africa. (Latin America is comparatively better off in this respect.)

But can we translate this shared concern into a practical, operational strategy so that in the next twelve years we have human development plans on a national and global scale? On the national level, this implies that development plans must be restructured to ensure that universal literacy is achieved during this period through both formal and nonformal methods. It will also mean that the many developing countries which are currently devoting roughly 2 percent or less of their GNP to education must double or triple their allocations to education. We will have to redefine our investment priorities in national plans and back them up with adequate resources through additional domestic mobilization and international help.

Internationally, we need a grand compact. The global immunization drive would not have succeeded had not UNICEF, WHO and other bilateral and multilateral agencies put their heads together to raise global consciousness and to mobilize national efforts. For a literacy campaign to succeed, we need a similar grand compact among UNESCO, the World Bank, the ILO and other international and bilateral donors.

Second, what are we going to do with the educated unemployed, who are emerging as a major problem in many developing countries? This situation is prevalent in developed countries as well, where rates of unemployment among educated youth are in the range of

25-30 percent. But this problem is even more severe in developing countries, where very high rates of unemployment among educated youth are treating an atmosphere of disillusionment and despair.

So far as developed countries are concerned, we may have to develop an entirely different way of thinking about employment. Louis Emmerij has raised the issue of whether the forty-hour week is consistent with full employment, or whether one has to rethink in terms of the fifteen to twenty-hour week that Keynes talked about in 1928, in effect arranging a tradeoff between leisure and work. Are the developed countries deliberately going to deny themselves the benefits of technology for fear that this will lead to unemployment, or are they going to embrace technology because it increases output and then plan to redistribute their manpower resource differently than in the past? Why should they not enjoy the benefits of technology, as well as full employment with fewer working hours? Such measures would also reduce current sentiment toward protectionism, which is based on the fear of unemployment. Both protectionism and unemployment result from not accepting newer technologies from within and not accepting products from outside. It would be absurd if developed countries at the height of their inventiveness deliberately denied themselves both the fruits of technology and the stimulus of outside competition for fear of unemployment when the only obstacle is the traditional forty-hour work week.

So far as developing countries are concerned, the challenge is different: a large number of educated youth are getting a general education when these societies are crying out for skills. They need technicians, electricians, mechanics and plumbers; they need polytechnics and vocational schools; and yet, as Khadija Haq has pointed out, 80 percent of school leavers in Pakistan are opting for a general rather than a technical education due to distorted priorities, a distaste for manual work and wrong incentives. In country after country, only 15-20 percent of students are choosing the technical stream after leaving school. Is this what society demands, and is this how we ought to manage human resources for the future? Is it not time that developing countries rationalized their educational policies and priorities?

Third, after the Keynesian revolution, economists moved from policy making at the micro level to the macro level, from disaggregates to aggregates. The tools of analysis commonly used are GNP, savings and investments, exports and imports, and the whole structure of national accounts. This second stage of the evolution of economic analysis took us from the market economy to national accounts and developed all these instruments of analysis. But we missed the third stage (which probably should have been the first) - a macro framework for analyzing societies in human terms: poverty profiles, evaluations of the way people live, a study of the distribution of income among different levels and classes people, etc. We need to know how the development process has affected human development, both quantitatively and qualitatively, in order to obtain a true picture of the benefits that societies are supposed to derive from development.

I have often pointed out to the U.N. Committee on Development Planning that their global tables laying out the aggregate

growth rates of developing countries fail to reflect the true state of affairs. The same tables can also be cast in human terms. For example, during the last five years, the SAARC countries and China - comprising about 2 billion people, or two-thirds of the developing world - grew at rates of 5-7 percent per annum, but this achievement gets drowned out by aggregating them with all other developing countries. It appears from the aggregated tables as if developing countries have done very poorly, whereas the most populous countries have done quite well. It is easy to construct another table showing how much growth was achieved by how many people. An overall human framework demands, moreover, that we go beyond these aggregates to analyze why people in these countries, despite such high growth rates, still show symptoms of despair and frustration, and why the income distribution within these societies is still so skewed.

Besides compiling conventional national accounts and aggregate global tables, let us go beyond these and develop a methodology whereby we can also present the same story in human terms - in terms of how many people experienced what growth rates, and what were the relative and absolute stages of poverty. In some countries, actual GNP growth may not have taken place, although a lot of human capital was built up into an infrastructure that may be most significant for the future in terms of potential growth.

Fourth, we need to look at the costs of adjustment in human terms, as Richard Jolly suggests. Adjustments, whether induced by external or internal factors, are no doubt needed, but should they be imposed at the cost of human development and human welfare? Of course, there are a number of irrationalities in the developing countries' allocation of resources. I can affirm from personal experience that 15-20 percent of GNP is spent in developing societies not on rational priorities, but due to the demands of vested interests and to serious distortions in the system - inflated defense budgets, corruption and waste, capital flight, etc. Can we pretend that every adjustment that has to be made should be made at the cost of human beings - their lost opportunities for education and health - and not at the cost of these irrationalities, which should be corrected? It will take great courage to restructure our societies, but all analyses point in this inevitable direction.

The challenge of achieving universal literacy by the year 2000, the challenge of finding employment for the educated, the challenge

of developing a macro framework and of analyzing the cost of adjustment in human terms - if we can meet all these, then maybe we can have a revolution in human resource development. Maybe then, by the year 2000, human civilization and democracy may have reached another milestone when, instead of being the residual of development, human beings have become its principal object and subject - not a forgotten economic abstraction, but a living, operational reality; not helpless victims or slaves of the very development that they themselves have launched and unleashed, but its masters. Such a transition will be a profound one, calling for careful analysis and calm discussion. The Budapest Roundtable provided an opportunity for precisely this kind of discussion.

Over the years, the North South Roundtable has organized a number of intellectual fora on topical issues. The concern with human development was taken up in this forum three years ago, first in Istanbul and then in Salzburg. The third session, which provided the material for this volume, was held in Budapest in September 1987 in cooperation with the UNDP Development Study Programme and was hosted by the Hungarian Academy of Sciences. Thirty-seven development professionals attended the Roundtable in their personal capacities.

I thank all the participants in the Budapest Roundtable for the valuable contributions they made toward the successful outcome of this meeting. Special thanks are due to Khadija Haq of the North South Roundtable and Uner Kirdar of the UNDP Development Study Programme for organizing this Roundtable and for putting together this volume. But for their silent efforts, such Roundtables could neither materialize nor achieve such great success. The staff of the NSRT Secretariat in Islamabad, especially Karen Pasha and Nuzhat Lotia, deserve special mention for their untiring efforts at every stage of this publication,

Islamabad
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Development

Mahbub-ul Haq, Chairman
Roundtable on Human

PART I

POLICIES AND PLANNING FOR HUMAN DEVELOPMENT

CHAPTER I

An Overview: The Budapest Statement

(The main themes discussed in the Budapest Roundtable were summarized by Richard Jolly and Mabbub-ul Haq in the form of a Statement. This Statement represents an overview of the significant conclusions reached during the Roundtable deliberations.)

Major Conclusions

a) National plans and international policy actions must be based on a clear recognition of the central importance of humanfocused development strategies. A longer-term perspective must be adopted to measure the impact of all economic policies on the welfare of human beings. If short-term adjustments to a sudden diminution in internal and external resources must be made, disproportionate human costs must be avoided, and short-term solutions should not be bought at the risk of creating a permanent imbalance in human lives. Both intellectually and operationally, we have yet to explore the full policy implications of placing men and women at the center of development in a longer-term perspective.

b) Human potential must be developed to the full. For this purpose, we must seriously consider adopting the challenging target of reaching universal primary education and literacy by the year 2000. The attainment of this goal will require a major reordering of investment priorities in the developing countries, particularly by reducing nonproductive expenditures and through specifically targeted international assistance.

c) Focusing on human development implies a major stress on poverty alleviation and the attainment of basic human needs in the formulation of development strategies. New social and human indicators should be prepared (poverty profiles, income distribution, economic class structures, nutritional and health indicators, educational levels, human capital, etc.) to supplement conventional national accounts and to monitor the progress of human-focused

development plans.

Policies and Planning

d) In order to integrate women fully into the mainstream of development, there must be basic changes in approaches to work, work patterns, working hours, job descriptions and organizational

frameworks, which until now have been overwhelmingly influenced by male perspectives and interests. Restructuring working patterns and attitudes to accommodate the fuller participation of women requires considerable imagination, maturity and innovation.

e) Human development has to be increasingly managed to accommodate the impact of new technologies on employment. In developing countries, this requires more technical and vocational

training to establish a mastery over new technologies rather than a continuation of the traditional stress on general education. In developed countries, serious thought must now be given to shorter working hours, more flexible patterns of education and employment, and a more deliberate tradeoff between leisure and work. We must squarely face up to the great difficulty of maintaining full employment in all societies in the new technological era.

f) Human resources must be managed, not only at the national level, but also at the enterprise and community levels. New working relationships must be developed in enterprises wherein human beings are not reduced to an impersonal abstraction, but become an integral member of a living entity, as in Japan. New family norms must also be developed to find a compassionate compromise between the natural urge toward greater individual freedom and the social responsibility toward one's family.

g) There must also be greater international cooperation in the field of human development. More lending should be earmarked for education, health and other basic human needs programs. Loan conditionality should be formulated so as to protect human development in the process of the economic transition of societies, particularly during periods of unavoidable short-term adjustment.

Changes in the Global Context

Running parallel to the debt crisis, economic decline and the depression which has gripped much of the world in the 1980s, technological change has been rapid and dynamic. It has stimulated growth in the richer parts of the world and, to varying degrees, has forced structural changes in almost every country. In the poorer countries, a preoccupation with short-run adjustment may sometimes

have pushed these aspects of technological change into the background; but it is vital that they be taken into account in setting long-term goals for human development.

The fulcrum of current technological change is the development and miniaturization of electronic means of data processing design, control and communication, but technological developments in other areas have also been advancing rapidly. Taken together, these technological developments are changing the means of production, productivity, patterns of demand, international trade and domestic production and, as a consequence, employment, labor processes and the functioning of labor markets. These technological developments have also been altering patterns of life, most obviously in the richer countries, but also among the richer sections of the population in all countries.

The Roundtable drew several important conclusions from these tendencies.

a) Technological trends are leading to a world ever more polarized between those countries which develop, provide and possess these technologies and those which primarily use and are

influenced by them. These polarizing tendencies between the active developers and those passively influenced by them have grown and are likely to grow further unless measures are taken to offset them.

Within countries, the impact of these technological changes on income distribution, employment and education is likely to be profound. Unless conscious action is taken, those with the education

will benefit, while others, in what is likely to be a shrinking job market, will lose. Already, unemployment in the industrial countries is at high levels, and in many countries the working week has shortened to forty hours or less. If polarization within the industrial countries is to be avoided, new patterns of work, education and retirement must be explored. To keep pace with these trends, a more comprehensive range of manpower strategies will need to be devised to adapt social security and family support to these new situations.

c) Like the developed countries, developing countries are also incorporating the new technology, albeit at a slower rate, and in most cases passively. Their production and labor processes are also being affected, but with important differences related to their economic and social structures. The high incidence of poverty, unemployment and low productivity in these countries, together with a rapidly growing population, complicates the situation.

old problems and inherited divisions within these countries are being affected in a direction not yet clear. However, the developing countries require not only manpower policies, as in the North, but also more comprehensive and dynamic antipoverty strategies.

d) With the new awareness of women's roles and concerns, the situation of women has been changing in most parts of the world. However, these changes have been taking place in markedly different ways, and often with consequences which cause further difficulties for women. In the industrial countries, for example, the lack of equitable employment opportunities and equal remuneration combined with rising divorce rates has produced greater inequalities for women. In developing countries, the process of adjustment has in many cases increased women's employment, but often at lower wages, and by greatly lengthening the hours of women's work in both the home and the workplace. Conscious concern for women must therefore be made a permanent part of policy making.

e) In many countries, the role of the state has been diminishing visibly, together with its obligations in promoting and providing the necessary means for human development. The "welfare state" - once an admired model - is now under sharp attack. Prevailing economic and budgetary difficulties have led many countries to adopt severe austerity programs and to implement sharp reductions in government expenditures as a means to achieving greater efficiency and effectiveness in the management of public affairs. Political philosophies which place a strong emphasis on market forces and the private sector also play their part. With the new orthodoxy predominating, the first sectors to be hit by expenditure cutbacks are education and health.

f) The diminishing role and support of government for human and social development has inevitably resulted in increasing poverty levels. The number of people currently living in absolute poverty is growing at a faster rate than during the previous four decades. The nutritional consequences for the poor have become starkly apparent in many countries. At both the national and international levels, insufficient care and attention are being given to

maintaining the "safety net" in many societies. This seems clear even before the consequences of present socioeconomic policy changes have been fully evaluated.

g) Another noticeable trend in many countries is the disintegration of family structures. The family is still the main educational

agency of mankind, yet in many industrialized countries, the proportion of two-parent families is diminishing, while the number of one-parent families headed by women is increasing. Births outside marriage are becoming much more common. In developing countries, the disintegration of the family is taking place mainly as a result of rapid urbanization, migration and increasing economic difficulties and poverty. The weakening of family links is reflected by increases in the school dropout rate and in the incidence of juvenile delinquency, drug addiction, venereal disease and homicide.

It is clear from these areas of concern that a much broader approach to manpower, education and employment policy making is required. As the world of work shrinks in relative importance and more attention is given to human and social factors, family and community issues, a broader socioeconomic analysis must become the general approach,

The emphasis on longer-term issues should not be allowed to divert all attention from other urgent needs. Debt and other national and international constraints have created the need for structural adjustment. While structural adjustment policies must give more attention to human needs and to the protection of vulnerable groups, long-term economic and social goals must guide this restructuring, since poverty will never be eradicated without sustained development.

Policy Implications for Education

Three main issues must be analyzed in relation to education: the need to establish priorities among different levels and types of education; women as a necessary target group; and the challenge of reorienting educational systems to create the necessary human skills to take advantage of new technologies.

A higher priority needs to be allocated to primary education, aiming at achieving universal enrollment and universal literacy by the end of this century. Vocational education also requires greater emphasis, greater creativity and more resources. These could come from cutting unnecessary public expenditures, or by redistributing the costs and benefits of education at different levels. There is a need to protect present educational expenditure from an onslaught of cuts brought about by adjustment policies. Finally, if changes in educational policies are to be effective, they should be accompanied by a

corresponding adoption of appropriate incentives in the overall structure of the economy.

The second area for action is accelerated education for women, who are the worst affected by inadequate education. Illiteracy rates are still much higher among women than among men in many countries, and women receive far less training.

Human development can be promoted only if all people are allowed to develop equally. There have been major advances in the last decade in the participation of women in all segments of society. This growing contribution constitutes a major positive aspect of human resource development in our time. There is also some evidence that short-term economic policies may have had negative consequences on this development. Efforts must continue to mitigate these negative consequences, but the issue must also be seen in a long-term perspective. The advancement of women has implications for the way in which responsibilities in the home and the workplace are reconciled and for how a basis for full partnership between men and women is established. This aspect of human development requires further and more careful examination.

The third important objective is a concrete proposal for the restructuring of education and training. There is a need to replace the sequential system, in which schooling, work and retirement occur in a linear series, with a recurrent system, in which people could move more freely between the world of work and the world of education and training in order to pursue activities for which they feel motivated. Greater flexibility within the school system also needs to be explored. Alternatives to a school day rigidly divided into periods of forty to fifty minutes might better serve the needs of a population pursuing different aims at different times.

Informal Sector Policies

The informal sector plays a significant role in developing countries. Its existence and growth is closely linked to overall macroeconomic trends at the national level, to the global situation, and to growing difficulties in the relationship between North and South.

There is considerable room for specific policies geared toward creating employment, enhancing managerial skills and raising incomes in the informal sector. Several economic and noneconomic factors indicate that such policies are not only needed, but are also political-

ly feasible. Given the concentration of poverty among those working in the informal sector in developing countries, these policies should be an integral component of a development

strategy which allocates priority to the human dimension. A comprehensive policy could be designed to support the informal sector in the areas of productivity, legal and institutional viability, and human welfare.

Manpower Policies

Manpower policies face new challenges in a rapidly changing world. The response to these challenges will vary by region and by country, but there are at least three factors of a global nature: (i) technological change, (ii) demographic change, and (iii) the global economic environment. The present technological revolution will sooner or later affect all countries. Demographic changes will emphasize the need to target women, the young and the aged, who are the groups most affected by adjustment. The world economic scenario anticipated for the next decade will introduce additional constraints on resource availability.

There are several areas for general policy improvement:

- a) Manpower policies should facilitate structural adjustment while minimizing the costs to those affected by the necessary transformation of the economy.
- b) Education and training should be adjusted to ensure literacy for all and to develop a new relation between jobs and education.
- c) Manpower policies should be participatory.
- d). Special consideration should be given to the mismatches that appear in vocational and technical education arising from conflicts between the decisions of trainers, the expectations of students and market demand.

Enterprise-level Management

Economic and social development at the macro level should go hand in hand with the growth of enterprises at the micro level. Better management of human development at the enterprise level requires a more sensitive balance between efforts to improve total productivity and efforts to improve job satisfaction. Approaches that aim at imparting skills while influencing attitudes usually require simultaneous changes in the organizational environment.

The private sector can play a significant role in the process of development at the micro level. It can contribute considerably to education and training and to career development. The pursuit of profit is being increasingly accompanied by an awareness of social responsibility. This is particularly the case for multinational companies.

The development and management of human resources in public-sector enterprises are also vitally important, as in the developing countries, the public sector is the dominating producer of goods and employer of services.

Social Indicators: Time for a New Effort

The lack in most countries of a comprehensive range of human and social indicators, regularly prepared and published in parallel with economic indicators, contributes both to the general neglect of human and social factors and to the lack of the specific information required for analysis, planning and restructuring. Fortunately, the crisis of the last few years has brought home these weaknesses, and initiatives are now under way, for example, to collect and make available nutritional data on a regular basis, and to collect and publish data on basic human needs.

These important efforts deserve the support of governments, international and donor agencies and universities, research institutes and nongovernment groups. Wherever possible, this support should be directed toward strengthening work and structures in national statistical offices, not bypassing them, since their role will be vital if the activity is to be institutionalized. Equally important, and still too often neglected, is support for work on the analysis and use of human and social indicators. In most countries, one can find examples of such data collected but not tabulated, tabulated but not published, published but not analyzed, analyzed but not used for policy making. More action and support along this whole chain of linkages would do much to strengthen current initiatives in education, training and human resource management.

More difficult, and more controversial, is the challenge of designing an integrated conceptual framework for development and of presenting human and social indicators in ways which can be set alongside the economic statistics of national accounts to help achieve a better balance between the two. No one falls in love with GNP -

but indicators of human and social progress need to be presented in a way which can arouse popular interest, understanding and support for national policies in this basic area. The priority here is to begin with a simple and limited list of indicators and, as experience is gained, to allow the system to evolve in response to country needs.

Financing Human Development

Meeting long-term human development objectives requires appropriate financial arrangements. However, considering the growing financial constraints most countries - both developed and developing - have to face at present, this is not an easy task. In developed countries, welfare expenditures have been cut because of runaway budget deficits. In developing countries, many development projects still await implementation. In some countries, defense expenditures are maintained at a high level for various reasons. Other countries have become overburdened by excessive indebtedness and must allocate a substantial portion of their budgetary expenditures toward the repayment of debts. Within this scenario, expenditures on human development tend to be restrained and are often subjected to a downward trend in proportion to either total budget expenditures or to GNP.

Naturally, in this environment, the ambitious target of universal literacy and numeracy by the year 2000 may raise many doubts among financiers. Nonetheless, whatever the costs of primary education, they must be borne by society, since universal primary schooling is a solemnly declared objective in most countries. Indeed, compulsory basic education is often an element of a country's constitution. Moreover, it should not be forgotten that educational costs are an investment in the future of all societies.

Many countries must explore lower-cost approaches. For example, a serious look at current public expenditures shows several areas where economies could be realized without great harm and funds reoriented toward education and human development. Prestige projects, security expenses, military spending and armaments are among the most obvious targets for economizing. More efficient public administration and a drive against inefficiency and misallocation of resources could also save much.

Regarding secondary, tertiary and vocational education, part of the financial burden can be shifted away from the public sector,

especially in countries at the higher stages of development. Large enterprises could and should support vocational schools and technical and middle-management training that raise the productivity of their workers and facilitate the job changes required by technical progress. Study loans to students could also supplement these sources of financing.

Since human development is a slow, cumulative process, it is necessary for the system of public financing to be guided by the principles of sustainability and continuity. Current concerns with

macroeconomic adjustment should be no excuse for cutting short the financial flows to human development. The allocation of these financial resources must, however, take into account the principles of cost effectiveness and maximum productivity.

International Financial Cooperation

In studying the shortcomings of the current international effort and the ways in which they might be remedied, it is important to maintain an overall perspective. In the past forty years, significant economic growth has been achieved in the developing world. In the human resource field, there have been striking achievements, for example, in the fields of life expectancy, infant mortality and literacy. There have been encouraging successes, as well as failures from which lessons must be learned. However, much remains to be done. Some specific recommendations are:

a) The developing countries must themselves assume the responsibility of setting and pursuing their development priorities. A number of issues are highly sensitive and inappropriate for generalized prescriptions established from outside.

b) Reorientation of international financial assistance can be especially useful in three respects: in expanding educational infrastructures, in providing technical support for curriculum development, and in human resource planning and needs assessment.

c) Besides a reorientation of international assistance, there is a definite need to increase the volume of assistance in this area, as it is palpably inadequate, especially when matched with the growing number of criteria which enter into donor conditionality.

d) International financial institutions should be persuaded to allocate an increased proportion of their total lending to the direct support of education and training and to other assistance for human development.

e) The International Monetary Fund, in drawing up its adjustment assistance programs, should give more attention to human factors so as to avoid inflicting hardship on the most vulnerable groups. Longer time horizons are required.

f) The World Bank through its Consultative Groups and the United Nations Development Programme through its Roundtables are well placed to encourage and coordinate donor emphasis on the human dimension in both the short and the long term.

g) There is an important role for development banks in supporting education and human resource development. The banks must be more forthcoming in their support of such development. They must avoid prejudice against the social sector and human resource projects. A minimum of 5 to 10 percent of development bank funds should go to human resource development.

h) Aid agencies must increase their support for education and training, especially for primary education and literacy training programs.

i) Developing countries must do more with less. There is an urgent need to improve their absorptive capacity and to redress the loss of indigenous resources through misallocation and waste.

j) Governments receiving international financial assistance under conditions of structural adjustment should be encouraged to use the instrumentality of fiscal policy to promote the generation of domestic savings and their channelling to the financing of human development. Likewise, welfare services in these countries should also receive appropriate international technical assistance for their own institutional development.

The projection and planning of labor resources has become a very important task for the governments of all countries since World War II. The following is an attempt to review labor force planning in developed market economies (DMEs), the centrally planned economies (CPEs) and developing countries and to identify some common factors influencing labor force planning and projection in the late 1980s.

Labor Force Planning in DMEs

In some of the developed market economies, government policies have been aimed at achieving full employment. The U.S. administration's reaction to the massive unemployment brought about by the Great Depression of the 1930s led to the passage of the Employment Act in 1946. In other DME countries there were manpower supply problems, especially with regard to special skills. Thus, though the content of employment policies differed in different national economic environments, they included not only fiscal policy measures stimulating growth and employment, but also programs for training the labor force to increase its mobility both regionally and between branches of the economy.

Since the 1960s, labor force policies have dealt increasingly with the new needs created by rapidly changing technology, including the development of new skills and structural employment and unemployment problems. In the U.S., the Manpower Development and Training Act of 1962 was a major step in this field. Such tasks as how to make the labor market more flexible became basic issues underpinning policies designed since the 1970s. The special problems of women and youth in the labor market also became important, and difficult, policy issues.

Manpower policies in the developed market economies achieved certain important results. Full employment was achieved by the end

of the 1960s by all DME countries with only cyclical fluctuations, and the great problems of the 1930s were avoided. The system of unemployment benefits substantially mitigated the temporary loss of jobs for the vast majority of those who experienced this problem.

Supplies of people with new skills and of highly skilled professionals have been rapidly increasing as a result of the expanding educational system. The mobility of the labor force has also increased in most DME countries with the help of different government programs and institutions.

However, government policies dealing with the labor force have come under increasing criticism in these countries for intervening too strongly in the labor market and distorting its proper functioning. Full employment policies and related social security goals first came under attack by neoconservative circles during the late 1960s. These attacks escalated during the following decade.

Labor Form Planning in CPEs

In the centrally planned economies, the coordination of economic growth and labor supplies became an especially important task after the socioeconomic changes instituted by socialism. Efforts to integrate labor force planning with national economic planning started in the USSR in 1927. Conflicts between the volume and skill levels of the expanding needs of the economic growth process had an increasing impact on labor policies and planning. There was strong pressure to formulate a long-term strategy for the development of labor resources coordinated with long-term economic growth targets, especially in industrial development.

In the CPE countries, labor force planning formed a special chapter in successive five-year plans. Labor force planning became almost completely and mechanically subordinated to the hierarchically ordered tasks of economic development. These plans aimed at a national balance of the labor force. On one side were the needs of different sectors in terms of volume and skills; on the other side were resources and their allocation.

The planners used several techniques, especially the "density ratio," involving assumed ratios of specialized to total employment and the normative productivity method, to forecast the need for particular groups of manpower consistent with the economic plan. The CPE countries studied, and in certain cases used, coefficients

from more advanced countries. Education was subordinated to the perceived needs of the economy.

The strong interrelationship between production and labor force planning brought about important achievements in the CPE countries. The outflow of labor from the less productive to the more productive sectors took place within a short historical period. Millions were inducted into the educational process at all levels, but there was an especially rapid growth of universities and an increase in the number of university graduates. The participation rate of women also grew rapidly. The idle human resources of society were fully mobilized for economically useful activities.

There were, of course, important problems as well, which were strongly criticized by experts in the same countries. The implementation of labor policies left little room for individual choice. Qualitative improvements lagged far behind quantitative changes. Due to the rigid application of certain norms, in certain fields there was an oversupply of labor, and in others, a scarcity. The utilization of highly qualified labor was relatively low due to its oversupply, relatively low wage costs, and delays in developing proper incentives. The system was unable to deal with structural adjustment tasks, especially when the phasing out of certain branches became necessary.

Labor Force Planning in Developing Countries

Labor force policies and planning have been considered extremely important for the developing countries since the attainment of their political independence. Their first growth policies dealt with labor and educational problems. The practices of the CPE countries exerted a great influence on developing-country programs and on labor and educational planning methodology. This was due to a similarity of problems and tasks. How could the existing labor force be best utilized for economic development? How could the necessary skills for industrialization, public administration, health, defense, etc., be created within a relatively short period of time? How could the masses be quickly brought to the level of functional literacy? How could all these tasks be implemented with limited material resources?

Due to its special significance, labor force planning in the developing countries received great attention from the experts, and several methods were developed, suggested and tried.

There were some general shortcomings. Deficiencies in the labor force and in different skills were usually wrongly estimated. Internal and external migration were not dealt with properly - the attraction of the cities was not taken into account. There was more emphasis on secondary and higher education than on the overall development of the educational system.

The limited successes or failures have been, however, much less the result of methodology than of overall economic policies and of the determination (or lack of it) of governments to promote economic development.

In general, one can agree with the experts who say that in those countries where the implementation of plans was never seriously considered, manpower plans were primarily documents to influence the climate of public opinion rather than guidelines for action.

The oversupply of secondary school and university graduates in certain countries and their unemployment (and mass exodus) was as much or more a result of social and political pressures for the expansion of education than of planning mistakes.

New Problems: The Common Factor

National institutions dealing with labor force management policies and planning are confronted with qualitatively new problems in the late twentieth century in almost every country in the world. The nature of the problems, and therefore the nature of the solutions, differs in many respects in the various country groups, and sometimes in individual countries. However, three important factors which are global in nature are the most important sources of problems.

The Technological Revolution

The first is the technological revolution which is taking place on our globe. The transition to a new technological era represents a system of complex and interrelated changes, such as the declining demand for labor force per unit of GNP, the transformation in the structure of employment by branches, the shifts in skills and occupational patterns, the increasing demand for scientists and highly skilled engineers and other professionals, changing educational needs, the problem of structural unemployment, etc.

Regardless of concrete implications on the microeconomic level, it is evident that emerging technologies are knowledge based and highly research intensive, resulting, through computer-integrated production, automation and other processes, in a substantial reduction of specific employment requirements in every branch of modern economic activity.

The new technological era substantially upgraded the importance of the human potential of different nations. Accumulated human skills and the size and role of a highly qualified scientific and technical labor force have become the most important determinants of economic growth, national strength and international competitiveness. Managerial talents and capabilities have also become vitally important, since the efficient utilization of human resources depends on them. Government policies in a given environment also represent a fundamental factor in regulating the supply, mobility and retraining of labor resources and in coordinating these with the changing needs of society.

The evolution and spread of the technological revolution, and the great differences in its speed in different countries, allow some time for humankind to better prepare itself for the impact of technological change. But from the way things look at this stage, it seems highly doubtful that we are going to make proper use of this "graft period."

The Challenge of job Creation

The second common factor is demographic in nature. In the developing countries, the working-age population is increasing fast. A high proportion of persons below the age of 15 in the developing countries is leading to a swelling of the labor force. U.N. estimates put the number of new entrants who will be seeking employment in these countries during the last two decades of the twentieth century at over 600 million. The creation of additional jobs for them is not only a matter of investing more resources, but also of designing special programs for rural industrialization and public works and of formulating prudent policies in technological development and education.

Another demographic factor is aging. The increase in the number of aged in both developed and developing countries represents a remarkable new challenge for these societies. It can affect

the level of productivity, consumption patterns, savings behavior, the volume and pattern of investment, and labor supply. Aging also means an increase in the working life span, which makes greater investment in education, training and retraining meaningful and necessary. However, it can also create a special unemployment problem, in that once an older person becomes unemployed, he or she experiences far greater difficulty in securing a new job than does a younger person. There are also special problems for those who decide to (or have to) remain in the labor force after the normal retirement age. Some of these are self-employed professionals with special skills, but the majority are usually employed in low-paid service occupations.

The Global Economic Environment

The third common factor influencing labor force planning is the socioeconomic environment of the late twentieth century in different countries and in the world in general.

For several years now, the process of world economic development has faltered due to various problems and imbalances. Development policies have had to deal with such concerns as the debt crisis, the falling prices of raw materials, protectionism, etc. Growth in the industrial countries has been and will continue to be slower in the coming years, providing less favorable markets for the rest of the world. The medium-term outlook for the developing countries is unfavorable in light of present policies and trends. Regional effects differ, as do the abilities of countries to deal with the effects of external developments. Differences in development strategies and economic management capabilities only partially explain the better performance of certain countries, which is influenced by important structural differences as well.

High levels of unemployment, the slow growth of new job opportunities, regional imbalances in labor supply and demand, the underutilization of highly skilled labor, and the special difficulty of finding job opportunities for younger people are general problems which are closely related to the global economic situation and trends. The report by the UNCTAD Secretary General to UNCTAD VII listed a number of manifestations of a major development setback during the 1980s. These include the rising unemployment and underemployment which have accompanied sharp declines in earnings

(and in some cases reversed advances which took more than a decade to achieve) and the falls in investment and public expenditure on education, training, research and development which adversely affected the development of technological capabilities in many developing countries.

New Approaches

All this indicates that traditional approaches to dealing with the problem of human resources development are even less satisfactory than they were in the earlier, less difficult period of global development. New approaches are needed, first of all within countries, but also on a global scale.

Structural Analysis and Planning

Labor force planning is in general a difficult exercise which requires a sound methodological basis, complete information and a profound understanding of technological and socioeconomic factors. Projecting the future size of the labor force is relatively simple, relying on such general indicators as the number of persons entering into the working-age group and of those leaving that group, the number of participants in military services, the participation rate of women, etc. It is much more difficult to harmonize labor force growth with employment opportunities, especially in an era of technological, demographic and economic change. Investments, productivity rates, and structural and regional changes must be anticipated in an interrelated way. Predicting structural changes in employment needs is an ever more difficult task in the planning process.

According to the needs of the economy in labor force planning, it is necessary to deal with four interrelated structures:

- a) The job structure offered by different firms and other economic or noneconomic organizations.
- b) The educational structure - the level of knowledge and specialization imparted by the educational system.
- c) The skill structure - the structure of skills gained through actual working experience.
- d) The market structure - how the labor market is functioning and allocating labor resources.

The composition of the labor force by economic activity and occupation will reflect the changing demands of the economy. This in turn depends on the character of economic growth. A slowly growing economic activity will have a different employment effect than a rapidly growing one. High-intensity structural and technological changes will imply greater labor mobility and increasing structural unemployment problems. The extent and character of public expenditure on defense, education, infrastructure, health and welfare services, and research will also affect occupational requirements and the demand for labor.

The degree of obsolescence of skills is also a very important issue in structural analysis and planning. One can differentiate between three types of obsolescence. The first type is the wearing out of knowledge and skills (analogous to physical wear and tear) represented by the loss of knowledge as a result of forgetting. This is due to the limitations of the human brain. The second type of obsolescence results when, due to the development of science and technology and the accumulation of new knowledge, certain skills are replaced or eliminated. The third type of obsolescence is specific to a given field due to particular changes in science, technology, organization, etc. This could be called functional obsolescence and may require complete retraining.

All three types of obsolescence could be measured, and all require compensation and replacement in the form of retraining. According to the information sciences, the volume of knowledge doubles every ten years. This means that 50 percent of all knowledge is obsolete every ten years. It also means that the costs of retraining are increasing more rapidly than in the earlier decades of this century.

Planning for Full Employment

In order to utilize the growing human resources for promoting general welfare, the nations of the world must commit themselves to the goal of achieving full employment. In the global economic environment of the late twentieth century, the accomplishment of this commitment requires not only national economic policy changes, but also international supportive measures, especially in the developing countries.

First of all, faster and better balanced world economic growth must be achieved through policy measures taken by the most influential advanced industrial countries.

Within the developing countries, rural industrialization and the development of small and medium-size enterprises must be encouraged. More profound analysis is needed of the behavior and functioning of labor markets under conditions of severe unemployment and underemployment, with the aim of increasing job mobility and providing more job opportunities for young people and women.

Accommodating Technological Change

Technological change, which is leading to the development of new products and processes, shifting consumption patterns, social transformation, changing resource requirements and substantial productivity increases, will constantly alter the geographical concentration of the population, destroying some jobs, occupations and skills while creating or changing the content of others. In a dynamic economy, the adjustment process will be much easier. In an environment of slower economic growth, it is increasingly important for every country to elaborate and implement a comprehensive labor policy, including measures facilitating adjustment by industries and by the community, to reduce the adverse effects on society, individuals and local communities. It is also [necessary. to](#) collect and analyze more concrete information about the impact of technological change and of different policies on the labor force. Although these issues have been the subject of discussion, much of the literature is vague and inconclusive, especially concerning occupational details by industries in different types of countries.

Concerning the DME countries, one can agree with the ideas of an AFL-CIO report entitled The Future of Work:

Experience shows that technological change can be humanized, that adverse effects can be minimized and cushioned through a variety of arrangements, including advance notice to workers and affected communities, no layoff attrition, early retirement supplemental unemployment benefits and severance pay, continuation of health benefits and protection of retirement entitlements and training, retraining-upgrading opportunities for workers to learn skills for new jobs with new technology. These and other arrangements can ease the transition for workers and local communities hit by job-destroying technological change, plant shutdown and major layoffs.

Technology must widen the range of leisure-increasing options, increase options for creating and distributing the nation's wealth and raise new opportunities for widespread citizen participation in political, social and cultural life

In practice, however, even in the industrial countries, many of these ideas are far from practical implementation, and a large part of the working population does not share in these potential benefits.

Making Education Flexible

The system of education and training must be adequate to meet the changing needs of societies, to develop the potential of the individual and to provide a flexible basis for retraining whenever necessary. Educational policies must be carefully balanced between developing the labor force and meeting other broad social and humanistic obligations. Specifically:

- a) Every person should be able to reach the level of functional literacy and numeracy - that is, to read, write and compute.
- b) A new relation between education and work must be developed, which means first of all the offering of a wide range of vocational programs,
- c) Local school systems must develop programs and services designed in the context of national change so as to reduce the educational lag.

There are two important components of the educational structure. One is the general component; the other is the special craft component.

The increasing volume of knowledge and its differentiation implies that a large part of special knowledge is eventually integrated within general knowledge. What used to be special knowledge in physics, chemistry, biology, mathematics and economics has now entered the secondary school curriculum in many countries. The changing content of specialized knowledge and its integration with other fields (such as the use of computers in health or social sciences) make this problem more complicated.

Special craft skills are gained through working experience in a given field. Since the gap between the earlier and new technologies is increasing, the role of special work experience is less significant than it was in an earlier technological age.

Continuing education, therefore, must become a major purpose and function of education. This has long been necessary in the professional fields. In an era of rapid technological and structural change, continued learning must become an accepted, normal activity in everyone's life. Beyond the formal educational system, special institutions will need to be developed for this purpose.

A better understanding of long-range labor force needs must guide educational programs and facilities. More study is needed on how to translate economic and technological development trends into vocational and educational programs in such a way as to influence individual decision so that society's needs are met.

The development of occupational education programs within the educational system is a prerequisite to evolving a successful system of occupational flexibility and retraining.

The educational implications of technological change impose great responsibilities on the educational community and demand continuous planning and projections. Cooperation between the educational system, firms and authorities dealing with long-range economic and labor force development is essential.

Involving the Private Sector

Management and planning of human resources in the new global environment cannot be a task for central government agencies alone. Firms have a significant role to play. In all parts of the world, firms must learn how to reconcile the two objectives of maximizing returns while optimizing the security of their employees on a long-term basis. These efforts must be interdependent. Trade unions can also play an important role in developing ideas and recommendations for macroeconomic labor policies promoting full employment and adjustment and in assisting the process of transition by providing education and training on a micro level. Educational institutions, especially universities, must be actively involved in the process, especially in specific fields of study. Local communities must be encouraged to make efficient use of human resources. The coordinated, yet specific, roles of different actors are increasingly important contributors to achieving meaningful results.

Conclusion

A number of general issues influence labor force planning and projection in the late 1980s. Projections and plans are determined by both national and regional problems and trends. Between DME, CPE and developing countries there are important differences in concrete tasks, possibilities and limitations. Similarly, the size of a country, its level of economic development and dynamism, the structure of its economy, its dominating values, its managerial capabilities, the quality of its public administration and several other factors have a great influence on actual measures taken and their success or failure.

The qualitative improvement of management and the development and utilization of human resources are difficult tasks. At present, and even more so in the future world, these objectives can be achieved only within a framework of comprehensive policies and long-range planning in an environment of concrete socioeconomic conditions.

Notes

- 1. AFL-CIO Committee on the Evaluation of Work The Future of Work (Washington D.C.: AFL-CIO, 1983).**

CHAPTER 3

Policies and Strategies for Human Development: Recent Record

Uner Kirdar

The social development policies and strategies being implemented today by the governments of the majority of industrialized countries are mostly the end products of concepts evolved during the earlier part of this century. In many cases, they have also been followed by developing countries. These policies and strategies may have worked well enough to meet the human development needs of the relevant societies under certain circumstances. But do they still hold true today? Do they continue to respond to the changing human development needs of present societies? What is their impact on developing countries?

The social structures of most societies are affected over time by different factors - economic difficulties, austerity measures, demographic trends, urbanization and industrialization, and evolving moral, religious and social values. Four main agents play a major role in the process of human development: the state, the family, the school and religious institutions. The first two deserve special attention. At the macro level, the role of the state in relation to human development must be examined. At the micro level, the role of the family and its changing structure must be accounted for.

The Role of the State: Changing Perceptions

In the late 1960s, there was a broad consensus that global economic conditions were favorable for successful management of the economic and social development of developing countries. The economies of the industrialized countries were healthy and expected to expand, and the developing countries were expected to benefit from this expansion. It was further assumed that the developing countries, in turn, would be able to use the gains from economic growth to improve their social conditions by meeting the basic needs of their societies, eradicating absolute poverty and

establishing welfare systems similar to those operating in developed countries. In industrialized countries, near full or guaranteed employment was widely taken for granted. It was thought that the vestiges of poverty and deprivation would gradually disappear with increased economic productivity and the resulting expansion of social services and social welfare programs.

The Diminishing Role of the State

This broad prognosis, however, did not in fact prove correct. The growth of the world economy and trade decelerated considerably. After experiencing a high level of inflation, most industrialized countries went through a period of stagnation and recession, which in turn caused serious unemployment problems, as well as trade, balance of payments and budgetary deficits. Parallel to these events, the prices of basic commodities exported by developing countries fell sharply, with a consequent alarming increase in external debt obligations.

These unforeseen difficulties, and the reduced rate of economic growth, forced the industrialized countries to cut back on public expenditure, to adopt more orthodox financial and economic policies, and to transform the role of their governments as agents of social change. Some countries implemented severe austerity programs, while others sought greater efficiency and effectiveness in management of their public services. The welfare state - once an admired model - came under sharp criticism on the grounds that societies were no longer in a financial position to afford the continuous growth of expenditures emanating from such a system of government.

New political philosophies and policies have emerged to justify a reduced role of governments as providers of goods and services and an expanded role for competition, the free interplay of market forces and the private sector. Under the influence of such philosophies, countries at different levels of economic development have not only reduced their social service expenditures, but have even questioned the *raison d'être* of the state, namely, to provide the required social services for human development. These new philosophies and policies of the powerful industrialized countries also found their reflections in the conditionality packages of some international financial institutions dealing with the stabilization programs of developing countries. The implementation of these programs has

generally inhibited the process of human capital formation in the countries concerned.'

The Curtailment of Human Development Expenditures

The issue of massive cuts in human and social development expenditures was examined and documented in depth in the Salzburg Roundtable volume, *Adjustment and Growth with Human Development*.¹ More recent studies give further evidence of this trend. Among developing countries, for example, a study by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC)² shows that cutbacks in expenditure on health and education were extremely sharp between 1980 and 1984. During this period, in 12 out of 18 countries in the region, per capita government expenditure on education declined in real terms, and in 14 out of 23 countries, similar reductions took place in expenditure on health. For instance, in Argentina during the period 1980-83, per capita public expenditure on education dropped from \$195 to \$109 at constant 1980 prices; in Bolivia from \$36 to \$20; in Brazil from \$68 to \$57; in Chile from \$110 to \$94; in Costa Rica from \$159 to \$90; and in Ecuador from \$77 to \$45. The same study underlines a further serious phenomenon; apart from a deterioration in the quality of education, the number of dropouts from primary and secondary schools has noticeably increased in several countries, such as Brazil, Chile and Costa Rica. This phenomenon is clearly linked with the inability of the poorest families to meet the rising cost of schooling.

Curtailments in government expenditure on education, health, social security, welfare and community amenities are not confined to developing countries. Because of the new political philosophies and policies, government spending in developed countries is also being substantially reduced in size and nature. Several of these countries have reduced the direct role of their governments as providers of social services and have emphasized the need to stimulate private and voluntary efforts. They advocate a greater role for market mechanisms in improving economic efficiency and raising standards of living. Yet in practice, these policies have led more toward reductions in government expenditures than to increased effectiveness of social and human development programs. Such reductions have occurred even in those countries where human

development and education have a high priority in the development process. The proportion of government expenditures going to education declined in Japan from around 18 percent in 1976 to 16 percent in 1981, and in the Netherlands from 15 percent to 12 percent during the same period 4

The Increase in Absolute Poverty Levels

The diminishing role and support of governments in human and social development and the curtailment of government expenditure in these areas have inevitably resulted in an increase in absolute poverty levels in both developing and developed countries.

According to United Nations studies, the number of people living in absolute poverty is at present increasing at a faster rate than over the previous four decades. In Africa and in Latin America, this increase is higher than the rate of increase in their populations. It is estimated that globally, more than 1.3 billion people are at present living in poverty, with 500 million suffering from chronic malnutrition.' The worsening of the economic situation in these regions has already augmented the number of unemployed or underemployed, while the withdrawal of consumer subsidies has also had the effect of increasing poverty. The consequences of malnutrition among the poor are becoming more apparent in many countries.

Social services cuts mostly affect the least advantaged sectors of the population, imposing a heavier burden on those who rely on the support provided through public assistance. This is particularly true of women, children and the elderly, whose daily lives are seriously affected by the reduction or deterioration of such services.

Poverty levels are increasing even in some of the richest industrialized countries.. In the United States, by 1984 the poverty rate had reached its highest level in eighteen years: 33.7 million Americans were living below the poverty line; 61 percent of poor adults were women; and children, who represented less than 27 percent of the overall population, comprised 45 percent of the poor .⁶ Other studies also give evidence that the proportion of children living in poverty in the United States has increased steadily since 1975 and tremendously since 1981. More than 50 percent of the occupants of poverty-level households are under 21 years of age; thus a higher proportion of children than any other age group lives in poverty.'

The United States is much more affluent than many parts of the world, and the relative impoverishment there may seem a minor

hardship. However, levels of poverty are perceived differently in different parts of the United States, where important ethnic, cultural and economic differences pertain. Also, the U.S. government provides fewer social welfare, educational and health benefits than most other industrialized countries. In 1980, government expenditure at all levels as a proportion of GDP was less in the United States than, for instance, in Austria, Belgium, Canada, Denmark, the Federal Republic of Germany, France, Italy, the Netherlands, Norway, Sweden and the United Kingdom.⁹

It has been further claimed that the United States may have the most unequal income distribution of any western industrialized country. The budget cuts and changes in the tax structure of 1981 had the effect of making the rich richer and the poor poorer. The poorest fifth of the U.S. population is now left with only 4.2 percent of the gross national product after federal taxes, while the richest fifth has now edged up to 43 percent - more than ten times as much.'

The Distintegration of Family Structures

The traditional family unit still remains our main educational agency. According to many sociologists, the family is the cornerstone of society. It forms the basic unit of social organization. The family

is the place where human development begins. Family life not only educates in general, but greatly assists the individual in developing his or her personality, capacities and capabilities.

Like the government, the family, too, has recently been the victim of instability. There is a noticeable trend in many countries toward the disintegration of the traditional family structure.

Trends in Industrialized Countries

The disintegration of the family structure is more apparent in the industrialized than in the developing countries. Though the causes of disintegration are not identical in all countries, there are shared characteristics in several of them. In many industrialized countries, the proportion of two-parent families is diminishing, while one-parent families, the majority of them headed by women, are increasing in number. The situation is particularly alarming in the United States, a country in which the stable two-parent family used to be a tradition.

The number of single-parent households in the U.S., which was marginal in the 1960s and the 1970s, has changed remarkably since then. The proportion of children under the age of 18 living with less than two parents increased from 9 percent in 1960 to 13 percent in 1970 and to 21 percent in 1981. Woman-headed, single-parent families in the United States accounted for 10 percent of all families in 1960 and 10.8 percent in 1970. By 1981, however, this proportion had reached 18.8 percent.¹⁰

The future of the traditional family in the United States is even more somber. It is projected that only about 40 percent of new families created by the end of the century will be of the traditional type, while 60 percent will be single-parent families, 90 percent of them headed by women. In other words, 60 percent of children born in 1984 can expect to live in single-headed families before they reach the age of 18; nine out of ten such children will be living in a household headed by a single woman."

In the United States, woman-headed, single-parent families until recently were usually the product of separation or divorce rather than extramarital relations or a matrifocal structure, which is more the case for black African, Caribbean and Latin American countries. In this context, it should be mentioned that in developed countries, separation and divorce are becoming much more common. The divorce rate on the average almost tripled between 1960 and 1980.¹²

At the same time, births outside marriage are also becoming much more frequent, currently representing between 10 to 17 percent of all births. In the United States in 1983, one in every five births was out of wedlock. The rate of teenage pregnancy among young American women aged 15 to 19 in 1985 was 96 per thousand, as compared to 44 per thousand in Canada and 14 per thousand in the Netherlands. In 1983, more than half of teenage women who had babies were unwed. The result: some 261,000 new female-headed families were formed by teenagers.¹³

Trends in Developing Countries

The disintegration of the traditional two-parent family structure seems less apparent in developing countries because of the lack of statistics. Nevertheless, the trend is noticeable, though the causes may differ. In developing countries, disintegration is taking place mainly as a result of rapid urbanization, migration and increasing economic difficulties and poverty.

In several of these countries, the search for better employment opportunities leads the rural population to move to urban centers or to migrate to more advanced countries. The urban population of developing countries grew from around 300 million in the 1950s to close to one billion in the 1980s, concentrating mostly in the large metropolitan cities.¹⁴ This rapid urban growth, however, occurs without ensuring basic infrastructures to meet the minimum social and human development needs of lower-income groups and/or creating conditions for adequate employment and income opportunities. These three factors, namely, moving from rural areas to cities, migration to other countries, and increasing poverty levels, have been the de facto causes in developing countries of the rapid growth of single-parent or female-headed families, with the following outcomes:

- a) Single women become low-income earners, household managers and child rearers.
- b) Children live in degraded conditions, become school dropouts and live on the streets.
- c) Cities turn into centers of poverty, crime, disease and illiteracy.

As an example, large-scale peasant migration from impoverished rural areas to urban slums is one of the most serious social problems facing Brazil. According to government figures, 36 million Brazilian children under the age of 18 - about 60 percent of the total - are at present needy, and 7 million of these have lost their links with their families and are abandoned. One-third of the children between the ages of 7 and 14- some 8 million - do not attend school. More than half the children under 6 years of age are undernourished. Most children are forced onto the streets in order to survive. Street crimes committed by them are surging. The irony is that many people tend to view the poor on the streets as potential assailants rather than as the victims of social and family disintegration."

Impact

many sociologists view the single-parent family or femaleheaded household as a family "gone wrong," the product of social disorganization, a unit that is not viable in its own right. They

identify such families as a source of maladjusted and poorly educated children, juvenile delinquents and high-school dropouts. ¹⁶ Disintegrated families generally fail to provide the required sense of as-

-surance, the care necessary to meet the emotional needs of children, and the discipline and habits which are essential for personality development.

Education normally takes place within a social setting that largely determines children's opportunities. The influences of the family on children are very important in their acquisition of education, social and economic values, physical well-being and stamina, habits, etc.

Further, the traditional two-parent family is a more conducive setting for promoting academic achievement than the single-parent family. This has been documented for the United States. According to one study, one-parent children showed lower achievement in school than their two-parent peers. Among all two-parent children, 30 percent were ranked as high achievers, compared to only 1 percent of one-parent children. At the other end of the scale, only 2 percent of two-parent children were low achievers, while fully 40 percent of the one-parent children fell into that category. One-parent students visit the school clinic and are absent from school more often than students with two parents. One-parent students are consistently more likely to be late, truant, and subject to disciplinary action, and they are more than twice as likely as two-parent children to drop out of school altogether."

In the U.S., 50 percent of young men summoned for a medical examination to be drafted into the army were rejected. In other words, half the 18-year-olds were not mentally or physically healthy

enough to serve in the army. A major proportion of these young people were the products of single-parent families living in poverty.¹⁷ These results are further proof of the low achievements of children from broken families or born out of wedlock.

Conclusion

Because of prevailing political philosophies and policies, many countries are seeking short-term solutions to their economic problems at the price of creating very dangerous and complex new

long-term problems which may have serious and distorting effects on the future fabric of society. The facts on the disintegration of the family speak for themselves. Now, in the closing years of the 1980s, the need to assist individuals in fully developing their own capabilities so that they may become productive members of society and contribute to the well-being of the community as a whole acquires pivotal importance for the success and survival of generations to come.

Notes

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7. See C. Abdm Miller ad EI~bah J. Coin", "The Work) Emnomic Crids amt Children: A United States Gee Study," in The Impact of World Recession on Cb4dren (New York: Pergamon Press, 1987), pp. 16993.
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10. MoynBta,p.53.
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13. Moynihan, p. 168.
14. 1985 Report, p. 85.
15. "B .. We Time Bomb - Poor Children by the MiBiona," New York "Dnwr, 23 occober 1985.
16. SeeNchulHudmnbos,Sociology:Tbemesand~pettices(Slmgh,Engl~: University Tutorial New Ltd., 1983), chapter 8.
17. The Moat Significant Mlnoriey: Oneparmt cU'Idren in the Sobool (Washington D.C.: (bade, P. Kettering Foundation, 1980).
18. Moyniha. pp.18-19.

CHAPTER 4

Human Development, Social Policy and International Action

Margaret J. Anstee and John R. Mathiason

The economic and political events of the past few years - the global recession, the debt crisis and adjustment - have called into question many of the assumptions underlying the economic and social policies which governments have followed. Our central concern now is to rethink both the meaning of development and the instruments which we prescribe to attain it.

We propose to examine the "state of the art" in social and economic policy, looking at the fundamental assumptions which underpin current policies, some successes and failures, and prospects for the future.

Management as a Fundamental Assumption

The idea that management - rational organization and execution - can lead to human betterment reflects the tremendous apparent success of the technological society. It is a concept which permeates the intellectual base from which we work in the late twentieth century. In that sense, we cannot divorce present-day economic and social policies from this assumption. The idea of applying management to the material world has clearly been responsible for many farreaching changes. Its many successes can be cited:

- a) The growth in material production has outstripped the imagination.
- b) This growth has been steady, if uneven at times.
- c) The standard of living for large parts of the world has improved both materially, in terms of goods and services available and with regard to such factors as life expectancy, health and child survival.
- d) The role of the public sector as a provider of goods and services to people has become pervasive in its importance in all societies.

It is also easy to cite many failures of policies based on this assumption:

- a) Relative differences among countries in material terms have become greater.
- b) Many historical problems, such as famine, have not been solved.
- c) Our use of technology has led to major environmental problems.

There is a common theme to both successes and failures of policies based on the technological approach to management. When we have correctly matched policies with our assumptions about human society or about the relationship between policies and the natural environment, we have succeeded. When we have not, we have failed.

Another way to express the same thought is to say that our vision, of a technological, manageable economy and society was designed for the world as it was at mid-century. It worked well then; in material terms, its success was unparalleled in human history. But as society has changed, it has evidently failed to keep pace. This is clearly the lesson of the global recession of the 1980s and its accompanying debt crisis. The policy notion of "adjustment," with its assumption of manageable change, does not produce a socially acceptable result. There is therefore a crisis in economic thought.

The Emerging Crisis in Policy Analysis

It is perhaps useful to begin with another fundamental assumption, namely, that material progress will lead to human development. The naive notion that growth alone inevitably leads to human progress has already been rejected. It has been known for some time that growth not controlled by some concept of distribution is at best temporary. It has also been recognized that growth does not inevitably follow either good management or good intentions. It is perhaps less remarked that, even if there is growth with distribution, human development does not necessarily follow.

While the obvious differences among countries in terms of observable levels of material progress continue and may even be widening at the extremes of wealth and poverty, there is a curious, disquieting, parallel phenomenon common to both the so-called developed and developing countries: a form of nonmaterial malaise.

In both affluent and poor countries there are indications of this malaise. There is an increasing incidence of social anomie, reflected in crime, drug abuse and other social ills. In many countries, the resurgence of fundamentalist religious beliefs may indicate a deep rejection of the assumptions underlying society and of change. These problems cut across the standard politico-economic boundaries, affecting developed and developing countries, centrally planned and market economies alike.

This crisis was not well predicted by the dominant theories of economic development. This in itself is a policy failure, just as the initial efforts at adjustment failed to take into account the social consequences. There is an interaction between theory and information which is important here: the underlying assumptions have led to the organization of information around indicators which are essentially material in nature. GDP is an abstraction of the quantity of things produced. Demographic figures largely count, with some sub-classification, the number of people. As a result, the statistical series used for analysis describe a quantitative world, but the problems to be analyzed may rather be qualitative, and the information at our disposal does not assist us in looking at that factor. For example, it is known that the differences between men and women are significant for economic development, but the process of assembling empirical information on this is only beginning.

There is a general lack of tools in policy analysis that would permit examination of the qualitative dimension of human behavior, meaning the values and attitudes which underlie economic and social choices and which are either taken for granted or ignored. This also embraces social structure, class, group and status, which in many respects underpin the economic structure. More importantly, the cognitive structure of people, the way in which people think, cannot be easily assessed. Ironically, it is probably a central assumption of most policy prescriptions that either people make economic choices rationally in terms of economic return, or that they inevitably respond in certain ways to stimuli.

Perhaps it is the lack of information on human cognition which has most profoundly affected the success of economic and social policies. It is an area where we clearly need more knowledge. At this point, we would only venture the observation that there is considerable evidence that the way people think can easily change and can swiftly affect human behavior. Indeed, as a species, humans are probably the only one which can alter its own behavior by cognitive means. This gives human beings a great potential advantage, if we can only put it to practical use.

Human Development as a Basic Perspective

One theme of our diagnosis has been a lack of information and understanding. Accordingly, we would like to propose both some questions which might be considered and some steps which might be followed to obtain the answers.

In the search for new policies, the place to begin should be with an answer to the question "development for what?" The notion that development could be defined as economic growth with equitable distribution among the population has been elaborated in successive development strategies. Underlying our conception of development is the original consensus of the post-World War II world - the Charter of the United Nations - that what should be sought by international action is "social progress ... within larger freedom." Together with the objectives of peace and human rights, this is one of the normative cornerstones of our world.

This formulation envisages progress for both the individual, in a nonmaterial as well as a material sense, and for society as a whole. It implies the establishment of a just society, both nationally, in terms of its own values, and internationally, in light of global norms. Indeed, since the Charter was agreed, it has been possible to elaborate these objectives further in successive conferences and meetings. This is perhaps one of the quiet accomplishments of the U.N.

When we move beyond a purely material concept, no society can be said to have achieved "development." Problems are general in their distribution, varying between societies more by degree and emphasis than by type. This implies that human development, with its interdependence on technological development, must be addressed by policies which do not distinguish between rich and poor countries, but which can be applicable to all, adapted to national circumstances.

Implementation and Improved International Surveillance

The next step is to realize the extent to which our knowledge about the way the world works is inadequate. It is essential to develop a better understanding of empirical reality by strengthening

our understanding of the social dimensions of development. This means looking for the causes of problems rather than merely observing their effects. This is a form of surveillance which is not well developed, but which clearly should be. It is a function which an international organization like the United Nations is uniquely equipped to perform.

As part of the effort to improve the organization's overall capacity in the social field, in the context of the reform proposed by the Group of 18, the Secretary-General has decided to consolidate social policy and social development activities in the U.N. Office at Vienna. A central task of this office will be this type of surveillance. Indeed, we have begun an effort to define information needs as part of the preparations for the Interregional Consultation on Developmental Social Welfare Policies and Programmes.¹ Analytical work on issues with which the office is involved includes a review of progress in achieving the objectives of the Declaration on Social Progress and Development, an update of the World Survey on the Role of Women in Development and a Report of the World Social Situation being prepared for intergovernmental consideration in 1989.

Other organizations have similar preoccupations. A positive step would be to link the various efforts into a broad international effort to understand the underlying issues of human development.

Developing New Concepts of Management

An obvious conclusion of even an initial surveillance of the social and economic situation of the world is that management as we thought it could be practiced for development needs to be changed

and refined. The assumption that management could be linear- that logical paths could be followed - is reflected in such concepts as linear programming. What is now evident is that management cannot avoid dealing with everything at once. Integrated approaches have never been popular in practice, since they are difficult to design and put into effect. It has been more convenient to manage in pieces. Sectoral approaches and distinctions between economic and social policies can be [seen. as](#) attempts to simplify management.

What is needed is an integrated system of management. Management should be seen in less hierarchical terms; it is a participative process. To a great extent, wide participation in the management

process can provide the broader vision and multiple sources of information which are necessary for better management of human development. There has been much conceptual emphasis on this in the last decade or so, but its translation into practice has been less successful.

Participative management requires that both managers and managed, if these concepts can be maintained, will require more cognitive and personal skills. It will require more training, more information, more technology and more technique than we have conventionally applied.

Social Policy and Planning

This integrated approach to development must be translated into policies which governments and institutions can follow. The elaboration of social policies and what could in the broadest sense be called social planning (as distinct from planning the "social sectors") has been sidelined during the recent decade's emphasis on economic policy. In operational terms, the increasing theoretical emphasis on the key role of social policy and social programs has not found an echo in commensurate priorities for social planning at the national level or, in the case of developing countries, in requests for technical cooperation in that field.

At the international level, developments which were begun in the early 1970s in the wake of the Declaration on Social Progress and Development and in anticipation of the various conferences of that decade were not pursued actively enough. In areas where they were, there was a greater emphasis on the negative effects of the existing situation than on their underlying causes.

The time has come to reactivate social policy planning. This is a second task which will be taken up by U.N. Office at Vienna. This is an area that requires priority attention on all sides and at all levels, as well as a pooling of experience so that practice may keep pace with evolving concepts.

The Advancement of Women and Rural Development

The advancement of women has been one case where we have taken a different path toward human development. It started with the premise that the essence of development was participation, and it built on a long-standing need to eliminate the legal obstacles to women's participation. It also attempted to promote access to material resources by women, but it recognized that the real obstacles to participation were nonmaterial, in the form of attitudes, social values and social structures which prevented women from exercising their potential.

In policy terms, work on the advancement of women recognized that it was not only the quantity of participation which was important, but its quality. It affirmed that participation should be such that it would reconcile the competing requirements of the material world (in the form of the firm, the market or the plan) with the essential, nonmaterial roles of women as mothers and transmitters of society's values. It implied that the policies to be followed would not be macroeconomic so much as microsocial, focusing on values, attitudes and the way people think. Indeed, training and what has been termed consciousness-raising have been major aspects of the approach taken. But there was an underlying understanding that

policies for the advancement of women must be linked with broader social and economic policies.

Procedurally, the work on the advancement of women has sought to deal with all aspects at once, emphasizing the interrelationship of economic, political and social issues. It has involved a conscious, international effort at surveillance, with the intention of obtaining a full empirical understanding of the nature of the world. It has been remarkably successful in destroying many myths about women's participation and has led to more appropriate policies. It has shown that qualitative changes in human behavior can lead to quantitative changes as women's ability to contribute increases. In many countries, it has led to fundamental changes in society. In many respects, it is the most successful recent effort at social planning.

Rural development, a concept which is currently less fashionable (but no less important) than it has been in the past, also involves an awareness of the integrated nature of policy. This concept was well known in the United Nations in the 1950s and 1960s but was labeled as "social." It became more important when the World Bank took the lead in linking it with economic development policy. It had a central emphasis on participation. As evidence will show, it met with considerable success in many countries, as well as very instructive failures. It highlighted, among other things, the critical interrelation

ships between economic policies (such as commodity pricing) and social structural concerns (such as the nature of rural society) as it tried to wrestle with the dilemma of finding policies which would benefit the whole of society without hurting parts of it. It placed particular emphasis on training and on raising the capacities of the rural actors and beneficiaries of the process. It also clearly showed the institutional problems of implementing integrated policies, especially regarding management.

An assessment of this experience would be instructive today, especially when we look at the relationship between short-term economic policies for adjustment and their social consequences.

Some Ironies and Paradoxes

If we look back to the late 1940s and early 1950s to the inception of development cooperation as we know it, it is striking to note how many of the ideas that succeeding generations have dubbed as "new" were in fact present at the beginning, even if in embryonic form.

It is indeed an irony, for example, that a concern with integrated approaches and with the development of human skills, whether for information, management or implementation, brings us closer to the original idea of technical assistance. Capital assistance, which for a time displaced technical assistance, needs to be accompanied (as well as preceded by) improvements in human skills and institutions. The original purposes of technical assistance concentrated on what we would now call "soft technology" - skills and institutions.

Another irony is that there are many instances of integrated planning and management which exist in the practice of development, but which have not received the attention they deserve.

What, then, has gone wrong with the management of human development? Paradoxically, our development thinking, even while recognizing the essentially integral and multidisciplinary nature of

the process, has tended to veer with the swing of a pendulum between economic and social development, between capital assistance and technical assistance. This process has been exacerbated -or perhaps epitomized - by a dangerous tendency toward development "fads," each holding sway at center stage for a while and then giving way to others: basic needs, rural development, participation, and now, public sector management and public administration. In any event, the practice of development has never managed to put

adequately into effect on a broad basis, and there has been a gulf between theory and practice. This does not mean that there have not been successes. Unfortunately, such

experiences have not been systematically reviewed and assessed. Failures also could provide instructive lessons. In some important ways we have lost vital information about our forty years of development experience.

The paradoxes are perhaps nowhere more evident than in management structures at all levels within both countries and international organizations. Some examples:

a) For political and historical reasons, the organizational structures of the U.N. agencies concerned with development were divided from the beginning between those dealing with capital investment (the "hardware") and those dealing with investment in human skills (the "software"). Although there has been a coming together in recent years as the realization of the interdependence between the two has become obvious, this has led more to a blurring of roles than to a proper interplay of functions and experiences. Budgetary constraints in nonfinancial organizations have led on the one hand to a major shift in technical cooperation to financial institutions and on the other to ad hoc, fragmentary approaches not conducive to a coherent, frontal attack on the problem.

b) Both national structures and those of the United Nations system, which mirror them, are still based on sectoral models running counter to the essentially multidisciplinary nature of development. Efforts to overcome this basic paradox through integrative mechanisms and "coordination" have not been conspicuous for their success. Coordination has become a growth industry in its own right and all too often self-defeating in its original ends. (Rural development is a key example of this kind of difficulty, both nationally and internationally.)

c) Similarly, neither national nor international structures are suited to a "grassroots;" participative approach. In many countries the linkages between the national, regional/provincial and village/ community levels and the delegation of authority at the various levels are usually quite inadequate for the purposes desired.

What Can Be Done?

Clearly, the challenge confronting us in managing human development is not where to go, but how to get where we have already decided to go.

As is ever the case, diagnosis is easier than prescription, and this paper inevitably raises more questions than it answers. A few pointers to remedial action may be considered, however.

a) An effort must be set in motion to develop a policy agenda for human development in the 1990s based on a greater understanding of the underlying issues.

b) This must be accompanied by a genuine endeavor to narrow the gap between the concept of human development and action to bring it about. In this regard, a forward-looking examination of prior programs and experiences is essential, leading to the elaboration of new approaches (not to be confused with the current obsession with "evaluation," which has become as ritualistic and self-defeating as "coordination").

c) We must also avoid concentrating on particular "fads" or slogans to the exclusion of everything else. Rather, we should focus on how to tackle development situations and potential in the round - i.e., on practical techniques.

d) The current stress on public management and administration can play a beneficial role in this provided it does not become an end in itself, but rather develops into an effective tool for bridging the gap between concept and practice.

Thus while it would be utopian to think that any major restructuring of national and international structures could be brought about in the short run, management concepts and techniques, properly developed and applied and supported by adequate analysis, demonstration and training, ought to be able to overcome the present shortcomings, especially those that inhibit the proper management of human development.

Notes

1. Diagnostic papers for this consultation were published under the titles, Serial Policy in the Context of Changing Needs and Conditions (Report of the UN. Secretary-General, document no E/CONF. 80/2, 1987), and Developmental social welfare Policies and Programmes: Current Needs and Issues (Report of the UN. Secretary-General document no E/CONF. M/3, 1987).

CHAPTER 5

Strategies to Develop the Poorest

Cecilia Lopez Montano

The negative consequences of adjustment on human development in Third World countries are presenting a real challenge to policy makers at both the international and national levels. The issue now is how to make a reality of the principle that "the objective of development is people."

One of the most interesting examples of a national reorientation of priorities toward human development can be observed in Colombia. After the adjustment of 1984 and 1985, and within a more favorable economic situation, the government has given top priority to the eradication of poverty "not as an isolated purpose but as a definitive element of the new development policy."² But how many countries in Africa and Latin America can follow this example? Not many nations possess the resources or the independence from international financial institutions to implement the kind of strategies they feel their societies are demanding.

Although there is still a lot to be done in the field of handling human and economic development successfully, policy makers do not have to start from scratch. Both on the theoretical and on the practical level, it is possible to sort out a number of basic issues in order to build up a new framework for policy design which is shared by some international agencies, planners and developing-country governments. Apart from that, throughout the world, there have undoubtedly been positive results achieved by bringing vulnerable groups into the development stream. Basic guidelines and pragmatic policies can be recommended which will accelerate the process of integrating human resources in development.

Basic Elements

The design of a policy-making framework adequate to the new theoretical approach requires much intellectual work. In many

areas, knowledge has to be developed; in others, it has to be improved. Old procedures may not be applicable any more, and traditional ways of analyzing poverty or vulnerable groups may be outdated. Theory and practice have to be combined, and a process of trial and error may be the only possible mechanism in the short run.

The economic and social analyses of the 1970s can offer a solid starting point. With this literature as a basis, general ideas for a more efficient absorption of human skills can be pointed out.

a) Human development has to be considered explicitly within macroeconomic policies. Otherwise, people will not be seen as the real objective of economic growth, resulting in negative short- and long-run social effects. This idea has to be reemphasized, because there are still many other ideas in the air, such as "Poverty can wait, the banks cannot,"³ and "In the long run, economic growth will solve poverty."¹⁴

b) Social policies designed and implemented in a parallel way to economic policies can have only a limited impact on quality of life. First of all, they do not survive economic adjustment policies, since social expenditures are the first to be cut in economic crises.¹ Second, they may not command the resources or the mechanisms to annul the negative impact of economic adjustment strategies on vulnerable groups c

c) The methodology to reach the poorest in Third World societies finds itself in a developing stage. Traditional approaches have left out the very poor in both rural and urban strategies. Therefore, this is a crucial area in which new knowledge has to be built up from positive experiences at the country level.

Rural development programs designed and implemented during the 1970s are facing very critical evaluation, because "they do not qualify as a general strategy to solve poverty in rural areas." Credit programs theoretically oriented to marginal populations are recognized today as a failure, given "the limitations of the traditional banking system in serving petty loans and in reaching the rural poor." But also, the urban poor in informal activities have been overlooked by official strategies. In many countries, governments forget or even discriminate against this sector.¹

d) Women's development needs must be an integral part of macroeconomic strategies if poverty is to be eradicated and economic growth accelerated.^o Women play a definitive economic role in poor countries; they demand specific approaches and need to be targeted explicitly." Otherwise, development will mean grief for vulnerable groups, and society will misuse a very dynamic resource.

Knowledge has to be accumulated on the correct management of women and development issues. Conventional perceptions of the problem can misguide strategies. The idea that women are excluded from economic activities and have to be integrated by way of more education, more health care and more participation in the labor market is outdated, at least for poor females." Policies, strategies and projects based on such ideas will not focus on the real demands of women in the informal sector. Without education, without health care, very poor women are overloaded with work in the agricultural, commercial and service sectors, making their contribution to the economy. Their problem is that they are not recognized as productive agents, and they do not have access to governmental services, which means low productivity, low income and poor living conditions for their families and for themselves.

Pragmatic Elements

In the search for appropriate mechanisms to bring together economic and human development, at least two kinds of strategies seem to be necessary. One has to do with the "adequation" of existing macroeconomic policies to the real demands of vulnerable groups in different economic sectors. The other addresses the need for new institutional approaches to resolve recognized bottlenecks in informal activities. Both schemes have the same purpose: to bring vulnerable groups into the development stream. Both share the same principle: existing procedures have left out the poorest. Two available experiences, one in Colombia and the other in Bangladesh, seem to illustrate these two types of strategies.

Colombian Policy for Peasant Women

When the reactivation of the agricultural sector became a priority for the Colombian government in 1982, all kinds of traditional programs were under way, some of them directed toward peasant agriculture. But these strategies completely ignored the significant changes that were taking place in the rural sector in general, and within small plots in particular. While female farmers increased their participation rate from 16.5 percent to 27.2 percent

between 1971 and 1980, and poor female peasants were taking over men's role in the traditional production of food, the prevailing strategies defined men as economic agents and women as mothers."

From the agricultural policy perspective, this was not an issue of equal rights, but an economic problem. If men were leaving the responsibility of production on small plots to women while they became wage earners, food supply - 40 percent of which comes from traditional farmers - would be negatively affected. 14

Elements of the Policy

The first thing to be done was to ensure that adequate agricultural services were provided by government institutions to poor female farmers. Significant changes had to be introduced in credit procedures, land reform mechanisms and laws, technical assistance and training. Traditional strategies did not reach women even though they were not discriminating against them. Changes also had to be introduced in social programs to guarantee not only the economic efficiency of women's work, but better living conditions as well.

A policy for rural peasant women was designed by the ministry of Agriculture in 1983 as part of a macroeconomic strategy to increase food production in the country. The general objective of this policy was to improve the economic and social participation of rural women in order to obtain greater economic efficiency, an increase in food supply and a better quality of life for these women and their families." Based on hard data and solid socioeconomic analysis, this policy was approved at the highest governmental level as part of the development plan, and it received strong political support.

Many difficulties emerged, however, in the process of implementing the policy. First, there was a reluctance by society in general, and the public institutions in particular, to accept the fact that women farmers were playing a key role in the economy. Second, to change operational schemes within the agricultural services, especially the credit procedures and extension services, presented difficulties. Third, and perhaps most significantly, there were no adequate strategies to reach the rural poor, a sector where women farmers were overrepresented.⁶

In spite of these problems, the process of bringing poor female farmers into the development stream in Colombia continued even

after a change of government and new macroeconomic priorities. Today, two years after the policy was introduced, a number of positive results can be identified. Poor rural women were ready for a new strategy which answered a real need. With a minimum of support from the Ministry of Agriculture, the women organized themselves immediately in order to learn about the new governmental approach, to promote its ideas, and much more importantly, to press for required changes in the agencies. Women themselves are the single element that has guaranteed the continuity of the policy. At the same time, more public institutions are getting involved, especially in social areas, and international organizations and donor countries are financially supporting some of their activities.

In general, the proportion of female peasants assisted by the agricultural agencies has been increasing, but credit and technical assistance are still facing bottlenecks.

One general conclusion drawn from the application of this policy is that within rural development strategies, changes can be introduced to respond in some degree to women's development needs. But the definitive integration of the poorest female peasants requires additional knowledge, at least in some specific areas.

Highlights

From the Colombian experience in handling poor women in rural activities at the macro level, several elements can be singled out which could be applied to other vulnerable groups.

- a) With the available data, significant changes can be instituted on the level of informal sector economic activity if policy makers are conscious of the dynamics.
- b) Governmental institutions continue their traditional behavior toward vulnerable groups, especially women, and are reluctant to change even when they are confronted with facts.
- c) Poor rural women are already in the development process as productive agents, even though they are not in the policy stream,
- d) The Colombian experience proves that vulnerable groups, especially women, do not enter the development process by means of more education, more health care or more specific welfare projects, but because reality forces them to do so.
- e) Organization of rural women in an informal way has been the most dynamic element of the policy. It has guaranteed its continuity and been the only sufficient force for effecting the required changes in the institutions.
- f) This kind of strategy demands few additional economic resources. It requires, however, a great deal of imagination and an abandonment of preconceptions about human behavior. Poor people, especially women, also display an economic rationality.
- g) This policy is not a "women's program." It is more a "bridge project," that is, a strategy to bring vulnerable groups - in this case women - into the policy stream. Once this objective has been achieved, the project should end.
- h) The "adequation" of existing macroeconomic policies is a necessary but no sufficient step for bringing vulnerable groups into the policy stream. The process of reaching the poor still has too many vacuums, and further innovative schemes are required.

The Grameen Bank in Bangladesh

Among the second type of strategies to approach the poorest - the development of new institutions - the Grameen Bank is perhaps the most successful example. This bank, "for, by and of the rural poor," is the final stage of a project that was started in 1976 by

Muhamad Yunus of Chittagong University. The Grameen Bank case points up some outstanding issues which emerge for policy makers concerned with human development.

Characteristics and Results

The Grameen Bank is a credit institution for the landless." Its main objective is "to extend credit facilities to poor men and women, for creating opportunities for self-employment for the vast unutilized manpower resources." Two basic elements were considered in its initial stage. First, the hypothesis was that if financial resources could be made available to the rural poor on reasonable terms and conditions, they could generate productive self-employment without any external assistance. Second, it was recognized that the traditional banking system did not reach the rural poor.²⁰

One of the most interesting characteristics of the Grameen Bank, which introduces the necessary flexibility to handle the poorest, is its peculiar combination of formality and informality. The system is formal in the sense that it is an organization with a staff and rules, but its approach is basically informal. The Bank goes to the people both to disburse loans and to collect repayments. It offers people additional training to help them meet the minimum requirements, and collateral is replaced by "informal interlocking responsibility among members of the group."²¹

Another characteristic of the system is that "the loanee can use ' the credit in any productive activity of his choice,²² which is a recognition of the existence of economic rationality among the poorest. They do not need to be patronized from beginning to end. Instead, "they can generate productive self-employment and thereby improve their living conditions' ²³ if financial resources are offered to them on favorable terms.

Results of the Grameen Bank experiment are very relevant for policy makers. First, this initiative of professor Yunus progressed very quickly. By the end of September 1984, 108 branches of the bank were in operation, covering 1,988 villages in five districts - 3 percent of the total number of villages in the country - and 110,000 bank members had received loans.²⁴ This strategy, based so much on the beneficiaries' will, could not succeed without their support. Therefore, the bank was created in response to a real need of the population.

Another significant outcome is the concentration of loans in nonfarming sectors. In 1983, 40 percent of the loans were used for trading and shopkeeping, 26 percent for processing and manufacturing activities, and another 26 percent for livestock and poultry raising. Less than 2 percent of the loans were disbursed for agricultural production."

A fundamental conclusion to be drawn is that very poor people may be more aware of real opportunities to improve their income than are the institutions which are explicitly designed to help them. A more traditional credit system would probably have forced them to remain in farm production, with most likely negative results.

In 1986, 71 percent of the borrowers were women,²⁶ with better performances than men in savings and loan repayments. Women were directly involved in more productive activities than their male counterparts²⁷ This rate of female participation, compared with the national indicators of sex distribution of the labor force, "indicates that if financial support is provided, a large proportion of the poor women can be brought into the arena of productive activities." The Grameen Bank was open to the very poor, without gender considerations; but poor women carry more of the burden of poverty and face it with greater responsibility than men, even overcoming cultural barriers.

Finally, the Grameen Bank succeeded in reaching its target group. About 52 percent of the loanees had no cultivated land, and only 1.6 percent had more than 2.5 acres. Bank members are not only lacking land, but in general, they are resource poor.²⁹ Therefore, new institutions which are really committed to understanding the development needs of vulnerable groups can reach them and successfully bring them into the policy stream.

Nevertheless, great effort is needed to change traditional approaches to the poor and misconceptions about their behavior.

The big question now is whether the Grameen Bank could possibly "be expanded to a wide enough scale to have a significant impact on alleviation of rural poverty nationally. 30 Many of the basic principles that made the Bank a successful institution in the beginning are foreseen as possible limitations in the future. For some analysts, "free choice" of activity can bring severe demand constraints from the loanees' side and at a certain point reduce the rate of increase of personal income. Another question is, how far can informality and personal contact be maintained when Services are offered nationwide?

It also has been mentioned that even when incomes increase, beneficiaries keep on demanding resources from the Grameen Bank; loanees do not seem to escape the poverty syndrome.³¹ Equally, a clear link between the project and an adequate macroeconomic policy has been identified as necessary. "Successful and sustained expansion of the Grameen Bank would depend to a large extent on the level and nature of agricultural development. 32 Even though loans are destined for nonfarm activities, they rely on the agricultural sector for raw materials and for a market.

Highlights

Additional elements of interest to policy makers can be identified from the Grameen Bank experience.

- a) A loanee in the Grameen Bank has to prove to be poor. In traditional banking systems, people have to prove they are rich.
- b) A certain degree of informality has been necessary to handle informal groups.
- c) Organization of beneficiaries has been a key factor in developing the system.
- d) This experience proves that very poor people have an economic rationality. In order to develop that rationality, more than welfare, they need resources.
- e) If an institution, a bank in this case, reaches the poorest, women are going to be overrepresented.
- f) Even in this approach, a new institution to handle the poorest, a sort of "bridging philosophy," might be important. At a certain point, the poor should "graduate," and this could be a way to break the poverty syndrome.
- g) New institutions that meet a productive need of vulnerable groups will require, sooner or later, an appropriate macroeconomic setting.

Conclusion

For one reason or another, social development has not been approached in the right way. This has been proved by facts. However, it is now possible to identify both the consequences of this failure and the most obvious bottlenecks.

One limiting factor is the development philosophy of the key international organizations which influence macroeconomic policies in the world and in individual societies. Another is the reluctance of most institutions, national and international, to "adequate" their diagnosis and instruments to changing realities. But perhaps the most crucial limitation, because it is affecting all levels of decision, is the prevailing ignorance about who the poor are, how they behave and how they manage to survive.

Both cases presented in this paper can enlighten these last issues. While the two strategies have profound differences not only in their characteristics, but also in the context where they have been

implemented in terms of geographical area and racial, cultural and even religious background, they nonetheless have key elements in common. Some of these are:

- a) Very poor people may be more aware of real opportunities to improve their quality of life than are the mechanisms designed to help them.
- b) Vulnerable groups must be approached with a flexible combination of formal and informal mechanisms.
- c) The immediate demands of the poorest may not be more education, more health care and more formal participation in the economic system. They may be producing already, and their most urgent need may be to increase their productivity.

d) In formulating strategies for vulnerable groups within existing macroeconomic policies, women must be made an explicit target. When the poorest are targeted, women are included automatically.

If the challenge now is how to handle the poor, these experiences prove that no right answer can be found without listening to them. There is much to be learned from the poor, but this process requires awareness, commitment and flexibility.

Notes

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5. See Neville O. Beharie "The Social case of crisis and Adjustment in Latin America and the Caribbean;" in Haq and Kirdar Adjustment p. 282.
6. Frances Stewart Alternative Macro Policies, Mean policies and vulnerable Groups," in Haq and Kirdar p. 53.
7. Progreso Economico y Social on America Latino, (Washington D.C.: Bantu Interamericam, de Dessmollo, 1986), p. 150.
8. Kamai SWdiquL An Smlmtion of the Grameen Bank Operations (Dhaka, 1984), P. 3.
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CHAPTER 6

Policies to Protect Women

Richard Jolly

"Must we starve our children to pay our debts?" asked former Tanzanian President Julius Nyerere in London two years ago. We could equally ask: "Must women bear the brunt of the burden of adjustment?" Both questions point to tragic developments in the process of adjustment as it is being applied in much of Africa and Latin America today. In the view of UNICEF, most of this is not only unnecessary, it is economically inefficient. A broader approach to adjustment - adjustment with a human face, as we like to call it - is quite feasible and would avoid many of these problems by consciously incorporating human concerns into the adjustment process. This paper attempts to summarize what would be involved.

Adjustment and Recession: The Cost to Women and Children

As with many of the most important human dimensions of recession and adjustment, hard evidence on the vital question of how women and children have been affected is limited. Literally thousands of professional articles have been written on the economics of recession and adjustment, and no doubt a million or more popular pieces. But in spite of this, empirical data and careful analysis of the impact on women in developing countries are scarce.

The main reason for this neglect will come as no surprise. The economics of recession and adjustment in the 1980s has been a specialist economic topic, for the most part tackled by economists and financial policy makers within a frame of thinking and analysis which traditionally makes no direct reference to the actual situation of the people involved. If the human dimensions have been con

An earlier version of this paper was prepared for a report of the Women in Development Group of ODM. I thank Nadir Youmef and Martha Wauh for their help in providing inputs for this paper. I have also drawn heavily on volume 1 of Giovanni Andrea Cornia, Richard Jolly and Franca Stewart, eds, *Adjustment and the 11-All-Face* (Oxford: Oxford University Press, 1991).

Considered, they have usually been explained in the context of the trickle-down assumption: as the economy improves, so will the human situation. The 1960s and 1970s have often proved this hope ill founded.

But there is a more specific reason for this neglect of the impact on women, even while issues relating to women have received increasing attention and analysis. Many economic analyses fail to emphasize the sharp disjunction in developing countries between the 1970s and the 1980s. With the abandonment of fixed parity exchange rates among the main world currencies, the oil price shocks and the growing disparities in productivity rates, the 1970s became a decade of economic fluctuation and instability - but, even so, one in which developing countries as a whole grew by almost 6 percent per annum. In contrast, the 1980s are, for much of the Third World, "the lost decade for development," in which negative or negligible growth of per capita income has been the dominant pattern in almost all of Africa and Latin America, and some of Asia too. Of 82 developing countries for which we have data, the number recording negative or negligible per capita GDP growth (in real terms) doubled from 25 in 1979 to 55 in 1982 and fluctuated around 50 in 1983, 1984 and 1985. This has meant that between 1980 and 1985, GDP per capita declined or was stagnant for 60 percent of the developing countries. In about a fifth of the 82 countries, the cumulative decline was extremely severe (over 20 percent) and in another fifth, somewhat severe (10-20 percent).

This disastrous record is unfortunately projected to continue. For Africa, the latest World Bank projections forecast limited per capita growth under optimistic assumptions and virtually no per capita growth until 1995 under pessimistic assumptions. For Latin America, future scenarios have been more positive until recently, when projected downturns in the industrial countries, growing protectionism and the lack of debt initiatives on an adequate scale have diminished Latin American prospects for continuing the more favorable performance of 1986.

The unique effects on women characteristic of the economic hardships of the 1980s have not been missing only from traditional economic analyses. Curiously, they have been neglected in a number of studies on women in developing countries in the 1980s as well.

Studies concerning women have tended to focus on the longer term trends in women's position without analyzing how these trends

have been affected by the sharp shift from economic growth to economic stagnation and decline. There is a real need for more empirical data on how the situation of women has been changing, and for more careful analysis of the links between these changes and recession and adjustment.

Notwithstanding this lack of data, the information available at least underlines the main ways in which women have been affected by economic recession and adjustment. The full set of interactions are complex, but we may concentrate on three basic links which transmit the economic repercussions from the economy to people: the impact of recession and adjustment on employment and incomes, especially the employment and incomes of low-income households; the impact on health, education and other basic social services; and finally, the impact on women's household roles and obligations and the time available to undertake them.

Employment and Incomes

The effects of economic recession on women's employment in developing countries have been mixed. On the one hand, several factors have combined to actually protect women's employment more than men's during the periods of economic downturn. These factors include women's predominance in the service occupations, their "sectoral segregation" and the fact that labor demand in services has often suffered less than that in manufacturing industries. In addition, income-generating women's employment in the informal sector has often grown. On the other hand, the rift of occupational segregation has widened, and open unemployment of women has sometimes increased more rapidly than that of men in the formal sector. An important reason for women's ability to maintain jobs in services has been lower rates of pay and the unattractiveness of women's low-paid jobs to men.

At the same time, general impoverishment and increasing dependence of households on women's income have also made it impossible for women to withdraw from labor markets. The increases

in focus on promotion of exports instead of import substitution has protected women's jobs in export-related industries, particularly in free export zones. But these jobs have often put women in highly exploitative working conditions. Flourishing cottage industries, also directed to exports, have often left many women underpaid and legally unprotected. Austerity measures have decreased public expenditure, thus limiting the availability of support services to help reduce women's "double load."

In the rural areas, especially in Africa, women play a predominant role in agriculture and yet (to the detriment of a8) are typically left out of agricultural policy making. Thus, although increasing attention has been given to agriculture in adjustment policies, women seem to have gained little or nothing in the process. Increases in both food production and cash crops are likely to have added to the labor burden of women, but the income, especially of major cash crops, is most likely to have accrued to the male members of the household - or in plantation and estate situations, to the owners of the land.

Health, Education and Other Social Services

UNICEF's study, *Adjustment with a Human Face*, has carefully reviewed the evidence of how basic health and education services have been affected by recession and adjustment. The study concludes that the economic crisis of the 1980s has had a devastating effect on the basic health and educational services available to the most vulnerable, reducing existing services in both quantity and quality and preventing progress toward extending services to the whole population. The direct and indirect repercussions of these cutbacks on women are obvious. Because of their childbearing and child-caring roles, women need extra access to health services. When services are cut, an extra burden of child care falls on women at the very time that services to protect their own health are cut.

Declines in expenditure per capita on health and education have been more widespread in Latin America than Africa, as a higher proportion of Latin American countries have reduced the share of public expenditure going to these sectors. Typically, Latin American countries cut education more, while African countries cut health. In general, during expenditure cuts, capital expenditure has been reduced most, while wage payments have been protected most.

There is nothing inevitable about these repercussions. Some countries - indeed, about a third of the 57 for which we have data - ensured that health and education were "highly protected" during the adjustment process, meaning that government expenditure in these sectors showed a percentage increase with respect to total expenditure while other aggregate cuts were being made. This of course does not mean that real expenditure was not cut, but it does show that there is potential for protecting basic services. Much of the damage can be avoided through restructuring within the health and education budgets.

Women's Roles and the Time Element

One of the best indicators of how women have been affected by recession and adjustment policies is the changing allocation of their time among different activities. This is the data which seems to be the most lacking. No study deals empirically with not just the allocation of women's time, but changes in this allocation during the 1980s. Perhaps the nearest is the study prepared by my UNICEF colleagues in Latin America. In this study, Maria del Carmen and Elizabeth Jelin emphasize how the economic crisis in Argentina has transformed the labor market in terms of both employment and wages, as well as in the availability and cost of public services. By 1980, 28 percent of the country's population had fallen below a basic needs poverty line, compared with roughly 10 percent ten years earlier. In addition, the degree of uncertainty affecting the organization of daily life had grown significantly. Women bore the brunt of this. According to Carmen and Jelin:

Beyond ... being affected by the decline in standards of living in general, women suffer particular consequences related to their role in organizing everyday domestic tasks for themselves, and fundamentally for other members of the family. Basically, housewives are the ones who have to find ways of making up for changes in the labour market and in provision of public services. This means a permanent search for ways of resolving the problem of consumption from what to give the children for supper when there is no money in the house, to how to look after a sick person when the hospitals are in crisis (which means standing in long queues for attention or looking for other alternatives when hospital 's not an option), difficulties in access to medical attention because of lack of money for fares, etc. The deterioration of domestic equipment s also a fact of daily life.³

The importance of unpaid domestic work increases in inverse relation to the level of family income. Thus, as income declines, a woman, especially a poor woman, has to spend more time shopping, seeking the best bargain, checking prices, etc. At the same time, she

has to spend more time at home in food preparation and household tasks, working with poorer materials and less adequate domestic equipment. In the case of women in 400 households surveyed in Buenos Aires in 1984,⁴ more than half spent between 40 and 80 hours a week on household tasks - from 7 to 11 hours per day. One-third spent more than 80 hours a week working at home. These were mainly women with large families, small children or an invalid and no domestic help. For those who also worked outside the home, the total working week lengthened dramatically. For two-thirds, the working week was longer than 80 hours - not surprising, given that their paid jobs in most cases involved 30 hours or more a week.

The growing uncertainty of daily life took its own toll in women's increasing inability to plan long-term courses of action, burdened as they were with the pressure of the here and now.

Adjustment with a Human Face

No matter how important these issues may be, their consideration has rarely entered the discussion and formulation of adjustment policies in any part of the world. Yet the consequences are serious, both for the present and for the future, because of the vital role women play in child care. In economic terms, the human capital of many countries is deteriorating due to adjustment policies which are supposed to be shaping the economy for revival and growth.

To remedy this neglect, UNICEF continues to advocate the need for adjustment with a human face - the conscious incorporation of human concerns into the objectives, content and monitoring

of national and international economic adjustment policies. A full exposition of the approach is now available in UNICEF's study under this title. It is also summarized in State

of the World's Children 1987,' Here, it may be useful to note briefly the main elements and to show their links to women's concerns.

The first need is for a change in the basic objectives of adjustment policy. There must be clear and explicit recognition of the need to protect the nutritional and other basic needs of children and other vulnerable groups, such as pregnant and nursing mothers, during the course of adjustment. Fortunately, this has been increasingly recognized, even if it has not yet always been incorporated into action (although a minority of countries are pioneering in this). But to give full expression to women's needs, one can and should go

further. Women's concerns, both in the household and in the workplace, need consciously to be made part of the analysis and formulation of adjustment policies. In turn, this means that women need to be involved directly in.. both the definition of development and adjustment and in their management.

As regards the process of adjustment, UNICEF's study identifies six main policy components: 6

a) Expansionary macroeconomic policies must aim at sustaining levels of output, investment and human needs satisfaction over the adjustment period. Structural adjustment of an economy normally takes much longer than conventional stabilization. A more gradual timing of adjustment and larger amounts of medium-term external finance will therefore be necessary.

b) Meso policies within any given macro polity frame can reinforce the expansionary macro approach and secure the priority use of resources to fulfill the needs of the vulnerable. Meso policies determine the impact of policies toward taxation, government expenditure, foreign exchange and credit (among others) on the distribution of income and resources. Essential aspects of meso policies for adjustment with a human face are using such polity instruments selectively for prioritizing and restructuring resources and activities in favor of the poor, for protecting the basic needs of the vulnerable and in support of economic growth.

c) Sectoral policies must aim at restructuring within the productive sector to strengthen employment and income-generating activities and raise productivity in low-income activities, focusing in particular on small farmers and informal-sector producers in industry and services.

d) The equity and efficiency of social services can be improved by restructuring public expenditure both between and within sectors (in particular, away from high-cost areas and toward low-cost basic services), by improving the targeting of interventions and by increasing their cost effectiveness.

e) Compensatory programs (often of limited duration) can protect the basic health and nutritional status of low-income groups during adjustment before growth resumption enables them to meet

their minimum needs independently. Two major elements of such policies are public works employment schemes and nutrition interventions, including targeted food subsidies and direct feeding for the most vulnerable.

f) Monitoring of the human situation, especially of living, health and nutritional standards of low-income groups, during the adjustment process is essential so that needs may be identified and the effectiveness of adjustment programs assessed and modified accordingly. Monitoring of human conditions, especially the health and nutritional status of vulnerable groups, should be given as much weight in monitoring adjustment as monetary variables are given in the conventional approach.

Adjustment with a human face is a realistic proposition. It draws from country experience, not just from textbook analysis. Each of the six policy components described above has been successfully adopted by some countries in recent years, while other countries having followed an overall approach similar to the one proposed.

How might the main elements of a more human-sensitive adjustment policy be applied to take greater account of women's needs? First, women's concerns need to be brought into a

country's development and adjustment goals. How this is done holds the potential for ambitious change - a fact which has already begun to be recognized in national and international plans. For instance, the U.N. Program of Action for African Recovery and Development incorporated references to women on almost every page of the document, perhaps its single most innovative feature. Also, both the World Bank and the UNDP have now identified support for women as one of their highest priorities.

The specific and practical incorporation of these concerns into the making and implementation of adjustment policy could be an important beginning of effective action. Their incorporation into macro policies is of fundamental importance. Ensuring access to credit for women is one critical need. Here, the priority is to ensure that this happens even at times when, due to macro adjustment reasons, the total amount of credit available may be restricted. A second area of meso policy relates to prices. Instead of allowing the prices of food and basic household goods to rise faster than average prices, ways must be found to achieve the opposite, especially for the prices of goods primarily consumed in low-income households. Policies for restructuring within the productive sectors, both formal and informal, urban and rural, should be an important focus for women's concerns. In terms of what needs to be done, generalizations must give way to specifics based on the details of the situation of women in each country concerned.

Ways must be found to reduce the long hours spent by women in the home and the workplace and to explore and encourage measures to increase the productivity of both types of work. Such measures offer triple benefits: they ease women's burdens and time constraints; they thereby are likely to benefit the children of the family; and they may also add to the family income, especially if women's increased productivity increases the income flowing to, and controlled by, women themselves.

As regards the social sectors, purposeful restructuring can again benefit women. The priority is not only to ensure that basic health and educational services are maintained and expanded, but to make sure that this is done in ways which ease the time constraints on women. It is particularly important to avoid measures which simply put up charges or lengthen queues without considering how women will manage to cope.

An increasing number of alternative approaches being tried may offer viable models. In Indonesia, for example, basic rural and health services have been expanded with resources saved by postponing hospital expansion. In Benin, local health center staff receive a community salary paid from local resources generated by the sale of essential drugs through the health center. The drugs are purchased through international competitive procurement at prices well below those of the main commercial suppliers.

The need to avoid cutbacks in primary education is another priority of adjustment with a human face, especially because there is increasing evidence that the reductions disproportionately affect girls. The long-run progress of women is thus critically linked to the education priority.

Finally, compensatory programs must focus especially on the needs of women, since pregnant and nursing women and children under age five form the main nutritionally vulnerable groups. For the same reason, monitoring the human situation will inevitably need to focus particularly on women and children.

In closing this brief summary of strategy, it is important to emphasize what is frequently misunderstood. This strategy is not a simple call for more welfare, but for more economically efficient and effective adjustment policies covering production as well as distribution. The erosion of human welfare is also the destruction of human capital. Even in narrow economic terms, the measures suggested will help to increase the efficiency of the adjustment process. Measures

which support rather than undercut women, children and the structure of families offer more hope for a better and more efficient long-run pattern of growth and development.

The Role of Governments and International Agencies

A welcome shift of thinking is already under way. So far, however, it is a recognition of the need for more attention to the needs of the poorest in adjustment, not of women as such. It would be better also to stress the specific short- and long-term needs of women. In parallel, it must be recognized that many governments and international agencies which uphold the general priority of giving more attention to women in development have failed so far to emphasize the critical need for women's participation in the design of adjustment policy. While many governments aim to give a high priority to women in their development policy, they often support an orthodox approach to economic adjustment which may be undercutting women-focused goals. At least some of these contradictions would be avoided if explicit recognition were given to women in the specification of the goals and processes of adjustment.

Governments could do much to implement this approach by pressing the main international agencies to formulate their own strategies to ensure that stated goals are implemented so that those responsible are made aware of their obligations. Training, motivation and support in fulfilling obligations will all be required. Progress must be monitored, and rewards must be given for success. Direct support in terms of additional resources and technical assistance must be provided to countries where necessary to strengthen national capacity for implementation. The resources involved will generally not be large, but they will often be critical. Governments could further ensure that the main international institutions clearly commit a certain fraction of their own resources toward these objectives, and that they monitor and report on their use.

The Consultative Groups of the World Bank and the Roundtables organized by the UNDP have a special role in providing a forum where the women's elements of this strategy of can be discussed among donor governments, the international agencies and the countries concerned. These meetings are the main planning forum in which a country's strategy for adjustment and development is reported upon and indications of future support by donors are

given. It would help, therefore, if explicit mention of the human dimensions of the adjustment process were introduced into the documentation and discussion at these meetings. It might also be useful to organize country-level meetings between governments and interested donors at which the government's strategy for incorporating greater attention to women and to the human dimension of adjustment could be discussed, and indications of outside support could be given.

There is a critical need for more information and basic empirical research in this area. After some years of neglect, interest and support are now forthcoming for documenting the impact of recession and adjustment on poor and Vulnerable groups, but the specific effects on women are still being generally ignored. The dearth of hard information in the area is sufficiently crucial that it should motivate some of the main international agencies to issue special publications on women and adjustment and on the experience of incorporating concern for women in the adjustment process both nationally and internationally. But governments must take the lead in insisting that basic data on women and on the change in their situation be included in World Bank, UNDP and other country or adjustment process reports.

Notes

1. Giovsmi Andrea Coma, Richard Jolly and Prance Stewart eds *Adjustment with a Human Face: Protecting the Vulnerable and Promoting Growth*, (Oxford: Oxford University Press 1987) Vol, 1, p. 18.
2. Ibid p. 78.
3. Maria del Carmen Feijoo and Elizabeth Jelin 'Women from Low income Sectors: Economic Recession and Democratization and Politics in Argentina', in *Invisible Adjustment: poor Women and the Economic Crisis* (Bogota: UNICEF, 1987), pp. 27-56. 4. Ibid., pp. 35-7.
5. UNICEF, *State of the World's Children 1987* (Oxford: Oxford University Press, 1987).
6. Cumia et al, dup=16.

CHAPTER 7
The Informal Sector: A Policy Proposal
Victor E. Tokman

Unlike fifteen years ago, when the informal sector was first mentioned,¹ this concept has not only gained acceptance nowadays, but has also become a cause for concern and action at both the national and international levels. This paper will address the question of what can be done to improve the incomes of the approximately 30 million Latin Americans working in this sector. With this aim in mind, we shall first set the debate on possible action within a broader perspective. Then we shall try to identify some essential elements in the design of a sector-supporting policy.

Growing Awareness of the Informal Sector

The warning voices raised in the 1970s that a significant and growing number of people were being left out of the modern sector and forced into low-productivity, badly paid activities went generally unheeded, save for some academic interest. The traditional belief in the trickle-down strategy, reinforced by the high economic dynamism registered by the Latin American region in the previous decade, prevented this concern from reaching the decision-making levels, despite the fact that information available for 1970-80 showed that the informal sector's share in the total work force had grown from 16.9 to 19.3 percent, while the accelerated creation of modern sector jobs had only managed to reduce the proportion of informal sector jobs in the urban centers from 29.6 to 28.7 percent.

Today, this issue has finally aroused governmental and private interest in a majority of countries in the region, while the international financial institutions are allocating increased resources to developing support programs for this sector. Private foundations have also begun to take action. The big question is, why this sudden popularity of the informal sector?' Both ideological and political factors are significant. A first economic factor is that despite a high economic dynamism, the informal sector's share in the nonagricultural work force decreased only slowly, whereas the number of people employed by the sector rose by 55 percent during the last decade. This is valid even for such high-growth economies as those of Brazil, Mexico, Panama, Costa Rica, Colombia and Venezuela. In others, such as the Southern Cone countries, the informal sector's share has increased.¹

A second economic reason is that the crisis of the 1980s has resulted in a considerable expansion of informal employment. Between 1980 and 1985 there was a contraction in job creation by large private enterprises as they adjusted to recession. People made redundant, and those newly arrived on the labor market, had to turn to the informal sector to survive. The result was an expansion by 39 percent of the number of people employed in the informal sector and a reduction of this sector's average income.

A third economic cause is the growing realization that there is a close connection between poverty conditions and informal-sector employment. In 1980, between 75 and 80 percent of those employed in the informal sector earned below-minimum incomes. Similarly, a high percentage of the poor (62 percent in Lima) were employed in this sector. Fourth, there is a consensus that even under the most optimistic assumptions, growth in the next few years will not be rapid. International market prospects are not good, the flow of capital from abroad has reversed its course, and the pending problem of external debt remains unsolved. Because of all this, growth is expected to be more modest in the coming decade than in the previous one. Slower growth in turn implies a slower recovery of employment levels in the modern sector. Given the expected increase in labor supply, the possibilities for a reduction in the size of the informal sector through the transfer of those employed in this sector to modern activities are slim. This process will be even slower due to the current inflated size of the informal sector as a consequence of the crisis.

Finally, interest in formulating policies increases when they do not call for large inputs of resources. The capital/output ratios of supporting the informal sector are low, therefore, fewer resources are required than if assistance were to be given to the modern sector. Other

policies, such as revising legal regulations and offering training and technical assistance, require a minimal outlay of resources.

The second set of causes is extraeconomic in nature; some are cultural and others, political and/or ideological. We shall refer to

only three. The first cause is cultural and has to do with the popularization of concepts imported from the center countries. These concepts enjoy respectability in the countries of the periphery despite their imperfect match with the facts there. The North has been producing more and more literature analyzing the underground or somersa or noire economy, depending on the country described. The differences between these concepts and what actually characterizes the informal sector in Latin America will be discussed later, but the apparent similarities between them have sufficed to generate a growing acceptance of these concepts.

The second cause is political. The return to democracy in the great majority of the countries of the region has reestablished elections as the norm. On the one hand, political parties need to attract votes, and on the other, the electorate have new possibilities of making their interests known and their demands felt. The informal sector, considered in terms of both the number of prospective voters and their increased capacity to exert pressure, constitutes a political force not likely to be disregarded. This is clearly demonstrated by the growing degree of social conflict observed on the fringes of the great Latin American cities, where informal activities concentrate. The situation has been aggravated by the recent crisis, in which the social groups usually employed in the informal sector have borne the brunt of adjustment and sometimes reacted extremely.

Finally, the debate is given new impetus on the ideological front by the growing popularity of neoliberal positions. This stance questions the association of informality with exclusion and lays a greater emphasis on the entrepreneurial potential of informal workers. It is argued that these informal workers are the true capitalist entrepreneurs in the developing countries, and that their productive growth is stunted by excessive and inadequate intervention on the part of the state through overregulation and red tape.

What Is the Informal Sector?

What is the informal sector, and how did it originate? These questions must be answered not simply to satisfy academic curiosity, but because the answers will guide us in designing a policy for the sector.'

A brief analysis of the informal sector points up the essence of Latin American structuralist thought. Prebisch^o identifies the existence of a large part of the work force employed in lower technical levels as a main internal result of the operation of peripheral capitalism. Research conducted within this analytic stream has made it possible to describe accurately the causes that determine the existence of the informal sector, its characteristics and its operation.

Unlike the central countries, the Latin American periphery incorporates imported technology not according to its own needs, but according to the relative factor scarcities of the developed countries and changes in the goods consumed there. Demand for these goods is transferred via imitative consumption. Such technological incorporation takes place within different structural contexts. Among the differences, there are two which are the most important in terms of this analysis. The first has to do with Latin America's dramatic inequality in the distribution of assets and, consequently, of income; the second, with the accelerated growth of the Latin American work force. The adoption of consumption patterns and technology originating from the center has not resulted in the gains of technological progress reaching the majority of the Latin American population, because the employment generated is insufficient to absorb the large growth of the work force, and because the prevailing market structures do not allow for transferring such benefits to the consumer through price reductions.

If we compare Latin America between 1950 and 1980 with the United States between 1870 and 1903, both periods show a great degree of coincidence in the evolution of the sectoral distribution of the work force.^o In the first place, investment coefficients and growth rates are similar. This indicates that the Latin American region as a whole showed a dynamic economic performance, since it compares well with the performance registered in the most dynamic of all central capitalist countries. In the second place, the creation of productive employment in Latin America, i.e., jobs generated in the nonagricultural modern sector, also accelerated, particularly in manufacturing, showing annual growth rates of 4.1 and 3.5 percent respectively. Thus job generation also compares favorably with rates registered by the North American economy.

There are, however, three important differences. The first is that although the periods being compared were selected in such a way as to minimize the differences in work force growth rates, Latin

America still registers a greater growth of labor supply (4.0 as against 3.7 percent). This difference, added to the slightly lower rate of creation of modern employment, accounts for the existence of a significant stratum of the population engaged in low-productivity activities, which is what we have termed the informal sector. Therefore, not only does informal employment represent a large share of nonagricultural employment, but more importantly, it has not registered any significant reduction despite the high dynamism of the modern sector. In contrast, in the United States, the first decades of the present century show a rapid decline in the significance of the informal sector.

The second difference has to do with the late industrialization of Latin America. This has resulted in a lower yield on investment in terms of job creation and also in a lower relative labor absorption in the goods-producing sectors. If we compare the evolution of the share of employment in the secondary sectors in Latin America and in the United States, we can observe that it decreases in both cases, but that in the U.S., the level reached is ten percentage points higher than the highest percentage registered in Latin America.

The third difference is that technical progress has materialized within a different structural context, with consequently greater differences in productivity which do not tend to decrease, thus confounding to what Anibal Pinto has called a situation of structural heterogeneity.¹

At the same time, some important technological changes which have taken place in the center during the present century have also been transferred to the Latin American periphery and superimposed upon an already partial process of modernization resulting from the first technological wave. There are two turning points which should be highlighted, because they affect the present workings of the informal sector.¹ The first was the reorganization of the labor process which took place in the center - mainly in the United States - beginning with crisis of the 1930s. At that juncture, industry's response to the trade unions' growing strength was to introduce a greater degree of segmentation into the labor market by increasing capital penetration where manpower could be more easily displaced by machines, thus increasing productivity and reducing costs. In addition, nonmanual tasks proliferated, and administrative work became more complex. At the same time, the greater control exerted over manual workers contributed to the growth of technical, professional, management and supervision jobs. In this way, the demand profile in the modern sector was altered in favor of jobs involving a

higher status and formal qualifications. These two characteristics made it even more difficult to incorporate the surplus labor employed in the informal sector, whose skills are relatively undeveloped, since they can only be acquired on the job.

The second important turning point in technological change began in the central countries in the early 1970s and is still going on. The crisis resulting from the first rise in oil prices, together with the lag in the productivity growth of the U.S. economy, has once again made it necessary to seek new forms of organizing the production process and, consequently, the labor process. This time, the response has been to decentralize the productive process, with the objective of achieving greater flexibility both in production and in the use of labor. New possibilities for decentralization have emerged in those sectors where technological changes concentrate, and there has been a revival of

subcontracting in other sectors which used to apply this production modality before the advent of mass production - for example, the garment industry. In a parallel way, there has been a revision of the public mechanisms of protection in the form of social welfare measures and labor legislation to guarantee job security. As a result, the developed countries have seen the emergence of a growing stratum which has misleadingly been called informal. We shall return to the issue of similarities and differences between the informal sectors of the center and the periphery, but the important point is that this new wave of technological change has also begun to penetrate the Latin American periphery, once again introducing a new form of linkage into a process of incomplete incorporation of the previous modernization cycles.

The result of all this has been the creation of the Latin American informal sector. This sector has appeared as a consequence of the incorporation of diverse, imported modernization waves into a structural context characterized by marked inequalities and a very rapid growth of the work force. The technological bias has partly determined the birth of the informal sector by making the generation of employment in the modern sector more capital intensive, by altering the demand profile against the attributes prevailing in the excluded work force, and at present, by resorting to decentralization as a new production modality, although this last process may also have positive effects on the incomes of people employed in the informal sector.

When the relative surplus of the work force cannot find employment in the modern sector, it generates its own employment modalities. These are partly determined by the scant physical and human resources available to this group. Ultimately, they resort to productive activity characterized by a low level of technification, small size, minimal capital requirements, limited division of labor and little differentiation in ownership of the means of production. Similarly, these modalities tend to concentrate in the more easily accessible markets, which renders average income the adjustment variable in case of a change in employment. Obviously, not all markets offer an equal access capacity, nor are all the members of the surplus work force uniformly deprived of capital. Consequently, inequalities are also generated within the sector. It is this feature that defines its heterogeneous nature and that is important to take into account in the formulation of policies.

The informal organization of production and of the labor process also has its implications for institutions. In fact, much of all informal activity takes place beyond the limits of the present institutional framework. Because of the way in which it functions, informal activity is impossible to regulate, even if a government has both the will and the coercive capacity to do so. Due to the growing magnitude of the informal sector, social security, minimum wages and other protective legislation cannot be applied to it, and productive units often do not meet existing legal registration and tax requirements. In some respects, this failure to meet legal requirements only shows how inadequate such regulations are (as in the case of permits to go into business). In others, it shows the economic impossibility of implementing protection mechanisms designed to ensure a more equitable secondary distribution of a surplus when no surplus exists. In any case, a growing weakness of the regulation apparatus is evident, and tensions generated by economic insecurity have led to popular outbursts and sometimes created crisis situations in Latin American states, as argued by Maros Mar' and De Soto¹⁰ in the case of Peru.

Norms and Context in the Informal Sector

The definition of the informal sector presented here tends to be associated with two other analytic streams. The first refers to the main criterion adopted to define the informal sector, namely, the fact that by its nature, it is not regulated by the norms of the state. The second, which to a large extent is conjoined with the first, is to postulate that the informal sector is a universal phenomenon rather than one associated with the periphery.

The nonobservance of norms is no doubt one of the results of operating informally, not one of its causes. However, the opposite is not necessarily valid; not all activities that do not observe norms may be considered to be informal. According to this criterion, we should have to define as "informal," for example, tax evasion, or noncompliance with labor laws by large modern enterprises. Similarly, illegal drug trafficking or smuggling operations would likewise be included in the informal sector. This would be incorrect, because the main characteristic of informal activity is its incapacity to observe prevailing regulations, even if there is a wish to do so. If minimum wages were to be paid and the corresponding social security contributions were to be made, the meager surpluses of informal activities could not cover them. For example, case studies carried out in Colombia show that the percentage of profits resulting from sales practically disappears if the micro enterprise is "legalized." Within legalization costs, the cost of labor represents between 83 and 93 percent of the total." A similar situation can be observed in the commercial activity of the flea markets of Santiago, where the profit margin disappears if value-added tax is paid." Conversely, the fulfillment of fiscal and labor obligations does not jeopardize the existence of the modern enterprise, but only affects the magnitude of the surplus available.

The second analytic stream has its origin in observations made in the central countries, where there has been a revival of production modalities similar to those identified in the developing countries. This leads to challenging the assumption that a greater degree of development implies the disappearance of informality. In this respect, it must be admitted that the decentralization of the production process with the objective of making more flexible use of productive factors - particularly labor -has been accompanied by an expansion of small-scale and even family-scale enterprises, generally linked by different subcontracting relationships. Several studies have shown this development both in the United States and in Spain and Italy." There are also some clues indicating that industrial restructuring has also affected some sectors in Latin America, introducing greater decentralization in the production process.

When we compare the small productive units of the center and the periphery, we do find identical characteristics, in the sense that

such units are organized mainly on the basis of family labor and generally operate on the margin of regulation by the state. There are, however, two essential differences. The first is that in the developed countries, these activities are generated from the top by means of decentralization, which ensures dynamic linkages between these activities and the rest of the economy and imnl'ec a wtdP~ ?~ c markets ca, ital and technolo . ec n i mality results in low incomes and a low accumulation capacity, in the center, the incomes earned 'in the subcontracting enterprises exceed the wages paid in the modern sector - although there, the other side of the coin is the loss of legislative protection and job security. Essentially, the informal sector is defined not only by the organization of production at a microeconomic level, but also by the structural context in which it occurs; by the presence or absence of a labor surplus; and by how it is linked with the rest of the productive system.

A Proposal for Action

This analysis points up the complexity and multidimensional characteristics of the informal sector. Consequently, there are no simple prescriptions or particular actions that can produce sufficient general effects to improve the standard of living of the people employed in the informal sector. The risk is that after more than fifteen years of ignoring the problem due to a general belief that the labor absorption process was automatic, we may fall into the trap of oversimplification and think that finding solutions will be relatively easy. What is actually necessary is a series of mutually reinforcing measures. In this section we shall explore three such measures. The first is productive assistance for informal units. The second describes assistance for people working in the sector. The third concerns the norms and regulations that govern these activities.

The Productive Assistance Package

We have identified one of the main constraints of the informal sector as its restricted access to productive resources (capital and skills) and to the more dynamic markets. Thus the first priority is to set up mechanisms to permit this access and to eliminate the discrimination which this sector suffers. This implies the design of at least three types of measures. The first measure proposed is to examine the systems whereby the state invites bids from suppliers, to eliminate the restrictions that prevent informal enterprises from participating in such bidding, and to facilitate their participation. The second measure should be to facilitate access by informal enterprises to both investment and working capital in order to spare them from paying the high interest rates charged by parallel credit channels when they are denied access to official channels. This implies the creation of collateral mechanisms, such as insurance schemes or trusts, which are not linked, as at present, to individual assets. The third measure proposed is to train informal producers in accounting and management. They and their dependents would benefit economically from their improved expertise and could eventually be trained to introduce new technologies. All these measures would reinforce the competitive capability of informal enterprises and increase their share in the public and private market.

The Welfare Package

Productive assistance action has, however, some limitations in terms of potential effects. The two main ones are that productive assistance can be directed only toward the more organized productive units that constitute the central nucleus (mainly in industry and some nonpersonal services), and that within them, the benefits derived from this assistance may all accrue to the entrepreneur rather than being transferred to the informal workers. What makes it difficult to improve remuneration is the oversupply of labor and their inability to negotiate. However, productive reinforcement may imply an increase in the hours worked per week or the creation of new jobs, and in these indirect ways, the benefits would be transferred to the informal workers.

Nonetheless, a significant proportion of the informal sector will be excluded from the benefits of productive support, since to a large extent they depend on their own labor and carry out activities, particularly services, which are unlikely to receive this type of support. Thus, measures aimed at improving the welfare levels of the population are also required in order to ensure that their basic nutrition, education, health and housing needs are met. Obviously, such an assistance policy will have to tackle the constraints imposed by the scarcity of available resources in almost all these countries. This scarcity makes it imperative both to focus existing social spending on special target groups and to try to increase spending by cutting down on other spending which may be socially inefficient.

Improving the welfare levels of poor informal-sector workers will have positive effects on production. It will enable them to compete for better jobs by guaranteeing

them the minimum health

and educational status required for performing such jobs. An additional benefit of a combination of the welfare-productive assistance package is that since informal units are characterized by their dual home-enterprise nature, available resources are allocated to both uses. The reinforcement given to the needs of the home will free resources for productive purposes, generating a "virtuous cycle" of expansion.

The Legal-institutional Package

The "illegality" of informal activities is the result, not the cause, of their mode of operation. Owing to this, actions adopted in this field do not address the deeper

problems that determine the low incomes prevailing in this sector. However, certain measures, if adopted in conjunction with a welfare and productive assistance package, can contribute to meeting the desired target.

There are three aspects of "legality", that should be distinguished: the recognition of legal existence, tax legality and labor legality. Each aspect should be analyzed separately, since all three pose different problems and offer different options. They are, however, interrelated. For example, legal recognition is a prerequisite to regularization of both tax and labor status. It is also important for the application of the productive assistance package in its different dimensions. This, at least, is the situation in formal juridical terms, because in practice, the different state agencies which are responsible for enforcing sectoral laws are often more stringent in enforcing the more specific norms than elsewhere. This is made clear by research comparing the action of agencies in charge of enforcing tax laws with action taken by agencies responsible for labor protection," c research investigating how tax laws are enforced at the municipal, level.¹⁵

Concerning recognition, we must distinguish between two situations. The first one occurs when "illegality" has been the result of avoiding a prolonged bureaucratic process involved in meeting multiple legal requirements. This entails such high costs in terms of resources and time that it constitutes what De Soto calls the "paper wall".¹⁶ This "paper wall" is equivalent to a prohibition to operate legally. In this situation, it is necessary to revise and simplify existing norms and procedures in order to facilitate rather than impede the progress of informal activities toward legality. The second situation occurs when there is regulation on the part of the state with the purpose of protecting the general interests of the community. The municipality has a legitimate need to provide for the easy flow of traffic in the city, the city's aesthetic harmony, the population's access to a safe and efficient transport system, and the like. In pursuit of such objectives, the municipality regulates building permits, trading licenses, public transport licenses, etc. This regulator generates benefits that favor some protected groups, or it alters the rules of competence in such a way as to exclude people who would not be excluded in an unregulated situation. However, economic calculations must also incorporate protecting the common good which would be endangered if all regulation were eliminated. Therefore, the solution does not reside here.

Neither is regulation effective if it is ignored, or if, on the contrary, reality outgrows it, as in the case of peddlers, unlicensed taxis or buildings without permits. The answer is not increased coercion - for example, allowing the police force to deal with street vendors. However, the effectiveness of control is variable, and the causes of noncompliance are different. For services such as public transport, control is both feasible and desirable. In other cases, such as housing, it will be necessary to differentiate between housing that does not comply with current legislation for legitimate reasons, as happens in shantytowns, and that which fails to comply for reasons of convenience, as happens with zoning laws in medium- and high income areas." The latter must certainly be controlled; the former calls for a revision of regulations and procedures to prevent unrealistic institutional requirements from being imposed on people who are in no condition to comply with them. Finally, little or nothing can be done about such clearly overflowing sectors as street peddling. It is always attractive to apply transitory measures that alter the situation in a temporary way. However, sooner or later things revert to their former state, because the permanent nature of such sectors is determined by the existence of a structural labor surplus that will decrease only when sufficient productive employment is generated. Until this happens - and since, due to the crisis, rock bottom has been reached - social tension will be an inevitable consequence of coercive action.

The second aspect of legality has to do with taxes. Here, it is necessary to differentiate between direct taxes, which, given the income and profit levels at which the informal sector operates, are not important, and indirect taxes. Among indirect taxes, we shall refer to value-added tax (VAT), which is almost universally applied in Latin

America and whose rates increase more and more given the existing fiscal tendency to assign a greater importance to this tax than to direct taxes. We shall restrict ourselves to pointing out three aspects that should be taken into account in designing fiscal policy. The first is the need to incorporate VAT exemptions for small commercial transactions. The second is the need to increase control at all levels, not restricting it to the last links of the chain, but also extending it to the intermediate producers. Finally, in connection with the nature of this tax, it will be necessary to advise the informal producers on the mechanics of this type of taxation, in which payments made at previous stages are deductible. If this tax is duly worked out, the net amount to be paid can be considerably reduced.

The third aspect of legality concerns labor regulations. The cost to informal enterprises that complying with existing labor regulations would involve represents almost the entire cost of legalization and would absorb the small profits generated by informal [activities](#). It is necessary, therefore, to reconcile the objective of protecting workers and their families with the need to preserve this source of employment, which, precarious as it may be, is preferable to open unemployment.

The answer may be sought by exploring different avenues. One part of labor protection is to cover workers and their families in situations of illness or accident. These should be directly attended to by the welfare system. Another part of the cost of legalization goes toward financing a series of national activities which generate long term benefits for workers and which, therefore, are partly financed by worker contributions deducted from the payroll. Such contributions, for example, are deducted for training and housing. Given their incapacity to pay, it seems advisable that informal enterprises be exempted from this type of tax.

The problem is, therefore, restricted to social security and family allowances. Within the former, if we exclude such aspects as job-related accidents and health coverage, what remains is job security and pensions. The usual conception of these systems assumes a long-term or permanent employment relation. Regulation attempts to ensure that this is so by reducing job insecurity and safeguarding the interests of workers who change their activity. But informal sector jobs are seldom long-term or permanent. On the contrary, insecurity is one of their main features. For this reason, it is necessary to adapt these regulations either to exempt all or some of these types of unit (as do several countries) or to introduce special modalities that take into account their operational characteristics. Another possibility is to revise the form in which the social security system is funded: instead of making payroll contributions, such funds could come from another type of taxation, be it production, sales or capital. The effect would be a general growth of employment as informal-sector enterprises were freed from this obligation.

Conclusion

All these proposals may create the impression that this is a program for major state intervention on all fronts. However, detailed analysis shows that what is actually being proposed is to improve the efficiency of the state's intervention by rationalizing, reducing, eliminating or increasing it, depending on the circumstances. In the first place, and as a general rule, the intention is not to generate new institutions and bureaucracies which, given the massive level of intervention, might lend themselves to political manipulation by the governments in power. There are a large number of public and private bodies which, given the right kind of influence, can redefine their activities and incorporate these objectives. This will also ensure the permanent nature of these actions.

In the second place, these proposals are simplification measures, such as the proposals to revise the system of state purchases or to simplify the rules and procedures for attaining legal recognition. We have suggested the elimination of some

tax and labor obligations and recommended more intervention - though not necessarily in a direct way - only in the constitution of collateral mechanisms to facilitate access to credit for training and to increase and focus social spending on the most deprived groups. Ultimately, the idea is not to increase or reduce the state's action, but to make it more effective.

Notes

1. Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya (Geneva: ILO, 1972).
2. This issue has been analyzed in greater depth in V.E. Tokman, "El sector informal: Quince años después," *El Trimestre Económico*, July-September 1987.
3. Ibid.
4. For an in-depth treatment of this issue, see P.R. Souza and V.E. Tokman, "El sector informal urbano en América Latina," in *Revista Internacional del Trabajo* (Geneva: OIT, 1976); V.E. Tokman, "An Exploration into the Nature of the Informal-Formal Sector Relationships," in *World Development* (Oxford: Pergamon Press Ltd., 1978); V.E. Tokman, "Unequal Development and the Absorption of Labour, Latin America, 1950-1980," *CEPAL Review*, August 1982; and V.E. Tokman, "Desarticulación social en la periferia latinoamericana" (paper presented at the Seminario-Coloquio El Sistema Centro-Periferia: Presente y Perspectivas, Madrid, May 4-10, 1987).
5. R. Prebisch, *Capitalismo periférico: Crisis y transformación* (Mexico: Fondo de Cultura Económica, 1981).
6. In 1950, 55 percent of the Latin American work force was employed in the agricultural sector. In 1980, this proportion decreased to 38 percent. In the United States, these same percentages were registered in 1870 and 1903 respectively.
7. A. Pinto, "Naturaleza e implicaciones de la 'heterogeneidad estructural' de América Latina," *El Trimestre Económico*, January-March 1970.
8. Tokman, "Desarticulación" (see note 4).
9. J. Matos Mar, *Desborde popular y crisis del Estado: El nuevo rostro del Perú en la década de 1980*, series *Peru Problem* a, no. 21 (Lima: Instituto de Estudios Peruanos, 1984).
10. H. De Soto, *El otro sendero* (Lima: Editorial EL Barranco, 1986).
11. B. Cart, and J. Acevedo, *Análisis de la problemática de legalización de la microempresa* (Bogotá: Instituto SER de Investigación, 1986).
12. La actividad comercial de los mercados pesados de Santiago: Efectos sobre el empleo y los ingresos, series *Documentos de trabajo* 1240 (Santiago: PREALC, 1984).
13. A. Portes and S. Sassen-Koog, "Making It Underground: Comparative Material on the Informal Sector in Western Market Economies"; V. Capecchi, "Industrial Reconstruction and Informality in the Red-belt"; M. Castells and A. Portes, "World Underneath: The Origins, Dynamics and Effects of the Informal Economy"; and J.A. Ybarra, "La informalización industrial en la economía valenciana: Un modelo para el subdesarrollo" (papers presented at the Conference on the Comparative Study of the Informal Sector, Harper's Ferry, West Virginia, USA, October 2-6, 1986).
14. P. Fernandez-Kelly and A.M. Garcia, "Informalization at the Core: Hispanic Women, Home Work and the Advanced Capitalist State" (paper presented at the Conference on the Comparative Study of the Informal Sector, Harper's Ferry, West Virginia, USA, October 26, 1986).
15. Ibid, in their analysis of the homework or woman of Hispanic origin in southern California and southern Florida, the authors posit that the expansion of the informal sector has been made possible, among other factors, because of the action and policies of agencies acting on different and often contradictory authority. An illustration of this is the definition of the employer-employee relationship, we are not in the business of determining whether some people are exploited or not" At the present in Chile, a

procedure for the voluntanery declaration of improvement made on house-including the whole of the property is being applied for taxation purposes without a stimulus requirement of regularization of the property municipal status, Which is what should strictly come before tax status according to established regulations.

16. De Soto

17. In santiago de Chile, for example, according to data supplied by the minister of housing, only for out of ten new houses started between 1984 and 1985 have been duly authorized. It should be added that most of these works are located in high income zones, that the building enterprises involved are modern, and that in general, they comply with tax and labour laws and regulation

CHAPTER 8

Data for Social Development

Wolf Scott

It is now commonplace to assert that development can be managed without data; and indeed, because data are often unavailable, there may be no alternative. There is little doubt, however, that management can often be improved by good and timely data used in analyzing problems and in planning, monitoring and evaluating the results of policies and projects.

Assertions that as a result of certain lines of action in specified locations, the poor have gained or lost in absolute or relative terms and in respect of all or selected items are frequently restatements of faith rather than statements based on facts. The rich may have become richer and the poor poorer over time - we simply do not know. But there is evidence to suggest that the truth is rather more complex: that some poor (and some rich) have benefited, but not others; that they have benefited in some respects, but not others; and that the situation varies widely by country, and within a country by region, district and locality.

Assuming, therefore, that development consists of techniques as well as expediency and can be enlightened by data, what kinds of data should be available in the particular field of human development, which is here taken to mean social development, or the quality of life? Needs for data depend on the purpose - for example, analysis, planning or monitoring. This paper confines itself to monitoring, which is to say, to assessing conditions among the population that are the target of policy concern at one point in time and then tracing changes in these conditions. There are two questions to consider: (i) which sectors or components to include, and (ii) the kinds of data required for each component.

Components

An actual list of components is less important than a system of obtaining information. Once the system is in place, it is possible to add or delete a component at will. The example given below includes health, nutrition, education, housing (including associated amenities, such as drinking water or electricity), income, transportation, selected aspects of clothing (such as footwear) and employment.

The data required to assess conditions at a base point and monitor changes normally require the following characteristics: they should (i) measure living conditions realistically and economically, using few indicators; (ii) identify and characterize each relevant category of the population, particularly disadvantaged categories and problem groups; (iii) show changes over time (time series); (iv) permit the study of relationships between the principal data sets; (v) be timely; and (vi) be reasonably accurate and precise.

Relevance and Sufficiency

Each of the fields or components should be covered by indicators that have conceptual, technical and operational validity as measures of what they are intended to measure. For example, as regards food consumption and nutrition, the national per capita apparent consumption of food is not a sufficient and adequate indicator. Data are required on distribution and on actual consumption or nutritional status.

Data for Each Crucial Population Category

Categories that may be considered important or potentially important for policy purposes should be distinguished in statistical tables or in other forms of information. Examples are disadvantaged groups such as the landless or small farmers, the poor (by some clearly defined national or regional criterion), or residents of shantytowns. In general, women should be distinguished from men when individuals are tabulated, and households headed by women from those headed by men in household tables. Division may be by population group, as above, or by geographical areas thought to be prone to social or economic problems. A subdivision within such areas by population group may be required if the areas are large and heterogeneous.

Identification of disadvantaged groups or areas on which to obtain separate data may be based on reasonable expectations (e.g., shantytown dwellers) or on preliminary research, or may emerge as a product of data analysis. For example, those with least education, least food, etc., may be sorted out and then tabulated in terms of socioeconomic status or area (see also linkage).

Time Series

In order to monitor changes over time, the data system should be planned to eventually provide time series. Continuity in contents, definition and classification is required. In addition, if there is random error (because the data are derived from sample surveys or sample registrations, for example), the samples will have to be large enough or the time series sufficiently long to show real trends over and above random error. In this context, attention must also be paid to data quality, since response and other nonrandom error may seriously affect the comparability of data over time.

Linkage

It should be possible to link series provided in the separate sectors, such as food, employment or health, to answer the question whether individuals or households with low values in one sector also have low values in other sectors and thus guide policy. In practice, there is usually some, but not perfect, correlation among sectors, and disparities are common. For example, many people with little education may be adequately employed, or health in some contexts may be related to specific geographic conditions rather than to social conditions generally.

Timely Issue of Data

Data, once collected, should be issued as rapidly as possible, at least in provisional form. Experience in some countries has shown that rapid, first manual counts of data give results that often vary only slightly from the final, mechanically produced, verified counts. The periodicity of collection should be related to the rate of change of the conditions measured. Although in general, social conditions change less rapidly than economic conditions (in the "modern," if not always in the traditional, economic sectors of society), the rate varies within both categories. Water installations may be more rapidly provided than new housing, or the enrollment of children in school may proceed

more rapidly than changes in literacy (which depend, inter alia, on mortality of the older, less educated segment of the population as well as on school enrollment).

In general, decennial censuses, the results of which are issued only several years after collection, may provide important background data for hypothesizing and identifying disadvantaged groups, but may be of little use in monitoring changes in social or socioeconomic conditions for policy purposes,

Data Quality

This is a fundamental problem involving questions of methods of collection in developing countries, particularly when viewed together with problems of timeliness and cost. It is important that the nonrandom as well as the random error of the data be as small as possible so that real trends and differences between categories are clearly visible.

It would be difficult in the majority of countries to satisfy the above six conditions all at once. They may at best constitute a standard by which currently available information may be judged and new developments in statistical and related non-statistical activities oriented.

Most countries' national statistical offices have provided a good deal of useful data for other purposes, but relatively little that could be used for the kind of monitoring described here. Improvements have taken place in recent years (for example, through household sample surveys, or by the increased use of computers, which allow for better integration and manipulation of data), but in most countries much remains to be done before we can make sensible statements on the number of people who do not cover their nutritional needs, fail to obtain minimal health care or functional education, or have no access to safe drinking water. Nor can we usually identify these people in geographical and socioeconomic terms.

Work at UNRISD to Develop Monitoring

That a new approach is required is generally appreciated. Organizations within the United Nations family, jointly with governments, have renewed their efforts to expand national household survey capabilities. The United Nations General Assembly (Resolution A/Res./179/40) and the Economic and Social Council (Resolution 1987/6) have recently requested work by the Secretary-General and the U.N. Research Institute for Social Development (UNRISD) on "patterns of consumption and related socio-economic indicators" in order to provide more realistic data on social conditions than is now available in many countries.

UNRISD has in particular worked on two kinds of projects: first, to improve methods of analysis of development data, and second, to explore the use of the small local area as the unit of data collection and analysis. It is this latter project that is described here.

The Development Monitoring Service at the Local Level (DMS), as it is called, attempts to point a spotlight at a small but representative sample of local areas for close analysis, and to do so systematically and continuously to obtain a picture of change over time. While the idea originates from the occasional ad hoc community study, the distinction between it and the DMS is the latter's more consistent approach, including features such as relative representativeness and continuity. The use of a small area as the unit of analysis makes it possible to study the interrelationships of certain variables - in particular, those with a geographic orientation, which are not readily captured in national surveys. On the other hand, the sample of local areas is too small to give representative data at the national level. In this way, national and local data complement each other.

History

A pilot study to test the modalities of a DMS based on the local level was set up by UNRISD in the late 1970s in Kerala, India. The government of Indonesia, jointly with UNICEF, followed suit, as did the state government of Uttar Pradesh in India. The government of the southern region of the Sudan, also at the instigation of UNICEF, planned a similar activity. A first phase there which consisted of a region-wide survey of population and social infrastructure was completed in the early 1980s. Political events have since frustrated implementation of the principal phase. This paper is concerned with the DMS in Kerala, where in spite of a financially checkered career, the structure of the scheme is most clearly seen and first results are available. Within the DMS, twelve socioeconomic observation areas, as they are called, were set up in 1978/79 by the Kerala Statistical Institute with financial support by UNRISD. Work in nine of the areas lapsed after two years, but since 1986 the state government of Kerala has supported the scheme financially within its current five-year development plan. Altogether, fifteen areas are now covered.

Structure of the DMS

- a) A sample of local areas is very carefully selected, as far as possible representative of varying local conditions (the socioeconomic observation areas). In Kerala, areas were selected from strata that took into account the standard ecological zones (lowland, midland, highland) and the sociopolitical distinctions between north and south, urban and rural.
 - b) In each selected area data are collected from households in respect of characteristics of the area as a whole (on services, economic and social infrastructure, natural catastrophes likely to affect development, etc.). In addition, studies in the same areas are conducted from time to time on specific problems. The intention is to integrate data from these various sources in analysis and reporting.
 - c) The system is continuous, in the sense that data are collected each year so as to have a consistent record of change over time.
 - d) Paid local staff are used, subject to training, supervision and data control from the center, in contrast to systems where interviewers are sent from the center to the local areas for each survey.
 - e) To the degree feasible, participation by the local community is encouraged (in India, through full consultation with the local councils).
 - f) The fullest possible coordination is sought between users and producers of the data.
- The following statistics have been collected in Kerala:
- a) Information about the area was collected from key respondents, including information on schools, health care facilities, economic infrastructure, transport and communication, and annual change in respect of these facilities.
 - b) Information was obtained from short, individual interviews from a sample of about 2,000 households per area on household size, type of house, whether there is electricity, kinds of sanitation and sources of drinking water, number of days of illness during the week preceding the interview, births, deaths (including infant deaths) during the previous year, education, religion, caste of head of household, household income.
 - c) For a subsample of about 200 households per area, more detailed information was obtained, again by interview, on the demographic and socioeconomic characteristics of household members, such as employment and income, possession of household durables, livestock, landholdings, expenditure on major items of food during the previous week and on "lumpy" items such as clothing, medical and educational expenses during the past year, use of footwear, problems with transportation.
 - d) Wage rates in selected occupations were obtained from key respondents.
 - e) Special studies are conducted from time to time - for example, surveys of weight and height or morbidity.

The **DMS** is thus structured to meet the requirements of the six conditions set out above, with one proviso (elucidated next). The indicators of the system realistically describe living conditions. The data are disaggregative (the poorest or other groups, such as those belonging to the scheduled castes, have been singled out for separate analysis). As data collection is annual, time series have been initiated. Reporting has been fairly rapid. And because the same information is repeated for the same areas and often the same households, the data have been subjected to scrutiny, and gross errors have been eliminated. The system is also flexible, in that the indicators can be modified between one round and another to suit requirements.

The proviso mentioned above refers to the representativeness of the data. In the perspective of sampling theory, a sample of fifteen carefully stratified areas gives fifteen "pictures" of local conditions in various ecological zones, but the probability that the fifteen areas are by chance untypical remains. Further, for certain purposes, such as the measurement of infant mortality, for which a very large sample is required, the DMS is unsuitable (as indeed are the majority of conventional sample surveys). In this sense, the DMS should be supplemented, and its data should be carefully controlled by data from other sources, such as the census, sample surveys or (in India) sample registration, from which good vital statistics are obtained in the rural areas.

Illustration of Available Data

Data are now available on conditions in each of fifteen areas at a point in time and, for some of them, on changes over five years. Emphasis in analysis has been on the pattern of interrelationship seen in the area as a whole. A brief account of one of the areas should be read against overall conditions in Kerala, the significant features of which are well known. In particular, Kerala has the highest literacy and lowest mortality rates among states in India, in spite of only a moderate economic level by Indian standards.

The area described here is a fishing village. Fishermen have been, until recently at least, among the poorest of the poor in Kerala, and many remain so. However, measures to improve their welfare have been taken in recent years. Under Norwegian bilateral assistance, a major scheme was launched, south of the village, to make available motorized fishing craft in place of the traditional boats that operated near the shore. The motor boats could exploit shrimp beds, so trade in shrimps is now a flourishing industry. The village did not benefit from this scheme, but nonetheless, mechanization has come to many of its boats, partly through government help and more often through the private sale of engines. This is not a universal blessing, since the Fishermen's economic risk is greatly increased: fuel is costly, and failure to secure a worthwhile catch is more serious than in the days of manual conveyance. However, by and large, benefits seem to exceed losses.

Another factor responsible for higher incomes is the increasing remittances from local people who have gone to the Gulf countries. Exportation of labor is one of Kerala's major features. Data are now available on conditions in each of fifteen areas at a point in time and, for some of them, on changes over five years. Emphasis in analysis has been on the pattern of interrelationship seen in the area as a whole. A brief account of one of the areas should be read against overall conditions in Kerala, the significant features of which are well known. In particular, Kerala has the highest literacy and lowest mortality rates among states in India, in spite of only a moderate economic level by Indian standards.

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In addition, the government's several relief schemes have boosted incomes and other amenities. For example, a sea dyke is being built, which provides employment as well as protecting the seashore. The very poor have been assisted with grants to enable them to cover their houses with tiles in place of palm leaf, which needs periodic, costly renewal. Most striking, clean drinking water is now available to virtually every household in the panchayat, thanks to a piped water scheme undertaken by the government with bilateral foreign assistance. There have also been minor improvements in educational and medical facilities. The problem here is not so much the basic infrastructure - buildings, for example - as the low quality of the services that go along with them: a lack of medicine, no washing facilities in the primary health sub center, indifferent cleanliness, oversize classes in the schools because of scarcity of teachers, and the like. It is this kind of detail that the monitoring service is intended to catch, although it has not always succeeded.

The household survey figures show very clear improvement, matching the changes in infrastructure and government schemes. Thus, per adult equivalent income has risen over the last three years from Rs. 43 to 56 per month, allowing for changes in prices. This is by no means an abundant income. To rise above the conservative Indian poverty line, something like Rs. 90 per capita would be required. An average of Rs. 56 per month leaves a substantial proportion of people below the poverty line. A factor that has marginally helped to raise per adult equivalent income is the declining household size, which means more income per person if the total household income remains unchanged.

Some of the changes are explained by the increase in real wage rates, which between 1979 and 1984 rose from Rs. 8 to 11 per working day. As noted above, mechanization of boats and remittances from overseas are other contributory causes, though the amounts involved are not known. The rise in income is also reflected in greater food consumption, which rose from Rs. 11 to 13 per adult equivalent per week at 1978/79 prices. Something on the order of Rs. 12 was required at 1978 prices to assure a daily minimum of 2,100 calories and 34 grams of protein with prevailing dietary patterns. Thirty-seven per cent of households spent less than this. In terms of quantities, there was a rise in the consumption of milk and sugar, but no change for items like rice or coconuts, the price and purchase of which tends to be kept stable by the fair-price shops.

The various government. schemes to help the indigent and raise incomes are also reflected in better housing and associated facilities. The proportion of households living in houses with solid walls and tiled roofs or in concrete structures rose from 25 to 31 percent. Sanitary facilities continued to be unavailable to all but a tiny fraction (4 percent). The most startling change, as noted above, occurred in respect of clean water. Whereas as recently as 1981, half the households had drawn their water from open ponds, lagoons or other unsafe sources, only 7 percent needed to do so two years later, thanks to the expansion of the communal system, whereby piped water is supplied from deep wells.

In the conditions of Kuala, completed middle school education is probably a minimum requirement if full benefit is to be derived from government and similar schemes. The educational level increased gradually over the period to reach 18 percent of persons aged 20 or over. Perhaps more to the point, among those that most require learning - those aged 20 to 44 - a high 44 percent of the men and 35 percent of the women had completed middle schooling.

The integration of data from various sources is also well illustrated in respect of health and nutrition. Data are available from three sources: the annual register of facilities in the area; the household listing and survey schedules, which supply data on morbidity, mortality, source of drinking water and use of footwear; and the height and weight of children under ten.

The provision of basic health services is comparatively good in Kerala. A primary health care center exists in the area of the panchayat, nominally staffed by a doctor, nurses and a midwife. Actual services were said to be unsatisfactory. There was no running water at the beginning of the study, although it was later available. Drugs were in short supply. However, alternative facilities exist in nearby or faraway towns. There is a regular bus service to such towns, and more than half the people using the service (for any purpose) obtained a seat (an unusually high figure in Kerala). The cost is reasonably low. The crude death rate and infant mortality rate both declined over the period, but the significance of these figures based on a small number of cases is doubtful. Improvements in the supply of piped water and housing have already been noted. The regular use of footwear increased from 34 to 44 percent. Height and weight figures suggest that weight for age, height for age, and weight for height are well below the U.S. standard. Only infants under one, most of whom are breast-fed for some time at least, came relatively close to the U.S. control group. Interpretation of these figures, however, is difficult, if only because there is no control group of well-fed Kerala children. The data are consistent with the hypothesis that infant mortality may be declining, but environmental health conditions, incomes and consumption are still not sufficiently high to secure a sufficient growth rate for many of the survivors.

Within the panchayat area, it is possible to pick out the poorest among the poor (or any other category) and describe how their conditions have changed. Using the definition of households with incomes lower than Rs. 250 per month, or higher than this figure but with per adult equivalent incomes of below Rs. 60 per month, it was found that incomes in this group rose more rapidly during the period than did incomes of the less poor, a pattern which was also home out by other indicators, such as consumption of rice, access to electricity or access to safe drinking water. The number of low-income households with bank accounts also rose dramatically, from 4 to 41 percent. This is a curious indicator in such a poor area, explainable only in this particular context: bank accounts are obligatory for households that make use of certain government rural development schemes. The diversity of conditions becomes apparent from a comparison of the data as regards the situation at one point in time and the changes that have occurred. Thus the differences between extreme values in respect of selected indicators of the twelve observation areas in 1978/79 were as follows:

Table 1
Changes over Time in Selected Indicator

	Lowest	Highest
Percentage with per month income below Rs. 250	22	74
Percentage aged 15 or over who r illiterate	2	34
Percentage aged 15 or over regularly reading newspaper	11	83
Percentage of dwelling constructed entirely of leaf	4	59
Percentage with no protected source of drinking water	0	77

When the indicators were considered jointly and associated with communal facilities, it was found that almost every area had a unique situation and problems of its own.

Conclusion

As noted earlier, the scheme described here should be part of a comprehensive information system that also makes use of the

Notes

1. D.V. M~tanehsn, 8duado pii=o and Claude Richard, Waearemem and Analysis of Socia-E, Onamic Deenlopment: An Enquiry into Imernagional Indicators of Drvelopment and Qwneitasim Ineenelutions of Social and Economic Components of Development (Geneva: UNRLSD, 1985).
2. Wolf Scott am N.T. Mathew, A Developing Monitoring Service w the Lanai Level, Vol. 3, Monitoring Change in leerala: no Firse Five yen,,, report no. 85.7 (Geneva: UNRISD, 1985) See also previous reports in this series

Chapter 9 The Global Approach to human Development Jozef Pajestka

There are periods in the human historical process when there appears a pressing need for more general reflection on the past and the future. The human community now finds itself in just such a period. All of contemporary civilization seems to be in a visible intellectual ferment. In the international fore this ferment produced a decade of large, international conferences on global issues during the 1970s, the proposal for a New International Economic Order (NIEO) and a number of institutional measures to manage global affairs. Yet it has fallen short of the creative change which could have resulted in a real evolution of the global system. The late 1970s and early 1980s took a pessimistic turn, changing ferment into frustration. particularly perplexing was the almost total failure of NIEO. This historical experience calls for rethinking and reevaluating the basic premises of international activities to ensure that they are aimed at achieving a more just and rational world.

Emphasizing the human dimension in development strategies should also be accompanied by a review of historical experience over a longer period of time, within the framework of a wider evaluation of the tendencies of the civilization process, taking account of the changing relations between national and international systems and policies. The most pertinent question meriting attention is, why are desirable policies not followed within and among nations, and what frustrates success when correct strategies are attempted?

In advocating a human orientation of all development strategies, certain value judgments are usually relied upon: the equity orientation, the humanitarian criterion, etc. What we need to ask is whether, from the point of view of human orientation, an adequate value system operates, and whether it is strong enough to influence real policies

Existence Rationality

Empirical facts demonstrate that there has existed a certain holistic set of human properties and behavioral patterns bringing about the continued flourishing of the human species. In studies of the evolutionary process, existence. has to be comprehended as the most basic fact: if the life of a certain species ceases, everything related to it loses all relevance. In the case of human beings, this is true of our value

systems and all our spiritual culture. What serves life, supports it and enriches it has very special characteristics. To describe it, I use the term existence rationality. If there is any justification in applying the notion of aims in deliberations on the evolutionary process, the continued existence of humanity should be considered its principal aim. The logic explaining the achievement of this aim is then the subject of existence rationality.

Existence rationality can be conceived of as the bare minimum of human rationality, since human beings aim not only at mere existence, but also at happiness and other life qualities. We should observe, however, that historical experience does not record anything like mere existence. The continuation of human existence has never been the mere repetition of the life cycle. Human existence has always been accompanied by continual changes in the human position and in human qualities. The human species has only one alternative: flourish or perish. The only possible state of the human species in the evolutionary process is a dynamic equilibrium in which it can either flourish by acquiring new qualities, or decline. These two alternatives are starkly obvious nowadays.

While flourishing means that individuals and social groups protect existing life-supporting qualities and develop new ones, to strive for those qualities may be described psychologically as aiming at human happiness. It would seem too far-reaching a hypothesis to assume a full and direct cohesiveness between existence rationality and the human value system; they are, however, linked, as can be seen in the historical evolutionary process. The Ten Commandments appeared and functioned throughout millennia as carriers of the highest moral values, and it is not difficult to see that they served existence rationality. The preaching of the ancient Greek philosophers on human virtue and happiness found expression as existence rationality in the subsequent development of European culture. However, it can be argued that in modern civilization, the value system and existence rationality have parted company. This leads us to certain conclusions. First, existence rationality should be accepted as a most crucial notion in the deliberation of human prospect, studies of human behavior and discussion of human consciousness. Second, existence rationality requires strong cohesion with the human value system because it is unconceivable that what human beings consider to be just, worth striving for and beautiful could work against existence rationality for thousands of years; this experience cannot be repeated, but this is not justification for ignoring the problem. Its solution could go further towards solving contemporary human problems than any direct measure.

The Evolutionary Process

The human orientation in development strategy should not rely on humanitarian philosophy, but on a correct understanding of the evolutionary process. This implies, however, extending the orientation in development thinking and planning to a wide range of human affairs, value systems and cultures. This will require new intellectual input in order to be able to overcome narrow economic considerations.

In the development of life on earth, human beings displayed great adaptive capabilities. In the course of this ongoing adaptive process, both human beings and their natural environment have undergone deep change. Both intuitive judgment and empirical evidence seem to suggest that the greater part of the adaptive process has consisted of human beings imposing change on their natural environment.

It was the Judeo-Christian religion which created the ideology of man as the "Lord of Nature". This was quite suitable for explaining the adaptive transformation of the evolutionary process- it required a connotation best reflected by the term "Master Nature" presenting mankind as not only dominating nature, but also actively transforming it in order to satisfy human needs and desires. This concept has become

a leading paradigm of the contemporary world, and it continues to dominate human thinking everywhere.

The "master of nature" ideology attributed to human beings creative, near-godlike qualities and eventually tended to substitute science for religion. It became a vehicle for the notion of human progress and determined a new value system. The idea of progress achieved by mastering nature has some of the features of a mystical idol: it is universally accepted, admired and adored almost without question. People "know" that progress is good and beautiful without thinking why

This ideology could, of course, develop only in parallel with the increasing capabilities of human beings to master the physical world. It is here that an evaluation of the causal relationships in the evolutionary process yields some significant insights.

Let us begin by considering the proposition that in comparison to the transformations human beings have imposed upon their natural environment, their own psychophysical changes have been much less dramatic. Reading the ancient Greek philosophers, we do not perceive any significant change in the human mental capability since their time. Yet the changes in the human capacity to master the world of nature are unquestionable. This should imply that change has occurred for other than psychophysical reasons.

Characteristic of mankind as a species is its great capability for purposeful and considered (i.e., rational) activity. Historical evidence shows that the human capability for rational activity has increased over time by virtue of the civilization process, which allowed human beings to acquire new qualities. While their psychophysical features remained the same. The increasing capability for rational activity was made possible by the development of spoken and written language and other means of communication, by the accumulation of experience, by scientific discoveries and organized research, etc. Those social inventions multiplied the intellectual potential of human beings by the experience and mental achievements of many generations and millions of individuals. It is, then, the operation of the collective mind over centuries and the wide access of individuals to historically accumulated knowledge and experience that have given human beings their mental superiority over their ancestors.

Thus the progress of human civilization can be considered to be an achievement of all humanity. Since spoken and written language and scientific thinking were among the main contributors to progress, they cannot be attributed to any single group of people, nation or race, but should be seen as adaptive innovations accumulating over millenia, developed by the human species as a whole.

While it is obvious nonsense to attribute the achievements of civilization to any one nation or race, it is nevertheless a fact that some of the nations of the world neither participate in nor profit from the civilization process. More than that, we observe that progress by way of the development of the collective human mind has led to a further polarization process. Access to accumulated human knowledge and experience is easy for some, difficult for others. As a consequence, some nations are lagging behind, and the benefits of contemporary civilization are so inaccessible to them as to seem almost unreal.

A human orientation of development strategies should be based on a correct understanding of the human evolutionary process. Since in this process the development of the collective mind is of utmost importance, nations which lag behind have no alternative but to link up with this collectively accumulated knowledge and experience if they want to reap the fruits of civilization.

Though some may consider it only part of the problem, a major obstacle in the way of developing countries wishing to profit from accumulated knowledge rests in language, educational systems and the availability of books transferring such knowledge. These obstacles are particularly severe for the nations of Africa and Asia. There is thus full justification for national and international policies to expedite the removal of these obstacles.

Potential and Perils of Progress

Human beings have achieved really astonishing progress in mastering the physical world. However, our transformation of the physical world has come close to changing some critical features of the whole planet. While in the past we mastered nature by exploiting its resources, in the foreseeable future, mastery will attain a new dimension - shaping the new, yet unknown, nature of the planet. This shall certainly have an impact on existence rationality, i.e., on patterns of human behavior.

The growing human capability for rational activity has demonstrated certain important traits of the evolutionary process. The aim has been the relatively narrow one of mastering the material world in order to satisfy immediate human needs at the expense of dimensions of human development. This orientation has been reflected in the dominant ideologies; it is almost universally accepted in modern civilization that people are more rational, and societies more developed, if they show a greater capability to master the material world. Nations demonstrating greater capabilities in this direction have been considered more developed than other nations and judged superior. These valuations have been accompanied by an apotheosis of scientific and technological progress and an accompanying belief that such progress can solve all the problems of mankind. Though this view has been challenged in recent times, it still guides most of the dominant ideologies and policies. While such an ideology of progress is both supported by all the historical experience of mankind and deeply rooted in a basic aspiration for liberation from material hardships and limitations, it nevertheless needs to be reevaluated in light of the anticipated results of the evolutionary process.

The human evolutionary process is undergoing a deep change along the following lines:

a) The growing population, and the inherent tendency of contemporary civilization to produce more and more material goods for the satisfaction of human needs and desires, have radically changed the rate of transformation of the material world, leading to a precarious imbalance between mankind and the ecosphere. Unless brought under control, this imbalance will worsen further until it undermines human existence.

b) The rate of technological progress has been too swift for people to accept and comprehend its impact, let alone to control its possible destructive consequences on both the ecosphere and the human psyche.

c) Mankind has developed arms and technologies capable of destroying the whole ecosphere. This is not only dangerous per se, but it also demonstrates the limited capacity of mankind to behave rationally. The finest achievements of the human mind are used for completely irrational ends. Here again, the rate of change has been too swift for people to comprehend and control its impact.

d) Patterns of technological and economic change demonstrate a growing polarization which leaves the greater part of the inhabitants of the planet outside the beneficial influence of civilization. These unbearable inequalities undermine the unity of mankind and lead to dangerous sociopolitical upheavals and military conflicts. So mankind has created not only the means of its own destruction, but also the political mechanisms which can trigger it.

The inevitable conclusion is that a mutation in human behavior is indispensable. A reevaluation of historical experience shows that what has served human existence and led to the flourishing of the human species, so spectacular in recent times and so dear to the human mind, is now working against existence rationality.

The necessary mutation of the human species should not and cannot consist of rejecting any of the fundamental tools of human development, whether a greater individual and collective capability for rational activity or continued [progress. in](#) the mastery of nature_ Human rationality need not be challenged, but rather extended from the narrow scope of mastering the material world for the satisfaction of immediate needs to a wider scope over a longer time horizon.

Conclusions

Changing conditions in the evolutionary process demand a mutation in human behavior. The new aim should be the development of global rationality through the application of human rationality toward the guidance of the global evolutionary process. No such solution will be found by a trial-and-error process. Today, the scope of feasible options is so narrow that there is no room for long-term experimentation- Global rationality can develop only as a result of a conscious decision to develop appropriate ideologies and values and to build up adequate institutions. This is not, of course, going to be a one-day reform of the global setup, but a continuing, long-term process.

One of the main goals of global rationality is the reversal of polarization tendencies. The elimination of great discrepancies among the nations of the planet is not a question of the benevolence of the rich, developed countries, but of the existence rationality of all mankind. For human beings to survive, it is essential to erase the glaring human disparities which threaten world stability. Whether we call it justice, equity or morality, it is clear that greater equality among human beings is an essential condition for human survival.

The economic advancement of any nation is based primarily on its own progress in acquiring the benefits of civilization. Each nation has to develop an internal capability for rational behavior. Within the global setup, however, forces operate which make it more and more difficult for newcomers to join in the progress of civilization. This problem can be solved by joint action by individual nations and the international community. Polarization tendencies are so strong that only a serious assault combining disarmament with action aimed at improving the economic conditions of the handicapped nations will overcome them. Thus will two of the greatest irrationalities of the contemporary stage of human evolution - war and inequality - be defeated together. Last, but certainly not least, is the question of cohesion between existence rationality and the dominating moral values. Scientists, and economists in particular, shy away from this problem; the twentieth century scientism which dominates scientific culture does not even put this item on the agenda. But we cannot escape from such a problem by ignoring it. Human ingenuity invented the great religions to solve this problem in previous millennia. Today, we are facing a much deeper crisis in the evolutionary process than ever before, yet we still have no rational institutional solution in the field of ethical adjustment. Life does not tolerate a vacuum; if there is no rational guidance in this field, it will be occupied by wild, irresponsible and irrational action. This is what we are now confronting.

Global rationality requires the development of an ethics of global brotherhood, yet a look at the morning newspaper anywhere in the world proves how far we are from achieving this ideal.

The three ideals described above - global rationality, global equity and global brotherhood - can be expressed as the new global humanism, today's expression of existence rationality.

PART II EDUCATION AND TRAINING: ISSUES

Chapter 10 Education and Training in the Face o f Rapid Technological Change Louis Emmerij

This paper is concerned with the links between education, skill structures, employment and new technologies. Its aim is to define the direction which changes in educational

and training systems must take in order to cope more flexibly with the shifts in human skills required in the light of economic and technological restructuring, and with the employment problems that exist today and may arise in the future.

A Tentative Diagnosis

The 1970s saw the birth of two new technologies, namely, microelectronics and biotechnology. Microelectronics began with the development of the transistor in 1947, which led to the first chip in 1971 and to the miniaturization of a complete computer on one chip in 1981. What is now known as "information technology" and the "information society" refers to the speedy and converging developments that are taking place in fields such as computers, systems analysis, telecommunications and microelectronics. These are all concerned with the production, storage, processing and transfer of information.'

Microelectronics is at the moment developing into a kind of "heavy industry of the future," a central development on which all other economic activities will depend. Biotechnology has been described as the last technological revolution of the twentieth century. The air is humming with scientific discoveries which are leading us to a better understanding of, and better control over, fermentation processes and plant and animal life. Biotechnology, microbiology and biogenetics are quickly entering the industrial sector; their impact has already been felt in energy production, the chemicals industry, medicine, agriculture, the food industry, management of the environment and the search for minerals, as well as, of course, in the pharmaceuticals industry, and therefore the health sector.

These new technologies are more than just another fashionable catchword; they are among the most important tools for meeting the challenges of the future. Their influence is becoming more and more visible in our daily lives, both at home and at work, in all sectors of the economy and in our consumption habits.

We must be careful to make a distinction between the production of a technology on the one hand and its application on the other. In a technological revolution, application is at least as important as production, unless a situation develops where the transfer of technology is made difficult or even impossible. At the moment, almost all the new technologies, and the research on which they are based, have originated in the industrialized countries. The developing countries contribute only about 5 to 10 percent of the worldwide production of electronic equipment. The barriers holding these countries back from greater penetration into technologically sophisticated sectors are being steadily reinforced as the minimum scale on which production is viable becomes larger. However, these barriers operate more against the production of the new techniques than against their application,

The debate about the implications on the skill structure of the labor force of a large-scale introduction of new technologies has not yet arrived at conclusive answers. There exists a body of research which argues in favor of a greater demand for both skilled and unskilled labor; it is the intermediate range of workers, it is argued, that will tend to be squeezed out. Another body of evidence supports the conclusion that the new technologies will result in a much greater demand for highly qualified labor. Whoever may be right or wrong in this debate, everyone agrees that in the next few decades, economic, social and technological change will be so vast that the education and training systems must react much more rapidly to changes in the labor market and in society at large than they have been able to do hitherto.

But there is another human resource and human development problem, namely, the impact of the new technologies on employment and unemployment. Here again, opinions differ. There are those who claim that these new technologies, like the old ones before them, will not result in technological unemployment, but will eventually create more employment opportunities elsewhere than they destroy in certain sectors. A

second view holds that there is a great difference between the new technologies and the old ones, and that this time, we may really be heading toward technological unemployment.

John Maynard Keynes, in his book *The Economic Possibilities for Our Grand children*, published in 1928, had the following to say about this controversy:

we are being afflicted with a new disease of which some of you may not have heard the name but of which you will hear a great deal in the years to come - namely, technological unemployment. This means unemployment due to our discovery of means of economising the use of labour outrunning the pace at which we can find new uses for labour.

Keynes argued that his audience's grandchildren's generation - that is, ours - would, as a result of technological progress, have all their material wants satisfied by a fifteen-hour working week. He suggested that with basic material needs satisfied, work would cease to be a central social issue. Our major social problem would then be not combating poverty or unemployment, but filling leisure time in a satisfactory manner.

This is the central idea under debate: that as a consequence of new technologies, the meaning of work must necessarily undergo a radical change. It suggests that full employment, in the sense of forty hours per week, forty-eight weeks per year, is now unachievable, and that societies must look for other ways for people to make their economic contribution - that we need to "reinvent the place of work."

One school of thought argues that such a view is quite simply wrong. It bases this conclusion on the fact that the new technologies of the past created new activities, and that therefore employment lost in one sector was more than compensated for by the creation of new employment opportunities in others. The new technologies of the past resulted in the creation of new lifestyles with higher levels of consumption and, hence, increased production in new economic sectors. This school concludes that Keynes saw technological changes as leading to productivity growth, which would reduce the amount of paid employment, but instead, a much more complex pattern resulted: new technologies led to new markets for innovative goods, and new technologies freed time and other resources for the increased consumption of the more traditional types of services. Since this happened in the past, why shouldn't it happen again? According to this school, worries about technological unemployment are typical of the beginning of every new technological wave, but the result has always been that indirect employment effects more than offset the destruction of employment opportunities in the sectors where the new technologies were introduced.'

The second school of thought claims that the difference between the present wave of technological change and previous ones is that this time, new technologies such as microelectronics will make their influence felt in all sectors of economic activity, including the service sectors. There will therefore be no indirect employment creation effect, as was the case during the previous technological wave, because this time the new technologies are going to penetrate every single sector of society and of the economy. But that is not all. The new technologies are not only physical devices; they also have "mental" capabilities. As soon as not only the physical, but also the controlling "mental" functions in the production of goods and services can be performed without the direct use of human labor, the labor input as an inevitable factor in the production process will slowly but surely lose importance. The specter of technological unemployment will then, indeed, become real. The role and weight of labor as a factor of production will diminish steadily through ever deeper and more comprehensive technological changes. And as Leonie, who belongs to the second school, said, "A monopolist loses his power as soon as an efficient substitute for his product appears on the market."

This school also claims that technological unemployment has already been growing for decades. Indeed, over the last sixty years, the length of the working day has shrunk from twelve to eight hours, the working week from seventy to forty hours, and the

number of hours spent on the labor market during one's whole life from 150,000 to 80,000 hours. However, it is important to add that this was voluntary unemployment. If the specific characteristics of the new technologies as proposed by the second school are accepted, the probability is great that a continuation of present policies will lead to a substantial growth of involuntary technological unemployment in the future. The question of employment and unemployment is becoming one of the great challenges before us.

Again, whatever the outcome of this debate, one conclusion is clear: the trend of spending fewer hours of one's life on the labor market will continue in the future. The question, therefore, is whether this reduction in working time must be realized in the same manner as in the past. Today, it is, gradually dawning on many policy makers, not only in developing countries but also in the OECD area, that economic growth alone will not be able to bring us back to full employment within a humanly tolerable and politically acceptable period of time. In such circumstances, the idea of full employment must be dropped, or a more employment-intensive growth path must be introduced, or a set of complementary employment measures must be designed that will be implemented simultaneously with the economic and financial policies directed to economic recovery.

Most of the discussion as it has been pursued in European countries in recent years has been based on an assumption of the continuation of past trends. Early retirement has been one proposal. Where more people feel fitter for longer periods of time, the trend is to evacuate them from the labor market earlier and earlier. Extension of the duration of compulsory education has been another proposal, the school being used as a parking lot. The shorter working week has been broadly debated. Scarce know how and skills will become even more scarce. Housewives will be at their wits' end, because shorter working hours away from the house will mean more time spent at home creating additional chores.

Most of this discussion is not based on the current situation, which is characterized by a rapidly changing skill structure and extremely high levels of unemployment. For education and training to be effective in the period ahead, a system must be designed that can react much faster to changes in society, the economy and the labor market than the present slow and cumbersome one. Education and training must be adapted drastically in order to cope with changing skill structures, with the unemployment situation in general, and with a host of other social, economic and cultural challenges. The proposal that follows is tailored to European countries but could also be adapted for developing countries.

Proposal for a Flexible Mix

What is needed today is a global policy package, including educational, labor market and social policies combined with economic and technological restructuring. Therefore, in addition to purely economic proposals, a social and cultural policy package must also be proposed?

The foremost characteristic of the new package is that it would combine a socially progressive policy with leaving the greatest

Possible initiative to the individual, who would thus have more control over shaping his career and life partner than in the case at present. Such a global approach must be able to deal with the rationing of labour, but as a by product rather than as its major objective. Making education more rapidly responsive to change in society and catering for a rapidly evolving skills structure must also be a major preoccupation of the policy package. What would be the controller of such a global approach in industrialized country?

Education

The life of an individual is divided into three parts, separated in most countries by watertight partitions: active life, whether spent on the labor market or not and whether remunerated or not; and the postretirement period.

These periods follow one another sequentially. We go to school at an early age and remain there until age 16 or 18, depending on the country. Then we enter the period of so-called active life until the age of 60 to 65. When we are kindly but firmly asked to go into retirement, it is very difficult to particularly in most European countries – to alter the sequence of these three events.

The essence of our proposal is to transform this rigid, sequential system into a more flexible one; it will be possible to combine or alternate periods of education, work, and retirement throughout a person's adult life.

The idea of recurrent education, which intercuts through the first two periods of life, was articulated towards the end of the 1960s and has been discussed ever since. The complementary idea of retirement à la carte has been discussed less frequently, but it is a logical extension and the image mirror could even be given the opportunities to combine all three periods.

For example, by taking at age 30 a period of six months of anticipated retirement in order to or resume further education. Although this sounds extremely state-of-the-art, it is of the first order.

Before going into some more details, I would like to stress the advantage of such an approach for the various partners, social and economic, in our country. In the first place, this flexible approach would enable an equally flexible labor market policy to be introduced. Such a policy would have advantages for both employer and worker. Employers would gain a labor force which could be more quickly and easily retained in line with technology changes, and workers would have more frequent chances to reorient themselves.

The existing educational system is extremely rigid and has long time lags. Indeed, it takes approximately six years to complete each of the main levels of the educational system. Hence, schools react very slowly to changing technology. This, in turn, has implications for the requirements, skills structure of the labor force.

It became fashionable in the 1950s to 1960s to make long-term forecasts accurately. It is much more realistic and desirable to shorten the gestation period, thereby making the education system more adaptive. The relationship between school and work will grow closer, more effective and more beneficial to all parties.

In the second place, flexibility offers specific advantages to the individual in terms of self-fulfillment and of being able to better realize his full potential. We all know that motivation occurs at very different moments in a person's life, and is not necessarily at those points in time required by the sequential education system. Education opportunities and achievement will definitely be enhanced to remain in school. These people are right, of course, because in the present setup it is difficult to return to school once you have dropped out.

What is true for education opportunities is equally true for occupational and income opportunities. In the global approach, the individual has more than one occasion to adapt himself to the labor market. Even further, individuals are offered the possibility of taking a period of anticipatory retirement earlier in life, during which they do not necessarily have to return to school once you have dropped out.

In the third place, flexibility makes this approach an effective anti-cyclical weapon. At those times when a particularly strong but temporary economic storm flays our countries, more people could be encouraged to withdraw from the labor forces for a while in order to benefit from recurrent education or from sabbatical periods.

In the fourth place – and this is also an anti-structural weapon – there shall be on average fewer people on the labor market at any given point in time than is currently the case, because people will spend more time in the first and third blocks of their life as compared to the second. In this way the total labor supply will diminish.

This approach is thus a logical conclusion of both traditional trade union demand for shorter working hours, more holiday and earlier retirement and of more work would be rationed more intelligently and more widely than has been suggest so far .

Let us look at the various dimension of the supply side of this approach.

About recurrent education, for condition must be met:

- a) It must be able to receive people from all age groups
- b) It must be a single integrated education and training system
- c) It must offer “educational units” of variable and flexible duration which can be used as building blocks for, and stepping stones, obtaining a diploma or degree.
- d) It must have exit possibilities at different at different level which are all to be awarded with a diploma or degree

On the first point, it is to be expected that most young people who decide at the age of 17 or 18 to postpone the continuation of their studies for the while will resume their schooling b/w age 20 and 30. this makes sense from an individual, and therefore private rate-of-turn. Point of view. It also makes sense from the macroeconomic, and therefore social rate of return , view point . were people to decide to start their university education at, say, 55, they could not hope to receive important material returns in terms of income during the rest of their life time – nor could society . it is to be expected that as people grow older, they will prefer to take up stretches to do other thing to returns to school.

The second point is important, because individual must be able to travel along alternative educational paths and still to achieve the same educational goal. people must have the opportunity to obtain the same “credit” by spending say, fifty-two long weekend at school as by attending full time education during the period of three to four month. It cannot cope with the much greater variety of student and circumstance as compared today situation.

This is much more easily said that than done-hence the third point named to introduced the educational units which in relatively short time period can provide a well rounded part of the given educational career. The student or participant than thus build up credit in a flexible manner or obtain a diploma or degree.

The fourth and last point is refer to the necessity for recurrent education u have exit possibilities at different level so that we do not fall into all -or -nothing trap of current educational system

In summary, the educational characteristic of this approach are as following

- a) To hold as many option open for as long a period as possible
- b) To transfer to a letter age the emphases on pursuing higher level of education in order to interrupt the “rate race” of spending more and more year of education in the existing sequential system, even when an individual has no real desire to do so.
- c) To integrate formal and non formal types of education.

Labour Market Policy

A flexible approach to education and training will have positive effect on the structural, cyclical and individual level of labour market on the structural plane, a better linkage will be created b/w changing skill requirement and the educational and training supply delivered by the recurrent educational system . one of the more important structural problems faced by the industrialized country, the growing mismatch b/w skills required and qualification, will be effective countered by this proposal.

On the cyclical plane, the government, through appropriate incentives, can motives relatively more people to temporary during an economic ebb tide. But more precise target can be attained. for instance , the government could direct by giving them higher financial reward for with drawing for a given period of time into education or training. In other words ,from one sector or another sector or from one period of time to another.

On the individual plane, the wider option available to individual in terms of labour market reentry and job changing are obvious.

One condition point need to be emphasized. The individual could be offered an orientation period on the labour market b/w the termination of compulsory schooling and the start of recurrent education and training. During this period, young people who have not yet firmly decided on their professional career will gain an exposure to various job opportunities. Which are often neither education, training, nor work, but fall b/w these tools.

Income distribution

What would be the implication of a system of recurrent education and leave for income distribution in industrialized country ? The perverse effect on tertiary income distribution and additional educational other facilities have frequently been noted : education and provided at strongly reduce prices through government themselves to the frequently come from the upper classes. Such a situation is a clear example of how to poor subsidized the rich and illustration of the perverse effect of subsidizing education, health and other facilities.

We must therefore ensure that paid educational leave is granted as a matter of priority to those who have not received a complete education in their youth. In other words, positive discrimination must be introduced in order to counter the perverse effect.

Still on the subject of income distribution, Jan Tinbergen has drawn on time series from the neither land to show that education has logical ground⁴. This apparent education are correct and can be generalized to situation the other country , while at the same time maintaining a better balance between the demand for skills and the supply of qualification .Another implication would be to created a better work climate. The guine possibilities increase productivity. The safety valve provided by voluntary withdrawal could also reduce social tension and individual stress.

People who withdraw voluntarily from the labour forces have a physiological advantage over those who are forcibly expelled. Pressure on health facilities can be expected to diminish . implying considerable saving in the health and welfare sector- money that can be used to contribute towards financing these proposals in such a way that people are not longer confronted with bureaucratic problem when moving from one firm or job to retirement benefit.

Financing Paid Educational Leave

It may seem that the cost involved in financing paid educational leave might be such as to render the realization of this proposals unlikely, particularly if large number of people were to be involved during the initial stages as indeed should be the case. This would be judging all kind of financing a proposals for recurrent education and leave.

Those who will benefit from our approach will consist of two groups: (1) young people who, after having finished compulsory education, continue immediately with what will then be recurrent education: (2) those who, after having works for a certain periods of time, withdraw voluntary into a period of paid leave.

Financing for these groups would come from different sources. The course of first is now carried by a government's education budged , combined with tax and other facilities guarantied of a student salary and the abolition of present tax and other facilities.

During period of paid leave, the income of those in the second category must come from the amount that are now paid by social security facilities to people who are involuntary expelled from the labour market.

One can easily calculate the amount of money now paid by social security facilities to people who qualify for unemployment benefit unfit-for-work benefit and sickness

insurance, but who should in reality be classified as “Structurally unemployment ” but who are either openly unemployed or who are unemployed in a more or less disguised manner, because of the structural unemployment problem in the industrialized world.

The essence of such calculation is to estimate the number of people who are involved in unemployment and social security schemes all of these kind to ensure the income of those who suffer either open or hidden unemployment.

Instead of spending billions of monetary units for negative reasons i.e. expelling people from their working environment or forcing young people to remain at school while the majority would prefer to do something else the same amount of money could be used for positive purposes. The difference is that in unemployment not everyone is working for all.

Clearly, there are problems, but there are also possibilities. First of all, one might wonder whether it is realistic, and indeed responsible, to use funds that are typically meant to remedy cyclical difficulties for the solution of structural problems. But social security monies are already frequently used to alleviate – or to hide – structural employment problems. Social security funds are increasingly used to combat a structural employment situation which threatens to last through the 1980s and well into the 1990s. This being so, those funds that are to be used for cyclical purposes, as opposed to the rest.

A second problem, or possibilities, concern the introduction of incentives and disincentives to stimulate or discourage certain groups in society to take up educational leave. Any policy measure on the market must be sufficiently flexible, and even reversible, in case of the 1990s. We find ourselves facing a totally different labour market situation. In other words to ensure that the “right” number of people having the “right” composition with draw point in time.

Overall, all the number of people involved might be influenced by changing the percentage of income to be paid, instead of paying, this could be 85, 90 or even 100 percent in order to make it more attractive for certain people in certain sectors and certain regions to take up the opportunity. The “prices” could be differentiated, for example, by subsidizing for those who want to go elsewhere.

Finally, there is the problem of how to start the whole scheme assuming that all other obstacles have been cleared only in this way can we, in due course, replace structural unemployment with educational or creative leave. Otherwise, we shall be faced with an accumulation of structural unemployment and educational leave.

Therefore, we have a matching problem on our land: how to make sure that those who withdraw voluntarily into educational leave have more or less the same qualifications as those who are at present employed. In this connection, it is clear that we must start by convincing those workers with the most deficient educational and training backgrounds to opt out first. This will have two benefits. First, these are the people for whom educational leave is relatively the most useful. Second, it is in this category that we find the bulk of the unemployed. In other words, the matching problem in this situation would be much easier than in any other, and also more productive.

The question of how all those who take advantage of educational leave can be reintegrated into the labor market is easy to answer. Once the operation has started, a certain group of people will be away from the labor market at any point in time. There will be an ever-changing rotating group, so that by the time the first volunteers return from their educational leave, another group will have just gone into voluntary retirement. Their vacant places will then be filled by a new group.

This proposal is equally useful in times of full employment, when other objectives, such as updating the skill structure, take precedence.

Conclusion

What has been proposed in this paper amounts to profound changes in the social and cultural domains of society, with a view to achieving a better balance between remunerative work and other aspects of human life. In the face of lower rates of economic growth and continuing upward trends in technology and labor productivity, we must move from a defensive to a constructive attitude.

The proposed policy package combines a progressive policy with restoration to the individual of a maximum of initiatives.

The proposed changes can be financed from existing public funds by changing their purpose and destination. Only few, if any, additional funds would be required.

The proposed changes would be equitable, partly because of the built-in positive discriminatory component. Equality of educational opportunities for everyone would become a reality, and income distribution would consequently become less skewed. Weaker groups in society, who are now becoming more and more vulnerable, would become stronger as they are given additional opportunities to return to education and other forms of self-improvement.

The proposed measures would also be efficient, because they would boost labor productivity and improve the working climate. They would also increase the flexibility of the labor market and facilitate adjustments to technological changes.

obviously, at the level of enterprises and organizations, personnel policies must be designed for a situation in which more people are on the payroll than are actually working, because a certain percentage would, at any point in time, be on paid leave. This requires organizational adaptations which, however, are not totally new. In principle, the required adaptations do not differ much from the measures that must be taken by firms facing a relatively high level of absence because of sickness. However, there is a difference in favor of paid leave, because paid leave periods can be planned.

The proposed policy package would also imply an important adaptation of the welfare state in favor of giving individuals more initiative and scope to shape their own life patterns and moving away from fixed, government-imposed patterns, except where they are strictly necessary.

A fainting challenge would be the adaptation of the present proposal, tailored for industrialized countries, to the needs of developing countries.

Notes

1. see also Louis Emmerij, "High-Tech and Responsible Growth," *Document* 1985 . 2:14-17.
2. For an elaboration of this line of reasoning, see Jonathan Gershuny, "the Leisure Principle," *New Society*, 13 February 1987,
3. For a more detailed treatment of the issues of work, education and leisure, see L.J. Emmerij and J.A.E. de Vries, *VOZBijde werkgelegenheid door nieuw leer - Naam een reaanbepaling van de wettelijke (vrij) Employment through Creative Leases - Toward a Society of Free Choice* (Deventer, Netherlands: Kluwer, 1979).
4. see Tiedtgen *Income Distribution, Welfare and Politics* (Amsterdam: Non-Hogend Publishing Company, 1975).

Chapter 11

The Human Factor as the Key to Progress Paul-Marc Henry

The acceptance of a preexisting social framework by the vast majority of individuals has historically been the rule rather than the exception. The powerful convergence of the requirements for physical security, food, shelter and livelihood was the determining factor influencing a vast majority of mankind until human and animal power were

superseded by fossil energy, itself made available by the practical use of brain power and the progressive domination of space and time by human society.

Control over the environment, however, has been achieved at the expense of a relative neglect of the human factor. Development has been postulated on the quantitative use of human potential, with human beings considered as interchangeable elements of production, characterized only by their shortage or abundance.

Human society since the beginning of history has been based on a fundamental dichotomy between those who know and those (a vast majority) whose knowledge is naturally limited by the immediate requirements of a subsistence economy. The qualitative benefits of life are reserved for an elite, while the quantitative aspects are dealt with by the uneducated majority, who neither understand nor care about the abstract objectives determined by their rulers. This fundamental inequality is partially offset by the random operation of natural selection in certain fields, such as religion, the army and the arts.

Until the industrial and scientific revolutions, the fate of the individual, and in particular his spiritual salvation, was felt to be entirely separate from his material condition. Society thus accepted hierarchy as the natural system of operation and regarded ultimate physical power through the use of force as a legitimate means to discipline the poorer classes.

In West Europe, the immediate impact of the industrial revolution was a demographic explosion of the first magnitude. Millions of migrants left the old continent to find new options in North America, South America and Australasia and, to a lesser measure, in North and South Africa. New societies were created on the premise of opportunity for the individual as well as for organized groups. For many years, western thinking was dominated by the "American dream." In the conquest of new territories, in the development of new industries and in the massive agricultural revolution, the essential factor for rapid development was the human physical potential, that is, the number of settlers and the availability of labor. Every man and woman was a potential asset, not a liability.

The American model of development took only half a century to produce new nations whose power was equal or superior to that of Europe. On its side, Russia tried to develop eastward, but encountered far greater difficulties than those the Europeans had met with in the Americas in the resistance of the locally settled Asian populations and the adverse climatic conditions of Siberia.

The story of the African and Asian populations is quite different. Politically dominated and cruelly impoverished by colonialism after the seventeenth century, the populations of the southern hemisphere entered a cycle of rapid demographic expansion during the second half of the present century, but without the safety valve of massive migration or the opportunity for rapid industrial and agricultural development.

Demographics and Technology

All estimates of population growth agree at least in one respect: for the next twenty years, the net increase will be 2 percent per year - a figure which means a doubling of the world's population in about thirty years. Some countries, such as Kenya and Algeria, may grow by more than 3 percent yearly. The African population may reach the one billion mark thirty years from now, while China and India may stabilize at over one billion each. As a whole, the net growth will take place in tropical and semitropical countries, while countries of the temperate zone (Japan, West Europe and North America) will reach their peak by the year 2000.

Life expectancy has already reached an average of 70 years in the richer countries and an average of 50 years in the less developed countries. The potential labor force will be about 2 billion strong. One billion new jobs will have to be created during the next genera-

tion to ensure a fair distribution of income (provided the economy grows at a rate of between 5 and 8 percent a year). Failing this, an ever-increasing proportion of the

younger generation will be marginalized in relation to the prevailing system of production and distribution, which means an overall reduction in the existing standard of living. There are already signs that more and more people are falling below the poverty line.

These trends are acknowledged as irreversible in both developed and developing countries. Technology is an overwhelming force; the pursuit of higher productivity through automation and instant communication continues to reduce the role of human beings, and of their intellectual capacities and inputs, in favor of material and mechanical power. In other words, there is a threat of inflation in the reverse - meaning that instead of too much money chasing too few goods, too many goods will be chasing limited purchasing power.

It is true that technology is a fundamental by-product of human intelligence and the capacity to adapt and make optimum use of potential natural resources. But it is equally true that most people are not in a position to create their own technology in response to their own needs, and that new forms of production and new models of consumption are presented to vast masses of people who are not in a position to purchase them in the short term unless these products are subsidized artificially by inflationary monetary means, or unless people incur debts which they are unable to repay.

The Generation Gap and Human Potential

Besides the global imbalance between those who will be able to meet the ever-increasing cost of the new technological society and those who cannot there is also a profound distortion and imbalance between generations. One-third of the population in the developed countries and more than half in the developing countries are less than 20 years of age. Corresponding figures for the older generation (above 60) are 12 percent for the rich countries and 10 percent for the developing countries. These proportions will increase. This means that in the present market economy, less than half the total population will have to generate enough goods and services and guarantee a corresponding purchasing power for the other half.

The challenge, then, is to effect a simultaneous increase in the production of goods and services spread over mankind as a whole and

the creation of sufficient purchasing power, again spread as evenly as possible.

An alternative consists of increasing the productivity of traditional modes of production with the purpose of satisfying basic needs at a lower cost, and with a corresponding increase of purchasing power at the basic level.

The key lies in the development of human potential through education and training as applied to agriculture and industry, with the maximum use of local natural resources, including energy. It has now been proved that while export-oriented industries in developing countries have certain comparative advantages in the short run, thanks to the low cost of labor, in the long run, the gain in productivity achieved by improving machinery and systems finally proves superior in the field of international competition.

The time has come to review the concept of human resources, taking into account the ever-increasing imbalance between those who control technology and participate in its benefits and those who are excluded [from it](#) through unemployment and lack of the capacity to produce competitively.

In the present situation, which is characterized by a low rate of growth in the developed countries (with the exception of Japan) and a higher rate in many developing countries (e.g., Korea, Taiwan and Brazil), there is a parallel increase in the gap between the rich and the poor in each individual country. The more socially advanced countries attempt to correct these trends by engineering social policy; but even the conscious redistribution of income is often insufficient to compensate for the steady deterioration of basic social services and to reverse the process of marginalization.

It is precisely at the basic level of education and health that this process should be evaluated. It would be a fatal delusion to believe that somehow the dynamic part of the economy could be insulated from the decay of the stagnant part. It is also a delusion to

accept the growing "informal sector" as a necessary complement to the formal one. Poverty, low income and low productivity cannot possibly create wealth.

It is already well known, indeed eminently visible, that side by side with a consumer society there exists a garbage society. It is deeply symbolic and significant that in most cities of the developing world, there are thousands of children who have to find their food and a miserable income from garbage dumps. Acknowledging these facts' should be the starting point of a systematic policy to attack poverty through the acceptance of the achievement of human dignity as the basic objective of development - not the creation of wealth for the satisfaction of the sophisticated desires of a minority.

Breakdown of Traditional Structures

One can no longer take for granted the classical sequence: preinvestment, investment, production, employment, redistribution of purchasing power.

The institutions created and evolved over the past hundred years are showing a disturbing degree of inefficiency, with a new problem arising from the slowing down of economic growth in the industrialized countries and from the incapacity of the rural areas in the developing countries to absorb the increasing population and to provide gainful employment. It is also clear that the relationship between education and training on the one hand and employment on the other is not as direct and automatic as was believed in the early 1960s. The spectacular increase of productivity in certain branches of industry, as well as in modern agriculture, has not had the expected results of transfer and creation of employment in the service sectors on a scale large enough to absorb the labor force arriving on the market in ever-increasing numbers.

On the administrative level, the classical institutions are becoming more and more bureaucratic and are totally unable to cope with such problems as rapid and massive urbanization.

It is becoming obvious, nonetheless, that the transformation of the rural sector by increasing the productivity of traditional agriculture can be accomplished only by improving the capacity of the farmer to understand and use those technologies which are indispensable for increasing production.

Changes in Attitude

Poverty breeds poverty. The low productivity of the traditional sector has always been a basic cause of stagnation. To break this vicious cycle, one has to produce more at a lower cost. This has happened in the past when peace was ensured, when visible and short-term economic returns were acting as fundamental stimuli for human pursuits, and when there was the possibility of transferring

some of these problems, the **UNFPA** has recently initiated a Global Program of Training in Population and Development to train development planners in ways of integrating population and development.

Adapting educational systems and vocational training programs to economic, social and technological changes quickly and effectively will require some imaginative solutions involving changes in attitudes and values concerning schooling, work, leisure and retirement.

The question of the utilization of human skills is central to many issues of human rights, dignity and welfare. Every society has an obligation to make opportunities available to all its individual members to develop fully and to make their contribution. In a technology-dominated society, this is even more important, since there will be a tendency in such societies toward an increasing inequality of opportunity between those who have access to, and control over, technology and those who, because they are either unemployed or lack the necessary specialized skills, do not. Society at large should recognize this and make conscious efforts to respond to it.

Human resource development is a crucial requirement, not only to build up technical knowledge and capabilities, but also to create new values to help individuals and nations cope with rapidly changing social, environmental and developmental realities. Knowledge shared globally would promote greater mutual understanding and create greater willingness to share global resources equitably.

As we prepare to step into the twenty-first century, we must cater for the extraordinary growth of the human race: 5 billion today, 6 billion in twelve years and 10 billion in one hundred years. Issues of population, resources, technology, environment and development are calling into question the very concept of human development. Recognizing that it is a holistic concept, and that each of us is involved in influencing one or more, but not all, aspects of human welfare, we will have to work in close cooperation with each other if human development is to be managed effectively by our collective efforts.

Chapter 13
Human Development as a
Social Learning Process
Oscar Nudler

An increasing awareness of the central role which the human dimension should play in economic and social development is evident from recent development debate. This emerging trend, although encouraging, is also a source of some puzzles and paradoxes. Why all this fuss around the obvious, self-evident truth that human fulfillment should be the final objective of all development efforts? What is the purpose of arguing for a claim that nobody would challenge?

A first reply to this argument would be to deny its premise, namely, the alleged universal acceptance of the centrality of this principle. One can argue that the acceptance of a statement as self-evident frequently depends, as modern logic and mathematics have shown, not just on its face value, but on the framework to which the statement belongs. In this case, even though nobody would perhaps deny the truth of an explicit statement affirming the centrality of the human fulfillment objective, it is clear that in the framework of prevailing development approaches, such an objective is far from being granted a central position. Objectives such as economic growth, industrialization, the conquest of markets or the advancement of science and technology are usually the primary objectives, while consideration of the human-dimension aspects of these processes is marginal. Against this background, the reassertion of the central place of the human dimension - a very old tenet of traditional wisdom - appears new and relevant.

The old/new paradox repeats itself often in the history of thought. The literature of the 1950s and 1960s, for example, tried to demonstrate that the human mind exists, and that its study is a legitimate target for scientific psychology. Had not behaviorism succeeded in excluding such study from the domain of academic psychology, particularly in the Anglo-Saxon world, the need for such an intellectual effort would have been hardly recognized. In other words, the very fact that the assertion of the human priority in

economic and social development makes great sense points to the dehumanized framework which is the source of its significance. Some additional lights and shadows appear in this picture as soon as we realize that the emerging humanist discourse may remain at the level of discourse and become in this way innocuous and powerless. If this

were the case, such discourse would even run the risk of unintendedly playing a legitimizing role for worst possible deeds disguised by the best possible words. This may happen so long as such words are used freely, but are devoid of concrete, operational meanings - like so many other words manipulated in an infinite number of ways by politicians and the mass media. Thus the human dimension discourse should not remain in the air, but should be coupled with clear, concrete examples in order to escape semantic manipulation.

This paper focuses on the ways in which a team of scholars working in the context of the United Nations University project "Economic Aspects of Human Development" is facing the challenge of advancing proposals for alternative, human-centered economic and social development and endowing them with operational meaning.

Producer Cooperatives: The Mondragon Experiment

No attempt was made to agree at the beginning on an abstract, full-fledged definition of human-centered development. Rather, it was agreed to describe the concept as the complex, holistic and culturally laden output of collective learning experience. Instead, the project has made concrete attempts to implement human-centered visions in real economic and social life.

Among the various cases the project has reviewed and analyzed from this perspective, one in particular is directly related to the management of human development at the enterprise level and the workplace. This case study of the Mondragon producer cooperatives located in the north of Spain, in the Basque region, has been conducted by Charles Sperry as a member of the EAHD project network. Referring to the place of the Mondragon experiment in the history of worker cooperatives, Sperry writes:

Worker cooperatives have long been recognized as alternatives to the capitalist or socialist models for distributing control of a society's productive capacity. Sometimes called a "Third Way," the cooperative organizational form combines the communitarian ideal of theoretic socialism with the entrepreneurial incentives of capitalism.... Yet, in spite of its appeal as a model for workplace organization in a "good society," the worker cooperative ideal has been an elusive one. Until quite recently the historic image of cooperatives as isolated and relatively short-lived phenomena that seemed to come and go more as economic curiosities than as objects worthy of study by serious scholars, was a difficult image to refute. However, during the last four decades the image has been, if not refuted, thoroughly shaken by a concentration of producer cooperatives that has grown and prospered in northern Spain, and that has shown every indication of continuing to thrive even during the recent severe recession of the early 1980s.

As Sperry says, and several other studies confirm:

Success of the Mondragon cooperatives in the ordinary sense of business success is simply not an issue. Considering the fact that approximately nine out of ten new U.S. businesses fail within five years, Mondragon's success rate of very near 100 percent over thirty years is astounding. Not only did the cooperatives do well during recession, in 1985 the financial position of Caja Laboral Popular, the cooperative bank, was such that it could have loaned three times more money to member cooperatives than it actually did.... Their performance has been nothing less than phenomenal, but just as important is the fact that the humanistic ideals of cooperative enterprise have also been well protected in the Mondragon organizational structure."

The reasons behind the Mondragon cooperatives' success are indeed quite diverse, ranging from the basic principle and their organizational structure to the peculiar economic, social, political and cultural conditions characterizing the Basque context. Concerning the principles and organizational structure, Mondragon has been found to

be an almost perfect illustration of each of Jaroslav Vamek's "necessary conditions of an optimal and viable self-managed economy." Thomas and Logan" have summarized such conditions as follows:

- a) Production must be arranged in such a way that ultimate control and authority are vested with those who work in the specific work organization.
- b) Ownership of capital resources must be such that it does not entitle "control," but merely the receipt of a scarcity price.
- c) There must be a shelter organization which serves to provide an adequate flow of financing to member enterprises and to promote development of the self-managed sector.
- d) The shelter organization must have a planning function which, together with the market mechanism, coordinates economic decisions. The shelter organization should also provide the "necessary ingredients" of educational programs and political democracy.

As to the shelter organization required by Vanek's principles, Caja Laboral Popular plays such a role in a very efficient way:

Caja Laboral Popular is a key factor in Mondragon's success. It is a cooperative bank seated specifically to provide financial, technical and social assistance to member cooperatives. Though many of its over 300 thousand depositors are citizens at large, CLP is not permitted to make loans outside the cooperative membership. This creates a strong incentive for the bank to promote associated cooperatives in order to ensure income earning opportunities.... In addition to its role as a financial institution, CLP places heavy emphasis on planning for both the cooperative sector, and the region as a whole. The bank's Management Service Division is charged with promoting "cooperativism throughout the Basque region through promotion of industrial and agricultural initiatives, teaching and education in general, and research into products and their markets ;through town and land planning, product engineering, industrial budding, and housing construction; and through auditing and inspection services, legal advice, and counsel on personnel matters, organization and office mechanization."s

Concerning the relation between ownership of capital and control, Sperry makes clear that in Mondragon, ownership of capital is not a basis for power in decision making. Each member is entitled to one vote in the General Assembly, in which ultimate authority on all cooperative matters resides, independently of how many shares he or she possesses. However:

A fair return of capital is paid in the form of a fixed rate of interest on member's "internal capital accounts," plus bonus payments based on the size of annual surpluses. Principle balances in member accounts cannot be withdrawn except upon severance or retirement. Surplus earnings in excess of normal costs are distributed as follows: ten percents allocated

within which the enterprise must operate, (ii) the organizational structure, and (iii) the level of understanding of the producer cooperative concept by its participants, and their commitment to cooperative ideals.

Sperry's conclusion on the replicability of the Mondragon cooperative model is optimistic:

I believe the Mondragon producer cooperative model can be successfully replicated in other economic, social, political and cultural contexts. The Basque culture has created certain circumstances which favor a cooperative sector, but study of producer cooperative movements in other contexts, some quite different from the Basque, strongly suggests that other ESPC contexts are also capable of producing the necessary conditions for successful cooperative movements.

But we should note that even in case the process of replicating the producer cooperative model happened to be successful, it would have to face, as a

consequence of its very success, challenges of a probably even more difficult nature than those faced by isolated experiments. This brings us back to our second query: Is it possible to extend the worker self-management model in a socially significant way?

The EAHD project team set out to investigate this crucial issue at two different levels. On the first level, it focused on the case of Yugoslavia, the classical example of worker self-management on a national scale. Tatjana Globokar is in charge of this case study." On a second, related level, it linked the study of worker self-management with a study of the feasibility conditions for self-reliance in the context of the present international system. The connection between self-management and local and national self-reliance is an issue which no investigation of human-centered development, particularly in the Third World, should neglect. An important empirical background to the study of this issue is offered by the case study on Tanzania's self-reliance experiment by Eliawony Kisanga.^{1p} What follows is a brief recounting of the main conclusions of these pieces of research.

The Yugoslav and Tanzanian Models

The study on Yugoslavia, after reviewing the forty-year history of the experiment, concludes that it is not the self-management system, but other aspects of the national and international context which should be blamed for its present crisis. On the one hand, it is suggested that political and ideological centralism has prevented the full practical application of self-management principles. On the other hand, the official self-management model has been implemented without taking sufficiently into account the cultural and ethnic differences characterizing the Yugoslav scene. Mark Lutz points out another concrete aspect of the Yugoslav experiment which would be contradictory with the sound principles of self-management - the lack of individualized internal capital accounts:

The Yugoslav worker has little incentive to reinvest profits in their own firm.... The reasons, of course, that individual workers have no claim to the increased value of the firm.... Newly hired members, for example, would share the benefits of the capital accumulated in the past by retiring workers they replace."

Although the difficulties and flaws of the Yugoslav experiment are widely recognized, it is clear that they did not prevent the experiment from surviving and, perhaps more important, they did not call into question the self-management model as such, but only some aspects of its interpretation and implementation in Yugoslavia. In this regard, the Yugoslav experience has been extremely valuable as part of the ongoing process of social learning of appropriate ways of conceiving and implementing worker self-management and other forms of human development in economic and social life.

A clear lesson which may be drawn from the Yugoslav experiment is the existence of an intimate connection between worker self-management at the enterprise level and self-reliance at the national level. In other words, one necessary condition for the generalized application of the worker self-management model at the national - or regional - scale seems to be its implementation at the nation or region unit as such.

There is also the ~~case of Tanzania. Kisanga points out quite clearly the linkages among self-reliance at different levels:~~

Self-reliance has been conceived - by Nyerere and the rest of Tanzanian leadership - as having local and national dimensions. In an economic sense the accent has been on the fuller use of local resources, human and material, with the aim of making the economy less vulnerable to and dependent on outside forces. At the local level, self-reliance has been interpreted as a

freedom to implement development projects free from dependence on

aid -either from the government or from abroad.¹⁵

According to Kisanga's assessment of the fulfillment of the Tanzanian self-reliance program so forcefully presented by the Arusha Declaration, the results have strayed far from what was

originally sought. However, this is not necessarily an indicator of any inherent defect in the self-reliance philosophy, but rather an effect of the political and economic strategies chosen for its implementation. One essential problem has been the lack of a real space for selfmanagement at the grassroots level in spite of the good intentions to promote it:

In essence, there has been a division of functions in which the party has been the policy formulator and decision taker, the administration has been charged with interpreting and implementing those decisions and the peasants and workers have had to adapt to the new circumstances.... The party has regularly sought to prevent self-reliance becoming something to be administered instead of created, but the emphasis on the absorptive role of new production units, in both industry and agriculture, has tended to

favour the concentration of planning decisions in the hands of the administration.

Such failure of the self-reliance model at the local level was concomitant with its failure at the national level. Paradoxically, this latter failure seems to have been caused not so much by international pressure against the self-reliance model as by the very support it summoned from various powerful circles, particularly aid agencies. Says Kisanga:

In a real sense, the very appeal of the Arusha Declaration carried the seeds of its own destruction: it became a selfdestroying prophecy. Its capacity to mobilize external resources for development was to result in a perversion of the principles so elegantly expanded. And if international technical assistance agencies have been unwilling accomplices in the process of perversion, it follows that they themselves have become a part of the problem which they sought to help to solve.¹⁶

Conclusion

This last observation highlights the increasingly felt need for a redefinition of the role of international aid agencies. Their financial and technical assistance should not substitute ready-made, modern methods for the culturally rooted ways in which each people faces its development problems. On the contrary, it should build on such ways. G. Alonzo Smith, in his contribution to the EAHD project, stresses this point:

At the base of each society of the Third World and even of the local areas of the Third World countries lies a cultural heritage and a value system which is the foundation for their own authentic and unique economic development. Such cultures and value systems are the product of generations and generations; in some real sense they constitute the wisdom of the ages. An human economic system must be cognizant of them and build

upon them rather than destroy them. If international trade and large-scale technology will mean changing the economic basis for a village community, the cultural costs should be acknowledged. This does not mean that economic change should not take place... But the crucial question is Who determines to the extent possible the nature and orientation of the change? Is the change determined by foreign forces or domestic desires?¹⁵

The cases of Yugoslavia and Tanzania show quite clearly that self-reliance programs require a fair amount of coherence among the different implementation levels, from the national level down to the local

community and enterprise level. They also strongly suggest that a coherent self-reliance policy would provide a firm foundation for a worker self-management model and would be, in its turn, reinforced by it. This mutually reinforcing relation between worker selfmanagement and self-reliance at various levels seems to lie, therefore, at the core of any development strategy which is acceptable in terms of a human-oriented view of development.

Self-reliance then, is not understood here as self-sufficiency but, broadly speaking, as people's control over decisions affecting their own destiny. As G.A. Smith says:

This independence and control over one's economic destiny does not mean total economic self-reliance nor does it mean the banning of trade, aid, and modern technology. Such an isolationist policy would be utterly destructive. But it does mean going into trading situations with eyes open to not only the short-run gain but to the long-run social implications of such trade

These preliminary remarks aim to convey a sense of the direction that the EAHD project is following in its effort to contribute to the articulation of human-centered, operational alternatives based on people's concrete experiences.

Note.

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Several of the problems faced by technical and vocational training can be resolved only by changing the environment in which these institutions operate. The culprit may be the formal educational system, the students that come to vocational schools, or the way the labor market functions. This paper does not address the question of how to deal with such broad malfunctions. Instead, it assumes that the outside environment is very difficult to change, and that people concerned with this relatively small branch of education should be very modest in their ambitions in these directions. **They** should adjust, not the world around them. Hence, they should take the world as a given and make the best of it rather than be defeatist or complain that society did not follow their advice.

The education offered at regular schools prepares people for some tasks that have very broad utilization, like writing and calculating. In addition, it is supposed to prepare people to learn better and faster from their work experience.

By contrast, vocational education (and training) has an additional duty. It should prepare people to perform tasks which are specific to a given occupation. In other words, the teaching should include the transmission of skills which, to some extent, belong only to that occupation.

Many things can go wrong with schools and training centers; methods can be clumsy or inefficient, the quality of teachers, students or materials can be inadequate, and so on. These shortcomings can be damaging and dangerous in either type of institution. Yet there is one basic difference between vocational and regular academic education: since vocational education (and training) teach skills that are deployed only in given occupations, there is always the chance that those skills will not correspond to the occupation subsequently taken up by the student.

In fact, this mismatch is more than a theoretical possibility. It tends to be the most persistent and serious problem with vocational

education. Technical and vocational programs often offer skills that find little subsequent utilization and leave graduates in need of others that were not taught.

This paper is an attempt to identify and discuss the sources of these mismatches. The emphasis is not on listing what can go wrong, but on singling out the most frequent or persistent categories of difficulties. In addition, it tries to offer some suggestions on how to avoid these mismatches.

One can think of a mismatch as a shot that misses the aim. To continue with this metaphor, the shot can be too high or too low (vertical mismatch) or it can miss the target to the right or to the left (horizontal mismatch). For instance, as an example of a horizontal mismatch, a course trains electricians when the only jobs available are for plumbers. (The occupations are approximately of the same

level, but different in content.) In a ^{vertical} mismatch, a course in auto mechanics is offered to people who do not want to work with their hands. (In this case, the occupation has a status level that is below what students expect.)

Vertical Mismatches

Vertical mismatches are much more serious than horizontal ones. A horizontal mismatch is an error of judgment concerning the routing of graduates to the the proper occupations. In most cases, it can be taken for what it is: the graduate has failed to find a suitable job in that particular occupation. The reasons can be a wrong analysis of market evolution, inadequate transparency of the job market, or something similar.

Vertical mismatches, in addition to the these factors, also involve complex organizational pathologies and contradictions between different actors.

Planners' Plans vs. Students' Aspirations

Planners have in their minds some idea of what the country needs. They may very well be correct. For instance, the country might need health workers, good plumbers, and technicians in animal husbandry. But no matter how right they may be in their judgment of collective needs, it may happen that those students who are enrolled in the program do not want to take up these occupations

the ultimate in matching what is offered with what is needed. Many institutions around the world have mastered the exacting art of obtaining this perfect targeting. For that reason, they can be extraordinarily cost effective.

But there is a dear price to be paid for that accuracy. If, for whatever reason, the skills are not put to good use, all is lost, because there is no spillover of the skills acquired. Learning how to use a new press helps very little in using a new (or an old) drilling machine.

Therefore, the losses from missing the target are also greater. Hitting the target becomes the utmost challenge with short courses. It is no trivial challenge. Agencies that offer short courses have to be very sensitive to the needs and mercurial shifts of the market, since these courses are often short-lived. Planners must guess - and guess right - whether the trainee is going to move into a position where the contents of the course can be deployed. Offering the course to the wrong people is fatal. The best welding course is a complete waste of money if the trainee

becomes a baker, or if the last openings for welders were already filled when the graduates entered the labor market.

These circumstances put severe demands on the organizational capabilities of the agencies that want to offer such courses. Ponderous public bureaucracies - especially education ministries - are at a particular disadvantage. Organizational inertia, vested interests of instructors and teachers, political interference, excess centralization and lack of close contact with future employers are the usual problems.

The Sure Bet: Long and Rich Courses

There are many tasks that cannot be taught in short courses. Do we want to consult with doctors or fly with pilots who took short courses?

As a consequence, many courses last very long, including some vocational programs that consume hundreds or even thousands of hours. Therefore, it stands to reason that long courses are expensive. The opportunity cost to students is also high, because they have to forego work. Whether the cost is paid for by employers or is foregone income for the trainee, it is still a social cost.

Planners and researchers wonder whether the benefits of such courses justify their costs. What if, after such a long training period,

ing people who can do many different things is not the same as teaching many different things to people.

The big difference is the spillover effect. Conceptually rich courses are just general education, except that the subject in which the student is drilled is technical. Practical and manual activities are used as a conduit for conceptualization. The hand connects to the brain better than one thinks.

Creating Feedback Mechanisms

This paper is about mismatches. Somehow, it may happen that training and needs do not connect. Two broad categories of mismatches have been discussed above, but all have in common the working at cross purposes of the training system. Labor markets are what they are; trainers can complain, regret and blame the gods, but usually, they cannot change labor markets. If the mismatch is to be avoided, it is training that has to change.

Why does it so often fail to change, making this mismatch such a serious problem? Two possibilities exist: either the information about the mismatch does not reach the decision maker, or it does, but the reasons not to change overshadow the reasons to change. Hence, we are talking about the accuracy and the efficacy of feedback mechanisms.

If the people who have the power to make corrections in the system do not have access to information about the mismatch, it will never be corrected. There are many ways to generate this information. For instance:

- a) Tracer studies that follow up on graduates to find out what they are doing, how well they are doing and how are they using what they learned in the program.
- b) Cohort studies, usually based on household surveys, reporting equivalent information. They tend to be less detailed on information about training but offer the possibility of comparing trained workers with others in similar positions.
- c) Sectoral or industrial surveys, describing the overall profile of the labor force of a given industry. Sometimes the information about training may be a little too vague to be of much use.
- d) Internship programs in firms allow schools to keep permanent contact with employers. The need to follow up and check on trainees can offer a good channel of communication with the firms.
- e) Placement services of schools convey very forcefully to the administration the difficulties in finding jobs, or scarcities in the labor market.
- f) The presence of industry representatives on the boards of schools or training systems

convey to these bodies the views of the users of training.

Newspaper ads, well-placed informants and many other sources of information can also be deployed. In concrete situations, schools will want to use several indicators simultaneously, in addition to informal methods that can be just as effective. There is no single recipe that can be offered to all.

But although having the requisite information about what is going on is necessary, it is far from sufficient. Decision makers are political animals who react to information according to an equation in which their power and prestige will be included. Do they gain by ignoring such information? As a rule, change involves political costs for those who undertake it. They have to work harder, they have to convince others, and they have to face the opposition of those who are going to be hurt by change, and who in their turn can inflict political damage.

To be effective, feedback systems have to offer rewards for change in the correct direction - or sanctions for not changing in that direction. In their inner logic, they have to taken into account the payoffs of different behaviors. Preaching does no good. The idea is that decision makers should be rewarded for choosing the course of action that is more desirable from the point of view of social interests. For instance:

a) In West Germany, courses for unemployed workers are freely commissioned by local agents of the Labor Ministry. They can choose the subject and content of the course and the firm or institution that is going to be paid to deliver it. However, their performance is evaluated by the proportion of trainees who obtain jobs after graduation. An agent's score is compared with those of other agents in similar towns. In this system, the public goal of reducing unemployment also becomes the goal of the agent, who is rewarded or sanctioned according to the public interest.

b) Some American community colleges have individual boards for each vocational course, with ample freedom to change

the way it is offered. These boards necessarily include the owners of small firms that employ the graduates. This is in contrast to many systems which have one large board on top, which deals with so many courses and clients that eventual complaints from industry representatives find no echo and carry no clout.

c) French training institutions are expected to persuade firms to let them train their personnel. If they succeed, their costs are defrayed by taxes collected by the government from these same firms. This ensures that there will be a market for the courses offered.

d) The French steel mills of the Lorraine receive funds to pay the salaries and train their surplus labor for two years. The catch is that afterwards, they have to offer the trainee two job alternatives (in the same firm or anywhere else). The trainee does not have to accept the jobs, nor are the firms required to retain him.

e) In some courses of the Brazilian SENAI, the placement office informally suggests to the selection department that they make the admittance tests harder in those trades in which they are having problems placing graduates.

These are just a few illustrations of how to create feedback systems that put a premium on the desired performance. Feedback should make no-change more dear. We should think of feedback in terms of its capacity to relay back information, but it should also be politically viable and forceful. It should make things uncomfortable for policy makers who do not readjust programs in the direction the feedback suggests.

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Time and the Individual:
 The Organization of School Time
 Aniko Husti

The profound and rapid changes taking place in the age in which we live strike at the very heart of our academic institutions. Education can no longer avoid adapting to the new realities imposed on us by progress - the exciting inventions of modern technology, the transformation of industrial production and working conditions, the modification of social values, changes in family life, the emergence of new lifestyles, and the difficult, worrying - yet quite extraordinary - challenge of the future.

The academic world has never kept pace with other sectors of society. The extremely lethargic way in which education adapts to new technological, social or psychological phenomena is part and parcel of its history and of the way in which it functions as a closed system. In the context of profound and rapid change, this notorious lag between the way in which scholarship functions and what young people - even society in **general** - expect of it takes on vital importance. It shows more than ever the contradiction embodied by the role of education at present and its avowed duty to ensure the training of future generations of young people, who will create and live in the world of tomorrow.

Even though there are dynamic institutions in all countries and able professors whose students show promise, there **are**, nonetheless, also students who barely succeed or even fail, and who find more boredom than knowledge in their education. There are professors who teach from habit and reproduce their own educational experiences; there are colleges and high schools where monotony and weariness are the rule. If we really want to change teaching methods, we should begin by unharnessing the strength, energy and hope of our young people so that we can make full use of the extraordinary accumulation of intelligence, knowledge and abilities that exists in our schools.

A cardinal point which must be addressed in the changes to be brought about in education is the way in which we spend our time learning. This is a question that people have not thought about foi more than a century in a good many countries, particularly it Europe. We must, then, create a concept of time management whict i meets educational objectives, as well as those of contemporary society.

The following points explain why time management is of current interest.

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The Concept of Time

We are faced with an increasing awareness of the importance of time in our personal, professional and social lives. Time has become an important value in life. The transformation of the seventeenthcentury concept of time, defined by Newton as absolute, true and mathematical,

evokes the world of mechanistic thought. Science has eschewed the vision of the mechanistic world; Einstein's theory of relativity has scuttled the notion of absolute, linear, irreversible time. Modern physics is based on a reformulation of the time factor, and psychology puts it within the perspective of the creative individual. The deeper the significance we give to the nature of time, the more we will understand that its duration implies invention, the creation of forms, the continuous elaboration of what is absolutely new.' In this concept, time, instead of being mathematical, becomes invention, and the absolute gives way to creation.

Despite these fundamental changes in the notion of time, education has continued to rely for a considerable time on the model inherited from the nineteenth century. It is only recently that innovations' have appeared. The way in which we spend our time learning is the same in many countries in Europe, and to a lesser extent elsewhere. The way in which we believe the school day, week or year should be spent has not changed in over a hundred years, even though in several countries- Germany and Austria, for example - students are at school only during the morning.

Education must, then, revise its mechanistic notion of time, since it has become a considerable obstacle.

The notion of time management has undergone the same transformation as time itself since the nineteenth century. Managing the way in which work is carried out in factories has revolutionized the idea of how jobs should be divided. Taylor' acknowledges the important of flexible-entry hours. Yet education in most countries has stuck to the concept of a repetitive, immobile structure.

The way in which we learn, student-teacher roles, the interaction between schools and the environment, are all being profoundly

abilities of different students. However, today, these various approaches and methods must still bow down to the uniformity of the timetable. Thus the time management model is in direct contradiction to desired pedagogical objectives and practices and in fact becomes an obstacle, a brake, on the changes we meant to effect.

The Cost of Fragmenting Work

Academic work today is still divided into periods, lessons or classes of forty to fifty minutes, depending on the country. This means that students as well as teachers change the subjects they are studying class period by class period, at the sound of a bell. This excessively piecemeal nature of studying, and therefore of time itself, plunges students from age 10 to 18 into a world of fragmentation and giddy incoherence. This kind of apprenticeship, interrupted with clockwork regularity, is hardly conducive to personal growth, depth and development. How can students abandon one subject and become immediately involved in another every hour of the day?

Two centuries after Adam Smith put forward the theory that the division of work was a sign of great progress, and one century after Taylor, it seems obvious in industry that when work is too fragmented, it is neither motivating nor satisfying. It is thus not very effective.

"What does not change is the fact that every lesson, I sit behind the table and the teacher speaks while I write." These are the words of a student. The paradox is clear: academic work is based on continual change, yet the student is less aware of what changes from one class to another than of what does not change in his own situation - he sits on a chair, listens and writes.

In the words of another student, "When I get up in the morning, I feel that the day will be boring. We arrive at school, we go to class, we sit down, we listen to the teacher. When the class is over, we start again."

"I am tired of waiting for the bell," said one high-school student. A closer look at the meaning of each of the elements of this short sentence will shed light on a type of behavior. The bell is a symbol of the automatic regulation of time. Too late, it marks the end of the class, which the student waited for so impatiently. Thus, it is time that has been lost,

wasted. Waiting for the bell: the student is not interested in what he is doing because he wishes it were all

over. He waits passively instead of working actively. Tired of waiting for the bell: this waiting wears him out and puts him on edge. At school, he is not tired of the assistance given to him, but on the contrary, he is weary of boredom and passivity. He suffers from time as much as he suffers from school.

These students display a clear lack of interest in school, where the main occupation for students is the same as it was a century ago: listening to the teacher. This highly passive type of education, since it is devoid of all possibilities for individual specialization and personal investment, is bound to seem boring, particularly to the young people of today.

In all countries, there are teachers who know how to awaken interest - sometimes passionate interest - in their students by inventing a variety of active forms of learning and by using extremely varied sources of knowledge. Thanks to advanced technology, increasingly daring innovations take us far from myopic, passive, repetitive, uncreative academic work. Nevertheless, the academic crisis appears to be a worldwide phenomenon.

A Closed System

Teachers play a passive role in the area of time management. The task of organizing the timetable is entrusted to the school principal; teachers are not even consulted. This rigid division of duties has long discouraged teachers from offering any suggestions as to how the time that they themselves use should be structured.

The traditional timetable functions as a closed system. Thus it leads to the contradiction that the new, desirable teaching methods themselves seem to be troublesome hazards. Any variation upsets the structure, which was never intended to be flexible. In order to maintain the balance of this closed system, we must in fact immobilize it, thereby protecting it from the hazards that arise from diverse teaching methods that can only disrupt an organization that was created to be immobile and that was never intended to be adaptable.

If the way in which time is organized in education is to be transformed, then it must move away from its uniform, rigid structure to a new, varied and mobile one. We must set in place a simple method of ensuring that the new, open system works properly. Such a method would allow the organization of time to be adapted to meet new demands without disrupting the functioning of the institution.

Flexible Timetables

The experiments at the National Institute for Pedagogical Research have created flexible timetables by meeting specific educational objectives. Without exception, the experiments respected prevailing conditions in the colleges and lycees, such as the educational program, the teachers' duties, subjects and student quotas.

The major goals established were to create active educational practices for the students, to open up the school to its environment, to use varied sources of knowledge and technological methods, to set up learning situations where students could work uninterruptedly, to tie the acquisition phase of knowledge in with the widening and assimilation of knowledge, and to come up with various student activities,

This type of learning requires a variable, flexible organization of time throughout. The notion of flexible time is based on principles such as budgeting time, variability in the rhythm of the timetable, the varied rhythm of the school year and the individual rhythm of the student.

The fact that the nature of academic timetables has remained unchanged, and that they seem sacrosanct in the midst of so many other profound changes, is due in great part to the almost mythical representation of their techniques, which mistakenly implies that a great number of real constraints prohibit us from having a flexible timetable that can function in an open system.

Experiments with different time management formulas have shown that it is possible to create flexibility within larger, fixed time frames. The concept of flexible organization can also ensure the necessary order, stability and pliancy. The regulatory element is teamwork among teachers -

in pairs, several together, or in some classes as a complete team - who can change, swap or balance their own timetables to meet specific objectives and programmed educational practices. Flexibility of the timetable is assured by the dynamic relation of individuals; it is their constant interaction which best regulates this flexibility.

Thus, at the organizational level, flexibility is not the result of a new, more mythical and sophisticated technique than formerly; neither is regulation an impossible mission. We simply substitute for the mechanical allocation of hours and the rigid repetition of weeks all possible individual exchanges and interactions which will help to set up an operation full of motion. Any technique will always have its own drawbacks, but the techniques themselves are many, and they must respond to educational ideals. We are indeed on the threshold of a new era in the concept of time. The most daring ideas are still only imaginary.

a) In flexible time, team teaching takes place within a unit composed of two or three classes. The timetable is built around half-days with a rigid structure, but within this fixed framework, members of the team can change, swap and balance their timetables.

b) The fortnightly timetable is a variation between the timetable for week A and the timetable for week B.

c) In the globalization of subject timetables, the principle of varying the rhythm of the school year can also be applied to different periods, depending on the specific objective of a subject and on its level - for instance, the reinforcement of the teaching of French at the beginning of the first year of high school (the aim of which is to help the student acquire basic knowledge); the reinforcement of French or mathematics at the beginning of the fifth year of high school; and the reinforcement of French in the third term of the sixth year.

d) Reorganization of specific periods in the school year may take place at the beginning or at the end of the school year.

e) Individualized learning has become possible for students working at different paces in the various subjects.

Significant results

A flexible academic timetable stimulates and allows the definition of more and more sophisticated educational objectives that acknowledge the realities of student needs, the specific features of academic subjects, and the kind of institution concerned. A flexible timetable allows us to accomplish three main objectives:

a) To generalize learning situations which call for student activity, participation and creativity by using varying sources of knowledge and different ways of teaching - group work, opening up to the environment, research, etc.

b) To focus directly on student learning and to enable students to learn at their own pace.

c) To take into account the different student personalities and to use individualized teaching within the framework of a heterogeneous class.

The use of the time allotted to a particular subject enables us to reestablish the correspondence which should exist between the timetable as the container and academic subject, methodology and means applied as the contained in the learning process. This is a phenomenon which one educational researcher defines as follows:

Flexible time has been useful as a real indicator for deeper, more personal reflection on the content of my courses and the methods I have used. The variable sequences allow me to think of work in a different way, which gives rise to a kind of dialectic movement, because as a result of this new conception (working according to overall themes or centers of interest, the interdisciplinary nature of work, etc...), we have to think of the time we spend in a different manner.

The variability of organization of time enables the pace of learning to change with the subject

and the period of the year. There are in all branches of learning subjects which can best be treated in concentrated, short periods of time and others which can best be treated more slowly.

The goal of finishing a task has aroused great interest in students. In a system that is based on a general, piecemeal notion of learning, to be able to bring an idea, thought or activity to its logical conclusion is a source of great satisfaction; it makes one feel secure and gain confidence in oneself. Teachers have been astonished by the importance that students attach to finishing a task they have started. Students take more interest in work which is not interrupted, and in which they are not systematically sent off in a different direction every hour.

Team teaching also allows us to emphasize the methodological training of students. In practice, the team is centered on the student and can impart a progressive education toward more autonomous and individual work. The deepening of knowledge requires a personal commitment, and a motivated student is an effective student. The teacher has more time to help students, since he can see where the real difficulties are.

Team teaching also enables us to make changes in the timetable and in class size. In certain learning situations, it is more effective to

with time in its full human dimension. In the world of tomorrow, young people will need to think about and use their work and leisure time in entirely new ways. Our schools must teach them how to use flexible time,

None

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PART III

EDUCATION AND TRAINING: COUNTRY EXPERIENCES

Human Resource Development in Pakistan

Khadija Haq

The real objective of development is to transform societies in such a fashion as to raise the living standards of the majority of the population. In other words, human beings should be the focus and end of all development policies, programs and resource allocations. Yet most developing countries are seriously lacking policies to enable the vast majority of human beings to participate in and benefit from the development process. Pakistan is one of those unlucky countries; despite a high GDP growth rate (6 percent for the last ten years)' and a per capita income which is higher than that of neighboring countries (\$380 in 1984),' social sector indicators put Pakistan in an uncomfortable situation. Table 1 presents the realities in a stark form.

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Sodal Sector 3ndiutors in Selected South Asian Counaies

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- c) Adequate supervisory setup,
- d) Adequate funds to meet capital and recurring expenditures on time.
- e) Willingness of communities to enroll their children of age 5 and over and to ensure their attendance.

Pakistan has failed to fulfill any of the above conditions. Until 1972, no physical facilities for primary schools were provided by the government. Communities would provide buildings, rooms or spaces while the government contributed only modest stipends for teachers. Consequently, today there are over 17,000 shelterless schools, moving constantly in search of vacant lots. Where there are physical facilities, they usually consist of one or two rooms in which the pupils of all five classes are accommodated.

Outdated curricula and textbooks which are inappropriate either for acquiring knowledge or for building the skills required for nation building, underqualified and untrained teachers, and the absence of any supervisory staff are commonplace in the nation's primary schools.

Inadequate financial allocations for education in general and for primary education in particular testify to the halfhearted attitude of the authorities toward imparting knowledge to the masses. Until

1985-86, actual expenditure on education did not exceed 1.6 percent of GNP - a figure which is almost the lowest percentage allocated to education in the world. Countries at Pakistan's level of development have been regularly allocating between 2.5 and 4 percent of the GNP to education. Only one-third of this meager allocation goes to primary education.

Recently, the government has made large funds available to elected representatives. About half these funds must be spent on education. In addition, a 5 percent surcharge (the Iqra surcharge) was levied on all imports in the 1985 budget. This is raising large sums exclusively earmarked for education, mostly at the primary level.

Often, educational allocations are not fully utilized because of various physical and administrative bottlenecks. The implementation of primary school plans gets held up due to lack of funds for recurring expenditure at the provincial level to match capital expenditure by the center. This situation was corrected recently, when The National Economic Council decided to meet some recurring expenditure via a special grant to the provinces.

The government's lack of commitment has been exacerbated by that of community leaders, especially the feudal landlords, who are unwilling to enlighten or educate the exploited class. It was in no one's interest to ensure the enrollment and retention of children in schools.

Policy Implications

In a highly populated, low-income agricultural country, universal primary education should be the most important policy objective and it is, in policy pronouncements. Yet in reality, in providing financial and physical resources, primary education has been getting the short shrift. It is higher education - the liberal arts and professional colleges - which have been getting the most attention. The result is easy to see: on the one hand, a vast majority of people are illiterate, their only hope of learning to read and write being the adult literacy program; and on the other, university graduates - doctors and engineers - are either unemployed or adding to the brain drain. Recently the government has attempted to reverse this distorted priority; but considering the high rate of population growth and the long time lag in the education program, it may not be possible to attain the goal of universal primary education by the year 2000.

The present educational structure in Pakistan consists of primary education of five years, middle to secondary education of five years and higher education of varying duration. Entry into higher education begins from class XI onwards and consists of technical institutions, colleges and universities. Technical education (for engineers, technicians, skilled workers and commercial workers) forms an integral part of this system. One of the limitations of the present system is that there is no scope for integration between different types of programs; it does not allow for horizontal or vertical mobility between engineering, technical and skills training programs. This results in the compulsion to choose a profession at a very early stage. A mad rush for engineering education results in overcrowding in those colleges, while becoming a technician or skilled worker is demoted to second or third choice. This leads to unemployment among engineers, the exodus of technically trained professionals

(the brain drain), or engineers working below their level as technicians.

Major Issues

Most of the plans for technical/vocational education have been conceived without due analysis of the employment situation or the changing patterns in the skills and competencies required as a consequence of changing technologies. This has resulted in the unbalanced development of various educational levels, with the higher levels expanding comparatively faster than the lower levels. It has also led to a mismatch between the output of educational institutions and the job market.

The relevancy of the curriculum is often [questioned](#). It seldom reflects the objective realities of occupational requirements.

Managerial structures and processes have failed to adapt to new conditions, remaining centralized and outdated. They fail to promote the use of the tools and techniques of modern management which aim at the maximization of resources.

Staff development for the various levels of technical education has not been systematically planned, with the result that many teachers and instructors working in the various technical institutions do not possess the requisite skills and competencies.

Since technical education depends on the acquisition of job-related knowledge and manual dexterity, the need for collaboration and interaction with industries and with employees' and employers' organizations is essential. Yet this is usually neglected.

Effective mechanisms do not exist for integrated policy planning and coordination to ensure that the supply of skilled manpower produced by different provincial and federal agencies is geared toward meeting the actual manpower demands of various sectors and ensuring that duplication of effort is avoided.

Policy Implications

a) To be relevant and job-oriented, technical education has to be restructured in order to establish closer links with the industrial, agricultural and service needs of the community. This means more flexible, practical and relevant courses and institutional programs in line with socioeconomic and manpower needs.

b) Curriculum development needs to reflect both the traditional production structure of the country and the more advanced modern structure in order to fit people for the application of new technologies.

c) Technical education, being highly resource intensive and facing severe competition with other levels of education, must attune itself to increasing the efficiency of resource utilization and management. The need for innovative management processes to use human and capital resources rationally, effectively, economically and productively through better use of buildings, laboratories, libraries, equipment, residential and recreational facilities is more pronounced for technical education than for other types.

d) The implementation capacity to achieve educational targets within the available resources needs to be improved. To do this, it is important to develop expertise among educational planning administrators at both the macro and micro levels and to support management analysts who combine knowledge of educational processes with skills in modern management techniques.

Higher Education

There has been a rapid expansion of higher education in Pakistan since its independence, when the country inherited only two univer-

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shies. By 1984-85, the country had established 22 universities, 99 professional colleges, 467 colleges of arts and sciences and 7 centers of excellence." (Compare this achievement with 17,000 shelterless primary schools!) But this quantitative achievement hides serious qualitative

deficiencies and structural imbalances. There is a serious mismatch between the supply of highly qualified professionals and the demand for middle-level technicians and skilled labor for nationbuilding activities. Engineers are being trained when the overwhelming need is for intermediate-level technicians; doctors are graduating only to learn that there is a huge, unmet demand for paramedics and health visitors in the rural areas; schools go without qualified teachers while graduates line up for clerical jobs in offices. Wasteful resource allocations leading to horizontal and vertical mismatches between and within trades are common - vertical mismatches when wrong educational policies lead to distorted priorities in resource allocation, horizontal mismatches when job market information is inadequate and interaction with employers in the public and private sectors is insufficient.

Unemployment among university graduates has become a volatile political issue in most developing countries because of the sheer immensity of the problem. The total estimated number of unemployed graduates in Pakistan is 30,000 to 40,000, in Malaysia 26,000 to 50,000 and in South Korea about 126,000.⁷⁰ These huge numbers of educated unemployed are increasingly becoming radicalized and politicized - one more potent force for the destabilization of these societies.

The system of education in Pakistan has always had an elitist bias. Nowhere has this been more pronounced than in the area of higher education, where the children of the urban elite get a highly subsidized general or professional education which may or may not have any relevance to the employment needs of the country. Prior to the Sixth Five-year Plan (1983-88), government expenditure on education was concentrated on the expansion of higher education. For example, during the Fifth Five-year Plan period (1978/79) to 1982/83), 37.5 percent of expenditure on education was allocated to higher education for only 2 percent of the population of the relevant age group. A start was made to reverse this trend in the Sixth Plan in order to allocate more funds to primary education. Still, as we can see in table 4, the financial allocation is far from what one would consider to be realistic, considering the socioeconomic compulsions of the country.

TABLE 4
Financial Allocations in Education

5th Plan Expenditure Rs. Billions Percentage	6th Plan Rs. Billions Percentage	6th Plan Rs. Billions Percentage	6th Plan Rs. Billions Percentage
Total, education manpower	5.6 100.0	19.9 100.0	
Expenditure on higher education	2.1 37.5	6.2 31.2	31.2 percent of total
Expenditure on technical education	0.6 10.7	2.3 11.6	11.6 percent of total
Expenditure on primary, secondary and other basic education	2.9 51.9	11.4 57.3	57.3 percent of total

SOURCE: The Sixth Five-year Plan 1983-88 (Islamabad: Government of Pakistan Planning Commission, 1983).

Education, Training and Employment

According to the Labor Force Survey of 1984/85, the total employed labor force in Pakistan numbers about 29 million, of whom agriculture employs almost 51 percent, while manufacturing and mining account for about 14 percent. Open registered unemployment is estimated at 7.7 percent, but unregistered unemployment and underemployment is estimated to be between 10 and 20 percent. Besides a high rate of population growth (3 percent), the main causes for this high percentage of unemployment are:

- The spread of education has added substantially to the number of educated unemployed. Pakistan has an oversupply of educated but unspecialized manpower.
- The increasing mechanization of agriculture is transforming subsistence agriculture into commercial agriculture, displacing agricultural labor. Technological changes through crop intensification and greater use of inputs have in the past exerted beneficial effects on employment, but have also set in motion institutional changes that are reducing the labor absorption capacity of the land.

- c) The introduction of labor-saving and capital-intensive devices, particularly in large-scale manufacturing, is contributing to the displacement of labor.
- d) An increase in women's education has added a new dimension to this problem, as women are now entering the job market in larger numbers.
- e) The expected negative net migration of laborers to the Middle East is likely to aggravate the situation.

Policy Implications

a) **Educated unemployed:** A complete solution of the unemployment problem of the educated is beyond the resources of any developing country. The problem has to be resolved through long-term measures aimed at increasing socially useful employment and reorienting the skills and attitudes of educated manpower. A number of measures have been taken by the Pakistan government to resolve this problem, such as providing soft loans for engineers, doctors and other professionals and creating a National Employment Fund of Rs. 2000 million for labor-intensive projects in rural health, education, roads, electrification and housing under the Prime Minister's Fivepoint Program.

However, as a long-term strategy, first, there needs to be a decisive shift in emphasis from general to technical education. There should be rapid but planned increases in the capacity of polytechnics and vocational training centers which should be related to manpower requirements in different trades, skills and disciplines. Second, an accelerated expansion of employment through intensive social services, especially in the rural areas, in such fields as education and health would provide both jobs and social benefits.

b) **Employment in agriculture:** While the policy measures laid down in the Sixth Plan have focused on increasing agricultural production and the development of rural infrastructure, the promotion of self-employment in nonfarm activities has received much less attention. A reaffirmation of government policy is needed to promote nonfarm activities such as household, cottage, and small-scale industries, to ensure access by small farmers to credit, especially from commercial banks, and to set up cooperatives improving marketing services, fiscal services and organizational infrastructure, such as village markets, farm-to-market roads, etc.

c) **Matching training with employment** The only way to match training with employment is to have the intensive involvement of employers and workers in the manpower planning process. Such involvement implies direct participation not only at the higher levels of planning within the training system, which is the case already, but also at the level of overall planning, when choices of methods and approaches are made, priorities assigned and resources allocated; at the programming stage, when quantitative and qualitative objectives are determined; and at the local planning level, when the modes of interaction between training institutions and operating enterprises, large and small, are negotiated and worked out.

In Pakistan, manpower planning is by and large haphazard. Available manpower statistics are not designed to serve the needs of manpower and employment planning. The entire manpower statistical system should be overhauled so as to remove deficiencies and inadequacies. There is a pressing need for the integration of macro economic planning with manpower planning so that employment creation is considered to be an important criterion at the time of project formulation rather than being treated as a by-product of growth.

Education, Training and Women

In all societies, women's development is a prerequisite for overall national development, as women constitute about half the total population. In Pakistan today, the situation of women is simply shocking, especially in the field of education and training.

Pakistan has an estimated population of 99 million, with a sex ratio of 110 males to 100 females." In the educational sector, in the age group 50 years and above, the literacy rate in 1981

was 35 percent for males as compared to 16 percent for females, which is one of the lowest rates of literacy among the developing countries. In rural areas, the female literacy rate was 7 percent (see table 7).

Similarly, as regards levels of education, only about 7 percent of the population of Pakistan according to the 1981 census report have completed their primary education, out of whom 30 percent are women. Among the one percent who have degree qualifications or better, only 23 percent are women. In the primary schools, girls' participation in 1981 was 32 percent of the relevant age group, but only 24 percent in rural areas. At the secondary level, girls' enrollment was only 12 percent of age group, and only 3 percent in the rural areas (see table 5). Some of the reasons are infrastructure poor physical facilities, poor teaching, inappropriate curricula. But the general perception of schooling for girls as a luxury, and consequently the greater availability of facilities for boys than girls, are powerful factors reducing girls' participation in education.

TABLE 5

Profile of Female Education in Pakistan (1981)	Female literacy rate	16%
	Female literacy rate in rural areas	7%
	Female with primary education	30% of the 7% of population with primary education
	Females with degree qualifications	23% of the 1% of population with degree qualifications
	Girls' participation in primary schools	32% of the relevant age group
	Girls' participation in primary schools in rural areas	24%
	Girls' secondary level enrollment	12% of age group
	Girls' secondary level enrollment in rural areas	3%

SOURCE: Government of Pakistan planning documents.

Planners are quick to argue that a quiet revolution has been taking place in the country over the last twenty years in the sphere of female education. It is true that women have made significant advances in many fields, although the base is very narrow. The participation rate of girls in education is increasing faster than the corresponding figures for boys [in higher education, the ratio of girls has increased to over 30 percent of enrollment in degree classes." And women are entering all professions, including those considered nontraditional in a Muslim society.

Yet these arguments do not tell the whole truth. Data on women are outdated and incomplete, but available research confirms their low status on most counts, with striking male/female disparities in some areas. Women have a lower life expectancy, poorer health standards and less access to basic services than men. Within a context of poverty which affects everyone, women suffer additional constraints: their mobility is restricted, they have little control over resources and limited decision-making powers. Women are caught in a vicious circle of poverty, illiteracy and ill health. Girls are allotted a smaller share of food and health care as compared to boys. Lack of education of girls translates into a lack of awareness of basic nutritional principles and hygienic practices.

The positive, multidimensional impact of female education is globally acknowledged. Female education, especially if completed up to the secondary level, leads to reduced fertility, improved child health, lower infant mortality and an increased awareness of environmental health, not to mention improved productivity prospects. This, along with opportunities for economic activity by women, can have far-reaching effects on social indicators. Policy makers do recognize these facts, yet many programs for strengthening and facilitating women's participation in education and the job market have met with marginal success.

Reorienting the Educational System toward Skills Creation

The foregoing analysis brings out the structural weaknesses in the system of education in Pakistan. To recapitulate, these are:

- a) Relative neglect of basic and primary education, so that an adequate foundation does not exist for 100 percent enrollment of the new generation. The present enrollment rate between the ages of 5 to 9 is about 60 percent.
- b) Mindless pursuit of general education and college degrees in a society which desperately needs people with critical skills and is willing to employ them gainfully. At present, less than 20 percent of school leavers turn to vocational and technical schools.
- c) A distorted pattern of educational expenditure, where only 40 percent is spent on primary education and mass literacy programs while substantial amounts are earmarked for colleges and universities which could be run on a more self-financing basis.
- d) A serious neglect of female education, with the result that current female literacy rates are less than half those of males.
- e) Pakistani society is spending too little on education. Educational expenditure as a percentage of GNP was only 1.5 percent up until 1985 and has only recently risen to 2.5 percent.

These structural weaknesses are characteristic not only of Pakistan's educational scene; they broadly reflect the situation faced today by many developing countries. The structural reforms outlined here in the context of Pakistan thus have a wider relevance to Third World experience in general.

It is absolutely vital for broad-based human resource development that a good base of primary education be built in Pakistan instead of the present inverted pyramid. Full (100 percent) enrollment must be ensured for the new generation in the primary schools. This will require adequate physical facilities - in particular, doubling the present number of schools, providing new buildings for 17,000 shelterless schools, and adding an additional room to each of 16,000 one-room schools. It will require at least doubling the number of teachers in a short time; a one-year draft of university students could help, as has been tried in some other developing countries. It may require the introduction of compulsory measures combining persuasion and social compulsion so that children are allowed to complete their primary education.

The detailed mechanics can be worked out so long as priority is placed squarely on educating the entire new generation, boys and girls. While nonformal methods can help, programs of adult literacy have often proved to be a waste of national resources and energy. The main focus should be to catch all boys and girls ages 5 to 9 in the educational net.

Technical Education

Pakistan's present enrollment ratio of 20:80 between technical and general education" is a disaster and a gross mismatch, considering the manpower requirements of the country. This mismatch has persisted for so long because of certain fundamental cultural and social attitudes. A high premium is placed on university degrees, which are regarded as a passport to top civil service jobs, even though few are lucky enough to obtain them while the rest add to the accumulating reserve of educated unemployed. People are still reluctant to take up manual, skill-oriented jobs even though there are high monetary rewards. Vocational and technical schools award only diplomas, which are not as prestigious as college degrees. The teachers in vocational schools, despite their high skills, are paid about half as much as university teachers. Naturally, such a system of incentives and rewards is a sad commentary on the priorities of a society which badly needs functional education and critical skills for its industry and agriculture.

For widespread female literacy, there is no real shortcut to universal primary education; various currently improvised programs of nonformal education offer no substitute for a solution at the grassroots, primary level.

TABLE 6

Proportion of Expenditure to Social Welfare, at the Basic Level

Total Expenditure	Health & Physical Welfare	Social Welfare	Total
Percentage			

(W.MiRiom)Edvcu6n Pluming Howing	Special Social					
Women's Seaora Ptogtamn						
IaPlao	4,863	4,d	1.6	10.4	0.4	37.2 (193560)
2ndPlen	10,606	4.4] .8	9A	O.S	13.7 (196P65)
3tdPlen	13,104	4.3	3.2	g.3	0.3	33.3 (196170)
Non-Plan	73,344	4.6	4.2	7.3	O.Z]b.i (3970.7R1
3thPlvn	132b10	3.7	3.f	3.9	0.1	131 (1978/79
1982/83)						
6th Plan	210,000	8.3	6.4	6.1	0.3	2].3 41982/83
3987/88)						

SOURCE: Covenment of Pakistan planting doavnienK.

Pakistan, like many other developing countries, spends too little of its GNP on education. What is more, educational expenditures come under pressure whenever there is an overall financial resource stringency. Harassed policy makers are likely to protett projects having a quick payoff rather than programs for the next generation. It is important to introduce some devices which would help proxett educational expenditures even in times of financial emergency. One useful device can be to earmark a cer[ain percentage of GNP (say 45

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Finvrkivl Allocations m eduntiou Inning c8e Lur Tvo Plan Periods

Srh Plvn Pniod	brM1 Plan Period				
(1978/79-1982/83	(1983/84198788)				
% Inatax					
Rs hllillioru	%	Rs. A1a4om	%	Over lime	
Trail expenditure	3,644	100.0	17,484	100.0	209.8 on duration

Primary 1,413 25.0 3,820 33.3 311.9 Semndvy 1,090 19.3 3,430 19.6 214.7 College 337 9.3 1,080
 6.2 101.1 University 687 12.2 1,730 10.0 154.7 TecM1nicaletd. 1,917 34.0 5,404 30.9
 181.9

gOURCe: Goucrmiient of Pakuran planning doimenta

GNP Share far Education

percent) for education by a National Assembly act. This could be modified only with parliamentary approval, in case the overall national situation so demanded. An independent national education authority should be established to allocate this amount to priority sectors - mainly primary and technical education - free from day-today pressure from any quarter. Such a system, if implemented, could make education a universal national concern rather than just a fluctuating item on the government's large and conflicting agenda of priorities.

Conclusion

These structrural reforms are the minimum which needs to be accomplished if Pakistan's current system of education is to be converted into a functional system aimed at the development of its vast human potential. After a long history of neglect, the forthcoming Seventh Five-year Plan (1988-93) offers an opportunity to the nation to correct its course.

None

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developed countries, but also in many so-called "underdeveloped" ones - albeit to a lesser extent - with the concomitant increasing diversification of their educational systems.'

Studies undertaken within this perspective approached the analysis of the human factor from a reductionist economic standpoint (hence the term "resource"). Educational investment and the role of the human factor are fundamental to the productive process. Moreover, this type of analysis is not concerned with man as a consumer, and far less as a political or cultural actor. By excluding the problems of the consumer from the analysis, questions relating to the satisfaction of basic (and other) needs are not raised, nor are problems relating to social welfare and justice.

Basically, the idea of human resources was a historical extension of the category labor, fundamental to the discipline of economics. The founders of economics determined the place and importance of work, incorporating it in all theories of production. From William Petty to Ricardo and Marx, the theory of value was based on labor. Since then, the idea of "labor" as a notion has been a crucial, although by no means the single, aspect of all economic and social analysis. Moreover, as was already evident in the last century, productive structures directly or indirectly affected by the industrial revolution underwent an increasing division of labor as evident in the developed world as in the periphery, which it was gradually incorporating, although here, the structures were different. From an early stage, the rapid change of occupational structures in the production of goods and in services displayed conflicting characteristics. On the one hand, many jobs became simpler and more trivial

(initially confusing early observers), while on the other, occupations diversified greatly, not only in number but also in the specialized training they required.

This process continues to exhibit major contradictions (for example, to trivialize work and simultaneously to demand high levels of competence and specialization). However it is important to underline the differences that exist between the occupational structures of Latin America and those of the central countries. The heterogeneity of productivity levels among similar occupational categories is far greater in Latin America than in the central countries, while the number of occupations is far smaller.

Generally speaking, the human resources approach attempted to affect the supply of qualified human resources through educational planning rather than by affecting production and thereby changing

the occupational structure or labor demand (except of course in socialist countries, where both sides of the equation are planned).

It also traditionally centered on the problems and planning of educational investment, leaving aside other, equally fundamental aspects of the development of human resources (health, nutrition, housing, sanitation, environment, etc.)

However, inasmuch as the concept of human resources enriches the concept of labor, it is worth examining the different stages of evolution which the former has undergone over time when applied to research and development plans in Latin America.

The Imitative Approach

In the first stage, human resources development was guided by a comparative/imitative approach with regard to education. It sought primarily to imitate the educational structure of industrialized countries on the belief that in this way, the people of the region would be "civilized" and "progress" (development) would be achieved. This path was taken in education with varying degrees of success. Such an orientation was the result of the increasing involvement of Latin America in the dynamic expansion of the capitalist countries' economies under the impetus of the industrial revolution.

The limitations of this approach are well known. The difficulties experienced when European or North American educational models were applied to Latin American societies were enormous. Obviously, the per capita resources of an underdeveloped region were not comparable with those of the already industrialized countries, with their considerably more advanced economic structures. The educational strategies favored by UNESCO in the 1950s and 1960s were still strongly marked by this tendency to try to transfer to the periphery the educational models of the central countries. UNESCO later revised this in favor of more endogenous models,^o paying greater attention not only to the real availability of resources, but also to cultural specificity.

The imitative model also presupposed that forms of development which took into account the cultural identity of the Latin American peoples and which were based on the mobilization of local resources were inadequate. Strategies which sought to break down the colonial heritage of underdevelopment and opposed the new neocolonial dynamic were thus rejected in the educational sphere.

The Supply and Demand Approach

The second stage in thinking about human resources centered on studies of educational requirements derived from the needs of the actual occupational structure. Its conception was far more realistic, although limited to short-term economic considerations and not directed toward structural reform. The analytical framework was that of supply and demand for human resources in a market context. In some studies, the perspective was widened to include availability rather than supply and requirements rather than demand, thereby avoiding the narrow scope of an analysis limited to "effective demand."

These studies quickly revealed that they had little to contribute to educational planning. Training, and especially education, involves long productive cycles, which means that by the

time the market detects something, it is already too late to correct it. Moreover, the situation is affected by cycles which distort the long-term perspectives within which education has to operate. Finally, market information does not account for the changes in the productive structure which are essential to development and which may be under way at any given moment, although they have not yet emerged in the occupational structure. Such changes need to be taken into account in medium- and long-term planning. The ability to predict and anticipate - both vital to the development of human resources - are absent from this interpretation. This type of study was promoted in the 1960s by the OAS in many countries of the region.

Planning through Projection

The third stage overcame these limitations by projecting the occupational structure and the number of graduates from the educational system over a fifteen-year period. Necessary corrections in educational planning were introduced to avoid discrepancies between anticipated demand and supply of a labor force with the adequate mix of competencies provided by the educational system. This method was used by the DECD in the Mediterranean Project and subsequently transferred to various Latin American countries.'

Certainly, this approach was a step forward by comparison with previous attempts. Nevertheless, the methodology confronted major difficulties. First of all, long-term projection of occupational struc-

tures was not an easy exercise due to the difficulty of predicting technological progress and to the unpredictability of the global economic environment. At the same time, these studies showed that the relationship between particular occupations and the education required for them frequently differed from one country to another. Thus the proposed educational planning techniques were far less accurate than was tonally thought.

Furthermore, studies undertaken by the World Employment Programme and PREALC (ILO) in Latin America have shown clearly that a strategy of development based on subordinate economic growth and modernization carried on over several decades - even where "successful," as in Brazil or Mexico - has not only failed to reduce unemployment, marginality and poverty, but has actually exacerbated them, increasing the polarization of society.

In addition to the contributions of social scientists in Latin America, who have produced a critical diagnosis of the social, economic and political developments of the region and introduced such concepts as "center-periphery," "marginality" and "dependence," a series of international reports appeared between 1974 and 1976 expressing the need to reappraise prevailing development strategies.

The Declaration of Cocoyoc,⁹ the report 'What Now? - Another Development' by the Dag Hammarskjöld Foundation,¹⁰ the Latin American World Model of the Bariloche Foundation,¹¹ the report on **Reshaping the International Order** by the Tinbergen group,¹² the United Nations resolution on a New International Economic Order, the report on **Employment, Growth and Basic Need** which launched the basic needs strategy of the ILO;¹³ all constitute alternative proposals at both the national and the international levels. These proposals explicitly called for the eradication of poverty as an achievable world objective within a horizon of several decades. This would require specific actions which market forces alone could not ensure, as well as a concerted effort at both the national and international levels.

In general, this reappraisal insisted on the heterogeneous character of the economies and societies of most peripheral countries and on the need for concrete measures to meet the basic needs of the marginal sectors, for whom the mode of dependent capitalism offered no solution. The need for structural changes, development planning, mobilization and popular participation could no longer be ignored if a minimum satisfaction of basic needs and human rights were to be achieved.

The size of the continent's population immediately after the Conquest has been estimated at between 40 and 112 million inhabitants (Rivet,

Dobyns). During the first three centuries after the Conquest, the dramatic fall in population was not compensated for by enforced and voluntary immigration from Africa and Europe. Population growth picked up again after 1750 in North America and after 1800 in Central and South America.

Estimates by Sanchez-Albornoz and Moreno, shown in table 1, indicate that the population of the whole of America a century and a half after the Conquest was less than half Rivet's estimate of 40 million. Apart from Africa, which suffered from the draining and dislocation caused by the slave trade, the other continents maintained much higher levels of population growth between 1500 and 1850. The social and economic events described by historians and indicated by these figures speak for themselves.

Table

1

World Population: 1690-1933 (in millions)

Continent	1650	1750	1800	1850	1900	1933
Europe	100	140	197	266	401	519
North America	1.3	5.7	26	81	137	213
South America	12	11.1	789	33	63	125
Oceania	2	2	2	2	6	10
Africa	100	95	90	95	120	145
Asia	330	479	602	749	937	1,121
Total	945	728	906	7,171	1,608	2,057

SOURCE: Nicolas Sanchez-Albornoz and Jose Lu'ia Milloro, *La poblacion de America* (Buenos Aires: Paidon, 196a), p.66.

Fernand Braudel estimates that around 1500, the total population of the American continent was somewhere between 80 and 100 million inhabitants. Braudel says:

It is clear that with the European conquest America experienced a massive demographic collapse, perhaps not in a ratio of 10 to 1, but without doubt far more serious than what occurred during [the Black Death and [the catastrophes of fourteenth-century Europe. Relentless colonial war and hard labour were partly responsible for this process.... Illness, that is viruses, bacteria and parasites imported from Europe (primarily) or from Africa, spread more quickly than the animals, plants and men (who brought them) who carried them from across the Atlantic.¹¹

It is difficult to know which of these factors - the prolonged war of colonial domination, the superexploitation of labor, the despoiling of the native population's wealth and means of production, cultural repression, or disease - were primarily responsible for this genocide. The tragedy of the population collapse also raised fundamental questions from the standpoint of human resources. Anthropological, ethnological and archaeological studies have highlighted the complexity of agricultural civilizations, which by a long historical process managed to sustain, in relative security, important increases in population density. This was certainly true in the most populated regions of America when the conquerors arrived, and these were the most attractive regions precisely because of the wealth of their human and natural resources. It was here that the first stage of colonization had the greatest negative impact, partly because the civilization/population balance was more delicate, and therefore, society was more vulnerable. Certainly, it is clear that for a long time in the early stages of European colonization there was no attempt to regenerate human resources. Why was this? Was it due to the markedly short-term

extractive nature of the whole enterprise? Or was it due to the total disregard for the indigenous population (in spite of Bartolome de las Casas and the humanist legislation he initiated) and for their culture, in which nothing was seen as worth preserving, even though their agricultural produce gradually became a part of everyday life in Europe, affecting habits and customs (for example, by the introduction of potatoes, sugar, tobacco, maize and chocolate)?

Oskar Lange notes in relation to the reproduction of the work force:

The capitalist pays the labourer as much as he feels obliged to, and if there is inadequate reproduction of the work force, it decreases or its productivity drops, then this does not really bother him. In this respect capitalism differs fundamentally from pre-capitalist social orders such as, for instance, the feudal system, where the reproduction of the work force was a matter of concern to the feudal lord. Capitalism also differs from the slave economy, in that the reproduction of the work force continued the slave master in the same way as the reproduction of his cattle herd. It is true to say that in ancient Rome the slave system collapsed partly because of insufficient reproduction of [the slave forces]

In studying this case of demographic collapse, rather than trying to fit the mode of production which existed in the early stages of colonization into typologies conceived for other historical experiences, it is more productive to specify the fundamental characteristics of each situation. This would facilitate a better understanding of the relative influence of the various factors on the population decline.

There is no doubt that the perverse population dynamic of the Conquest's initial phase later undermined the labor needs of colonial production. The solution was also harsh, being the imposition of forced migration and of slavery, which was not abolished until well into the nineteenth century.

European immigration and settlement and the growth of the mestizo sector of society complete the dynamic, which gathered momentum in what we now call Latin America from early in the nineteenth century. Gradually, the region's population has reached the North American (USA and Canada) level, showing higher growth rates, especially in the past few decades. A crude neomalthusian interpretation would find it hard to explain why the economy of the United States had such a high, sustained rate of growth - even per capita - during a time when its population grew more rapidly than that of Latin America.

In the nineteenth century, in the context of an ever-closer Latin American incorporation into the dynamics of capitalist expansion, the symptoms of growing underemployment began to appear in many parts of Mexico, Central America and South America (especially in the Andean countries to the north of Chile). There thus arose a kind of nonindustrial "reserve army," since industrialization reached a significant rate of growth only well into the twentieth century. To describe this phenomenon, peculiar to underdeveloped regions and present in both rural and urban areas, the concept of marginality was introduced. Gino Germani describes it as

the nonparticipation of individuals and groups in those spheres in which determined criteria suggested they should participate. Participation means fulfilling roles in the broadest sense... It includes both involvement and lack of involvement, ... both giving and receiving, both obligations and duties and rights, ... activity in different institutions and spheres of individual and collective life.¹

These distortions illustrate the inability of the region's economic structure to incorporate its available human resources through employment in a context which in this century has been one of accelerated population growth and considerable (if inadequate) investment in education. The economy is therefore squandering one of its most valuable resources (labor), and society is deprived of the wealth it could create and to some extent distribute through employment.

As early as 1966, Zygmunt Slawinski analyzed the structural tendencies emerging from the analysis of the distribution of employment sectors over a thirty-five year period (see table 2).

TABLE 2
Latin America: Estimate of Active Population by Economic Sectors, 1925-60 (In Thousands)

Sector	1925	1950	1955	1960
Total	32,473	53,130	60,160	68,201
Agricultural	19,913	28,235	30,101	32,260
Nonagricultural	12,560	24,895	30,059	35,941
Goods and basic services	6,330	12,454	14,772	17,319
Mining	303	564	620	694
Manufacturing	4,447	7,662	8,618	9,773
Industry	1,143	3,671	4,279	5,110
Artisan	3,304	3,991	4,339	4,663
Construction	529	1,982	2,701	3,323
Basic services	1,051	2,246	2,833	3,529
Services	6,230	12,441	15,287	18,622
Commerce and finance	2,169	4,202	5,138	6,267
Government	703	1,746	2,121	2,529
Miscellaneous services	2,584	5,235	6,640	8,266
Unspecified activities	774	1,258	1,388	1,560

SOURCE: Zygmunt Slawinski, "Evolution de la estructura de la mano de obra en America Latina los ultimos decenios y perspectivas a largo plazo," In *Problemas de planificación de recursos humanos en America Latina y en el Suroeste Regional Mediterraneo* (Paris, OECD), p. 151.

Table 2 shows that employment in the agricultural sector did not even double, while the total labor force more than doubled. Moreover, employment in manufacturing increased to little more than double, even though industrial production increased sevenfold during the period 1925-60. By contrast, in the service area, employment tripled, so that this sector absorbed a growing proportion of the increase in the labor force.

As far as the distribution of employment by sectors is concerned, Latin America showed a marked difference as compared with the developed countries in the initial phase of industrialization, especially in its poor capacity to generate employment in the secondary sector and in the premature overexpansion of employment in the tertiary (service) sector.

While there are undoubtedly common aspects in the development process of the countries of Latin America^o owing to their peripheral relation to a common center made up by the developed capitalist countries - Cuba excepted - there are, of course, also important differences. For example, some countries of Latin America and the Caribbean remain principally producers of mineral resources or agricultural products (or, in a process of involution, have tended in this direction for the past ten years), with a small or nonexistent industrial sector, whereas others have maintained an industrialization program (for all its dependent and volatile character). In the first group, modern productive activities are export oriented and frequently controlled from abroad, with considerable participation by multinational subsidiaries. In the second group, despite attempts to diversify exports, the bulk of industrial activity is directed toward the home market. Opportunities for import substitution when the country and the market are large are also extensively exploited by multinationals, with obvious consequences for the transfer of technology and consumption patterns. As seen earlier, even in the case of Brazil, where there has been sustained industrialization and economic growth for several decades, marginality, unemployment and poverty currently affect at least half the population.

Anibal Pinto,²⁵ in his analysis of the development process in the region, concludes that the structural heterogeneity resulting from variations with the economy of the center, is the root of the everwidening gap between the incomes of Latin American countries and those of the OECD, as also within the Latin American countries themselves, where increasing internal polarization is occurring. This type of process tends to exclude a significant proportion of the population from economically productive activity, leading to structural underemployment and unemployment. This is another central feature of sociopolitical and economic marginalization.

On the relationship between population and employment, Tamas szentes reminds us of some basic questions:

The "demographic explosion", often thought to be behind unemployment and poverty, is not an independent variable. In examining the relationship between demographic dynamics and economic development it is often forgotten that population growth signifies not only an increase in the number of consumers, the hungry mouths of the unemployed, but also the principal productive and creative force. If this is true, the question of how to feed, clothe, house or provide paid work for a growing population should be linked to the fundamental question of how this potential productive force is to be used for these ends. The ways in which socioeconomic structures influence population growth - something which is often forgotten - should also be examined.

There thus arises again the possibility of an alternative strategy directed toward satisfying the basic needs of the population which would mobilize human resources and therefore create employment. In general, this has not been the dominant tendency in Latin American development.

With regard to recent trends in open urban unemployment in Latin America, it is important to note the negative impact of adjustment policies imposed on the countries of the region. Table 3, below, prepared by V. Tokman, illustrates this.

TABLE

3

Latin America: Open Urban Unemployment Rates, 1970-85

Country	1970	1978	1979	1980	1981	1982	1983	1984	1985
Argentina	4.9	3.3	2.5	2.4	4.7	5.3	4.6	4.6	6.3
Bolivia	4.5	7.4	7.5	9.7	9.4	12.1	12.6	15.0	15.0
Brazil	6.5	6.8	6.4	6.2	7.9	6.3	6.7	7.1	5.3
Colombia	10.6	9.0	8.9	9.7	8.2	9.3	11.8	13.4	14.1
Costa Rica	3.5	5.8	5.3	6.0	9.1	9.9	8.5	6.6	6.7
Chile	4.1	13.3	13.4	11.7	9.0	20.0	19.0	18.5	17.0
Ecuador	4.2	5.4	5.7	6.0	6.3	6.7	10.5	10.4	12.9
Guatemala	2.2	2.7	4.7	7.6	9.7	12.9			
Honduras	8.8	9.0	9.2	9.5	10.7	11.7			
Mexico	7.0	6.9	5.7	4.5	4.2	4.2	6.7	6.0	4.8
Panama	10.3	9.4	11.6	9.8	11.8	30.4	11.2	11.1	11.5
Paraguay	4.1	5.9	3.9	2.2	5.6	8.4	7.4	5.2	
Peru	8.3	10.4	11.2	10.9	10.4	10.6	13.9	16.4	17.6
Uruguay	7.5	10.1	8.3	7.4	6.7	11.9	15.5	14.0	13.1
Venezuela	7.8	5.1	5.8	6.6	6.8	7.8	10.5	14.3	14.3
Latin America	6.8	7.4	7.5	6.9	7.2	8.7	10.2	10.9	11.1

SOURCE: Victor E. Tokman, "Geacion de empleo productivo: utu tares imposergabk," *Desanoila Etvnomiw* 26,no,103(1986):343.

On the contrary, according to the available figures - which are reasonably accurate - the dislocation and contradictions between the dynamics of population, employment and education have not been resolved, despite the efforts made in the field of education after independence and sustained in some countries for a hundred years.

Within the context of increasing social polarization and rural and urban marginalization, the deficiencies in education (such as the existence of some 40 million illiterates in Latin America and the Caribbean, or the failure to secure a full basic education for the entire school-age population) are associated with unemployment and underemployment, poverty, poor sanitary and living conditions, and the unequal distribution of educational services.

The considerable investment in university training is lost, partly because of the brain drain and partly due to the misuse of valuable human resources within the countries which trained them.

While there are many deficiencies and incoherencies in the educational systems of Latin American countries, it is the two aspects just mentioned which most clearly highlight the

contradictions in the model of "development." First, there is the marginalization of a significant part of the school-age population, who have no access to the minimum basic training necessary in order to participate in, and benefit from, a development process. Secondly, there is the brain drain, which reflects structural barriers which prevent the marshaling of reserves of ability and creativity for the process of change.

In addition to these distortions, the proportion of GNP devoted to education is on average lower than that of the world as a whole (even though this last statistic includes many countries outside the region which also incur considerable military expenditure). Even if the situation is not identical all over Latin America, the facts speak for themselves.'s In 1970 the figure was 3.4 percent compared to a global average of 5.2 percent. The figures for 1975 were 3.6 percent and 5.6 percent, for 1980, 4 percent and 5.6 percent, and for 1983, 4 percent and 5.7 percent. Why is it that societies which exhibit such extreme backwardness in levels of literacy and basic education, not to mention the problems of quality, relevance and high dropout rates at the secondary and tertiary levels, invest so little in education? The social, political and economic structures which inhibit development are undoubtedly related to the maintenance of this relatively low level of investment in education.

The elimination of illiteracy requires both adult education (for example, literacy campaigns and the consolidation of lower levels of literacy) and, of course, a universally effective basic education for all those of school age. At present, neither of these achievements seems likely, except in three or four countries of the region. As far as illiteracy in Latin America is concerned, although it decreased

considerably between 1970 and 1985, from 27.3 percent to 17.3

percent, the total number of illiterate people remained almost constant at around 44 million. If current trends continue, in the year 2000 there will be some 38 million illiterate people in the region. Here lies the difficulty in significantly reducing the high number of illiterates aged 15 years and older under present conditions, despite the by no means negligible progress in relative terms, illustrated in table 5.

TABLE 5
illiteracy in Latin American and Caribbean Countries: Estimates for 1970 and 1990

illiteracy of the Population Age 15 or Over (Percent)		1970	1980			
Over 50		Guatemala	Haiti	Haiti		
40-50		Bolivia	Guatemala	El Salvador	Honduras	Nicaragua
25-40		Brazil	Bolivia			
Ecuador	El Salvador					
Mexico	Honduras					
Peru	Nicaragua					
Dominican Republic	Dominican Republic					
10-25 mile	Brazil	Colombia	Colombia	Costa Rica	Ecuador	Panama
Paraguay	Panama	Venezuela	Paraguay			
Peru						
Venezuela						
Under 10		Antigua	Antigua			
Argentina	Argentina					
Barbados	Barbados					
Cuba	Costa Rica					
Grenada	Cuba					

Guyana Chile
Jamaica Grenada
St. Kitts-Nevis-Anguilla Guyana
St. Vincent Jamaica

-Continued

TABLE 5-Continued

Trinidad and Tobago

St. Kitts Nevis Anguilla

Uruguay

St. Vincent

Trinidad and Tobago

Uruguay

SOURCE; Evolution cuantitativa y proyecciones de matrícula de los sistemas educativos de América Latina y el Caribe -Análisis estadístico, UNESCO document no. ED-79/MINED

LAC/Ref.2, p.11.

The persistence of illiteracy is due to the socioeconomic obstacles to entering primary school and to the high dropout rate. It is known that those who drop out either remain illiterate or attain only a low level of literacy. Thirteen per cent of school-age children (some 8.5 million) were not receiving basic education in 1985. It will be difficult to reduce this figure if current trends continue.

UNESCO carried out a study of those who ceased attending school during the first five years at the primary level on the basis of figures obtained during the 1970s. This study observed that

the number who stayed on varied from over 80 percent (Cuba, Guyana and Uruguay), to less than 40 percent (Brazil, Colombia, Guatemala and Nicaragua). The number who leave school in the first year is very large. In six of the eighteen countries (Brazil, Colombia, Ecuador, Guatemala, Mexico and Nicaragua - again using figures from the 1970s), almost half the total of those who abandoned school did so between the first and second year of their studies.²⁹

This analysis reveals the impact of another important source of continued illiteracy.

It is also well known that the failure of children and young people to attend school or the early abandonment of it is linked to the lack of educational services in certain regions, to the socioeconomic situation of the family, to the poor quality of teaching or to the inability of the teaching system to adapt to local and cultural needs (rural areas, indigenous communities with their particular linguistic demands, etc.). All these problems form part of the phenomenon of marginalization, which is currently tending to perpetuate itself and even to intensify as a result of the economic crisis in the region. Only far-reaching social changes and sustained effort will alter these tendencies. In the current situation, several of the larger countries account for a substantial proportion of the region's population and exhibit serious problems in literacy and basic education; yet these same countries have experienced rapid economic growth over the last few decades and have made considerable advances in industrialization. Structural obstacles to both productive employment and a more just distribution of wealth are having severe negative effects on family welfare, decreasing children's access to basic education.

As regards the relationship between education, employment and development, it is well known that the industrial sector, and to an extent the agricultural and high-productivity service sectors (both in the public and private sectors), require an ever-increasing number of people who have received a good basic education. There is no doubt that if the countries of the region are to make a genuine effort to develop, then illiteracy and lack of schooling represent a serious obstacle with long-term economic implications, apart from other social and political considerations.

At present, structural unemployment and exclusion from schooling reinforce one another in the context of marginality and form one of the pathologies of underdevelopment and its reproduction. To this situation should be added the latest employment crisis in the region due to adjustment policies and the deterioration in the terms of trade. This is producing a rise in unemployment among those who have completed basic or even further education, which constitutes a major squandering of educational investment.

Returning to the brain drain question - the most extreme example of wastage of educational investment - it is worthwhile to examine some of its general characteristics. First, it is relevant to recall that although the migration of intellectuals and other highly qualified people has occurred since antiquity³⁰ - witness the Athens of Socrates and Aristotle (300 A.D.), or later in Alexandria (Ptolemaic dynasty), or that which took place in the Middle Ages, centering on the new universities of Bologna, Salamanca and Paris, to give but a few examples - the current brain drain differs from previous exoduses primarily because it involves very large numbers of intellectuals, scientists and technicians who are singled out for recruitment by developed countries."

After World War II, in fact, it was possible to accentuate the selective character of migrations from peripheral countries to those of the center and to establish systems controlled by the latter. In a world where the gap between underdeveloped and developed countries is considerable and widening all the time, it is not difficult to attract large contingents of highly qualified migrants. This situation

allows developed countries to open and close the floodgates at will in order to fulfill their requirements for highly specialized human resources, thereby saving on costly educational investments and avoiding the inevitable delay in expanding higher education whenever bottlenecks exist. In this way, there is a major transfer of human capital to the center, to the detriment of the periphery. Brinley Thomas reminds us:

Post Second World War international migration of the last fifteen years gives a very different picture from that of the nineteenth century. Instead of mass proletarian migration together with a capital formation process sensitive to demographic change and complemented by external financial investment, the scene is now characterized by the migration of a professional elite, the accumulation of capital on scientific foundations (in the developed world) and direct foreign investment^{3a}

To give an idea of the magnitude of this phenomenon, in one country and in a single profession, according to one estimate, the USA would have to set up and maintain twelve additional medical schools in order to produce the human resources in health care equivalent to those provided by immigration - some 1,200 professionals per year. This also indicates that the monetary value of this "foreign aid" to the USA practically equals the cost of all the medical aid - public and private - that this country was at the time supplying to other countries.³³

In the twenty years after the war, the USA received about 372,200 professionals and technicians from abroad. Canada received 145,500 and Australia, 90,400.³⁰ Latin America has over the years contributed steadily to this migration, with an exodus of highly qualified personnel never lower than 1,000 per year. It is estimated that the USA alone has received more than 100,000 highly qualified persons from Latin America and the Caribbean³⁵

Efforts made by the region to expand higher education^B have therefore to some extent benefited developed countries via the brain drain. Latin America has not been able to avoid this drain in resources, nor has it been able to compensate for the loss by receiving highly qualified immigrants from other regions (in the way that Canada has largely compensated for its brain drain to the USA through the immigration of specialists from other regions).

Internally, underemployment and even open unemployment are affecting the use of these human resources. Both situations reflect

Given the uncertainty of the future, it is not desirable to organize excessively specialized educational systems. Flexibility and learning capacity are valuable skills for contributing to the vital changes inherent in any development process.

While the development of human resources requires long-term planning, short-term action to alleviate the negative social consequences of adjustment policies is also necessary if progress already achieved is not to be reversed, unleashing processes of disaccumulation.

Movement toward a Latin American national cultural identity is vital for educational improvement and the retention of qualified scientific and intellectual resources. Of course, this cannot be done by decree, but only through a broad-based process of cultural participation one which cannot be antiscientific and must not stifle intellectual creativity. Obviously, little progress can be made in this direction without significant changes in the mass media, especially television and radio.

There is, however, a dilemma as to whether or not to engage in a forward-looking educational drive. There is always the risk that economic and political transformations needed for development might be blocked, as has happened too often in Latin America. On the other hand, it is important to understand the high cost of not having the necessary human resources when transformation and development become a real possibility. Consequently, action on the educational front should not be delayed whenever possibilities to advance exist.

To conclude, each case mentioned requires detailed analysis, as well as an educational plan which takes into account available resources and the characteristics of the different sectors of the population involved in the efforts and needs of a changing society. It is difficult, of course, to transform an underdeveloped society through education alone. But likewise, the poor quality or lack of education must not in themselves become obstacles to transformation and development.

Notes

1. Christopher Columbus, *Journal*, trans. Clements R. Markham (London, 1893). 2. Theodore Schultz, "Investment in Human Capital," *American Economic Review* 51, no. 1 (March 1961):3; Theodore Schultz, "Capital Formation and Education," *Journal of Political Economy* 67, no. 6 (December 1960). John Vahey, in the American chapter of his book, *Economics of Education*, presents a good review of what the classical economists, including of course Marx, say about the economic importance of education.
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8. Declaration of Cocoyoc (Mexico, 1974).
9. "What Now? - Another Development" (Uppsala: Dag Hammarskjöld Foundation, 1975).
10. A. Herreros et al., *Camuflaje o nueva sociedad - (In modelo mundial latinoamericano)* (Ottawa: Fundación Bariloche/IDRC, 1977).
11. Jan Tinbergen et al., *Reshaping the International Order* (New York: E.P. Dutton and Co., 1976).
12. *Employment, Growth and Basic Needs: A One-world Problem* (Geneva: ILO, 1976).
13. Louis Emmerij, "Fact and Fallacies concerning the Basic Needs Approach," in *Basic-Needs-Oriented Development Strategies* (Vienna: UNICEF/EADI, 1977); Paul Seer, "Basic Needs and Human Rights," *Development: Seeds of Change* 1984, no. 3.
14. Fernand Braudel, *Civilization matérielle, économique et capitaliste, XV^e-XVIII^e siècles - Les Structures du quotidien* (Paris: Armand Colin, 1979), p. 20.
15. Oskar Lange, *La economía en las sociedades modernas* (Mexico: Grijalbo, 1976), p. 174.
16. John Nunn et al., *La marginalidad en América Latina* (Buenos Aires: Editorial Trilce, 1968), p. 14; Miguel Murmu, "Tipos de Marginalidad y posición en el proceso productivo," *Revista Latinoamericana de Sociología* 2 (1969):416; Pablo Gonzales Casanova, *La democracia en México* (Mexico: Era, 1971), p.90; Gino Germani, *El concepto de marginalidad* (Buenos Aires Nueva Visión, 1973), p. 12.
17. Germani, *El Concepto* (see note 16).
18. Nunn, *El Concepto* (see note 16).
19. Nicolas Sanchez-Albomoz and Jose Luis Moreno, *La población de América Latina* (Buenos Aires: Paidós, 1968).

The Dynamics of Human Resource Planning in Malaysia

Abu Bakar Abdul Karim

The critical importance of human resources as both instrument and objective in accelerating and sustaining growth and development has received an increasing amount of attention over the past twenty years. Malaysia, like most developing countries, has accorded a high priority to human resource development as a key element in its overall development strategy. The effective development of human resources is an important prerequisite to ensuring the attainment of overall development goals and objectives. Human resource development policies have been a part and parcel of Malaysia's overall socioeconomic development plans for the past two decades.

Human resource development planning in Malaysia is currently, at a crossroads, undergoing a phase of adjustment in terms of approach, focus and emphasis. This is due to the changing national and international economic environment within which development has to take place. Questions that

have arisen with regard to HRD range from the broader and fundamental issue of the role of the government in HRD to specific questions regarding the approach and emphasis of HRD.

The purpose of this paper is to provide a historical review of Malaysian HRD efforts in terms of their changing emphasis and thrust and to present the proposed Malaysian Human Resource Development Plan - its objectives, critical elements and priority areas.

HRD Planning in Malaysia: Successes and Shortcomings

The objectives of HRD planning as enunciated in Malaysia's five-year development plans have broadly been (i) to facilitate socioeconomic growth and development and the process of modernization and industrialization; (ii) to create productive employment opportunities; (iii) to increase the productivity and utilization of labor by developing and upgrading managerial, scientific and technical

20. Diagnostico, politicas y planificación del empleo y de las necesidades básicas (Santiago: ILO/PREALC, 1978).

21. Pare un nuevo patio social, (Rio de Janeiro: Instituto Brasileiro de Estudos Sociais y Politicos, 1986).

22. Arthur Burns, in Competitive Economic Organisation (New York: Prentice-Hall, 1955), p. 371, says, "The proportion of the labour force in industry has fallen from the highest levels reached in 1961 in Great Britain, in 1886 in New Zealand, in 1900 in Norway, France and Denmark, in 1910 in Switzerland and in the USA and Sweden in 1920."

23. Enrique Oteiza, Metodología empleada en el trabajo - Los Recursos humanos de nivel universitario y técnico en la República Argentina, 2nd edition (Buenos Aires: Instituto Torcuato Di Tella, 1965), table 3, p. 2. See also similar work done by E. Zalduendo on the tertiary sector in Chile.

24. Enrique Oteiza et al., Autoafirmación colectiva, guía estratégica temática de desarrollo, Colección Lactea (Mexico: Fondo de Cultura Económica, 1983), p. 15.

25. Anibal Pinto, "Structural Heterogeneity: Fundamental Aspect of Latin American Development;" mimeographed (Santiago, 1972); "El Sistema centro-periferia y el desarrollo" (Marginalización y dependencias en América Latina); in América Latina y el cambio en el mundo (Lima: Editorial Instituto de Estudios Peruanos),

26. Szentesi, "Structural Roots" (see note 5), p. 47.

27. Martin Camoy, "Las tendencias avanzadas y los recursos humanos del trabajo;" *Revista Internacional del Trabajo* 105, no. 1 (1986).

28. "UNESCO Report to the Sixth Regional Conference of Ministers of Education and Those Responsible for Economic Planning of Member States in Latin America and the Caribbean (MINEDLAC VI)," UNESCO News, 23 March 1987.

29. Evolución cuantitativa y proyecciones de matrícula de los sistemas educativos de América Latina y el Caribe - Análisis estadístico, UNESCO document no. ED-79/MINEDLAC/Raf. 2, p. 41.

30. Stern Dadijer, "Primeras Migraciones," in Walter Adams, comp., *El drenaje de migrantes* (Buenos Aires: Paidós, 1971), p. 35.

31. Enrique Oteiza, "Drenaje de Carabros," in *Temas Latinoamericanos para el Desarrollo de Ciencias Sociales* (Buenos Aires: CLASW, 1976), p. 50.

32. Brinley Thomas, "Modern Migration" in Adams, *E/ drenaje* (see note 30), p. 74. 33. Adams, *El drenaje* (see note 30), pp. 256.

34. Brinley Thomas, "Modern Migration," in Adams, *El drenaje* (see note 30), p. 74.

35. Enrique Oteiza, "Emigración de profesionales, técnicos y obreros especializados argentinos a los EE.UU.," *Revista de desarrollo económico* 10(1971): 429. See also statistical information available from the U.S. Department of Justice, Immigration and Naturalization.

36. Enrollment in higher education, which in Latin America stood at approximately 425,000 students in 1955, grew to 7.43 million in 1980. See Enrique Oteiza, "La evolución del sistema

y la education superior an America Latin. y d Cariba,"Edumaon superior, CRESALC-UNESCO (January-April 1982).

37. Sandy Amin, *La deconnexion: pour sortir du symeme mondial*, Editions La Dacouvum 413 (Puts: Cahier Livras,1986); Ottiza, *Autoajbmason colectiva* (see note 24).

development planning. A national committee now provides policy direction and guidance on manpower issues. To overcome the problem of overlapping functions among complementary agencies involved in manpower development planning, a central agency has been assigned the responsibility of planning, coordinating and monitoring manpower development planning activities at the national level. These agencies are currently concerned with building up and strengthening their capacity, capabilities, methodologies and approaches.

In addition, the government is also currently looking into an area of critical concern to the vocational and industrial training system: the lack of coordination among the vocational training efforts undertaken by various institutions. The increasing skill demands arising from the industrialization process, the hard fact of resource constraints, and a growing concern with dovetailing training with the skill needs of industry all necessitate a coordinated system of vocational training that is responsive to market needs. Issues of cost effectiveness, efficiency and flexibility of the delivery system are also being raised.

Efforts are also being made to improve the methodology and approach to manpower planning. Recognizing the limitation of the Manpower Requirements Approach (MRA), which has been consistently used by Malaysia to forecast manpower demand, planners are moving toward a more pluralistic and flexible approach that will yield a more realistic assessment of future needs. The quantitative analysis of manpower demand must be supplemented with regular information on the labor market. The new approach is more diagnostic in nature, seeking to understand the dynamics of the labor market with regard to imbalances in supply and demand, inputs within the labor market, rigidities and restrictions in the operation of the labor market, and adjustment measures to overcome such rigidities. The diagnostic approach, however, demands regular, timely and relevant information on the labor market, and much needs to be done to develop the necessary research capabilities, particularly at the more disaggregated sectoral, occupational and firm levels.

Malaysian planners have also to deal with various challenges and issues arising from changes in both the national and international economic environment. During the 1960s and 1970s, Malaysia was able to achieve appreciable rates of economic growth, with the dynamics of growth stemming from primary commodity export and simple domestic manufacturing. However, it is now evident that it

will be difficult for Malaysia to maintain strong economic growth rates in view of the severe resource constraints resulting from structural economic weaknesses and increasing public sector deficits. Coupled with that, the secular decline in the prices of primary commodities resulting from greater competition and the development of substitutes in consumer countries will mean that the primary export sector will no longer be able to contribute significantly to Malaysia's economic growth. Malaysia's growth potential will have to come from broadening and deepening the industrial structure toward high value-added, and highly competitive, export-oriented product manufacturing.

These developments have major implications on human resource development. In the past, it was the quantity rather than the quality of human resources which was emphasized. The characteristic pattern of primary commodity production and simple domestic manufacturing was such that a comparative advantage was gained from the use of plentiful and cheap unskilled and semiskilled labor. For the future, however, Malaysia's growth will increasingly have to depend on new factors: skills, enterprise, innovation and technology. Human capital inputs and technology will have to be effectively combined not only to raise the productivity, efficiency and competitiveness of existing industries, but also to create new sources of growth. This places new demands on a range of specialized technological, engineering, research and development, marketing and entrepreneurial skills. Motivation, innovativeness, drive, enterprise and resourcefulness will also need to be cultivated in order for Malaysia to forge ahead in the world market.

Malaysian planners are also contending with an increasingly serious unemployment problem. The constrained growth and subdued recovery of the Malaysian economy from the recent world economic slowdown has adversely affected the employment creation capacity of the economy, resulting in a slower rate of job generation and growing unemployment. Juxtaposed with this, the supply of labor continues to grow at a high rate due to the age structure of the population, a high proportion of whom are in the working-age group. The unemployment rate is expected to reach double-digit figures before the end of this decade. The problem is particularly acute among the educated young. Consequently, the need to equip youth with suitable skills in order to improve their employability is an area of increasing concern.

Role of the Government

This scenario calls for a rethinking of the whole HRD situation. One crucial question relates to the future role of the government in the field. In the past, the government has dominated the manpower development field, as is evidenced by its huge investments in higher education and training programs. In view of the future orientation of HRD toward markets and clients, the role of the government might have to be reduced to one of supporting and facilitating the working and adjustments of a competitive market. How this could be done is still under discussion.

HRD efforts must respond quickly to the demands and needs of the rapidly changing labor market. It is against this backdrop that the proposed Malaysian Human Resource Development Plan project is being initiated. The Plan is expected to map out an HRD strategy that will specify the future direction and thrust of HRD efforts which can support and meet the development goals of the country. The HRD Plan project will be undertaken under the auspices of the UNDP, which will assist Malaysia in the generation of critical inputs for designing short, medium and long-term HRD policies, strategies and programs at the national and sectoral levels.

The proposed HRD Plan is not the first attempt to map out a strategy for HRD. Besides the medium-term assessment of manpower and skills needs in the various five-year development plans, a comprehensive manpower survey was conducted in 1973 to assess the manpower needs for the period 1973-90.¹ Another major exercise was undertaken in 1980 called **Towards a Master Plan on Manpower Development**.² However, these were mainly based on the mechanistic MRA approach, which failed to take into account the rapid changes occurring in the international and national socioeconomic scenarios, as well as in the labor market.

Some more recent efforts in the area of manpower assessment and forecasting have been undertaken at the sectoral level, specifically in relation to manufacturing, agriculture and tourism. The Industrial Master Plan (IMP), which is the most current blueprint in terms of charting the future directions and prospects for growth in the manufacturing sector, outlines an HRD strategy that is consistent with the manufacturing growth targets it aims for. The National Agricultural Policy (NAP) is the relevant plan for the agricultural sector. For the tourism industry, a study on tourism manpower and training pro-

- a) The Plan should integrate human resource development and planning with national and sectoral development plans, the Industrial Master Plan and the National Agricultural Policy.
- b) The Plan should focus on strengthening the existing mechanisms for continuous monitoring, review, assessment and adjustment of human resource policies and strategies in line with the changing needs and priorities of the economy.
- c) The Plan should be market-oriented, with emphasis on improving the mechanisms for continuous monitoring, assessment and feedback on the labor market situation.
- d) The Plan should be firmly embedded in a framework of efforts to strengthen capabilities, institutions and mechanisms for human resource planning and development both at the national and subnational level.
- e) The Plan should establish a mechanism for continuous review and assessment of human resource policies and strategies in line with changing needs and priorities of the economy.

Priority Areas

The HRD Plan will focus on key FIR!) priority areas and issues which will have both medium- and long-term impact on socioeconomic conditions in the country. Areas and issues to be addressed include:

- a) **Labour supply** issues - Major issues include labor supply in relation to labor force participation (LPP), especially among females and young entrants, and labor mobility and its implications for employment, wages and general economic activity.
- b) **Employment** issues - Insight is needed into the employment structure and trends; labor market efficiency and dynamics (the effects of wages, labor policies, turnover patterns, mobility, shifts between industries and occupations, etc.); setting employment targets by sectors; special employment creation programs; and factor pricing.
- c) **Education and training** issues - In order to improve effectiveness in producing a flexible, well-educated labor force capable of acquiring new skills in a changing technological environment, an analysis must be made of the efficiency and effectiveness of the education and training system in responding to changing market requirements; the returns to education and implications for educational investment strategy; and effective evaluation mechanisms for education and training programs.
- d) **Manpower demand** assessment - A diagnostic approach will be adopted for predicting future manpower demand and analyzing the short-, medium- and long-term implications on education and training policies and programs.
- e) **Manufacturing and agriculture sectors** - A study of these two priority growth sectors will be undertaken to provide updated insights into the growth scenario and the implications for employment, manpower and skill needs.
- f) **Informal sector** - The slowdown in economic growth has adversely affected the job generation capacity of the economy. Sectors that traditionally were significant job generators are accounting for fewer new jobs for a variety of reasons, including reduced recruitment by the government, reduced construction and mining activities, a conscious shift toward labor-saving technology in manufacturing as a result of **high** labor costs, and the displacement of employment opportunities by immigrants in the agriculture and petty trade sectors. In light of the rising unemployment problem and the declining ^{job-generating} capacity of traditional sectors, there is an urgent need to explore new avenues for employment. In this regard, the potential role of the informal sector in terms of job generation and absorption of labor will be examined. Variables such as wages, productivity and mobility will also be studied.
- g) **Operation and characteristics of the labor market** - An analysis of the labor situation will be made in terms of the interaction of demand and supply of labor, labor mobility, surpluses and shortages, wage patterns, productivity, constraints and rigidities, and adjustment measures.

Conclusion

Human resource development in Malaysia stands at a crossroads of adjustment and reorientation with regard to its overall approach, focus and thrust. Changes in the national and international economic environments have brought about the need for structural adjustments within the Malaysian economy, resulting in a shift of emphasis from agriculture and other low-productive activities to high-productive activities such as manufacturing and services.

Human resource adjustments have to take place not only in terms of responding to changing skill demands, but also in terms of enhancing the quality of human capital so as to ensure market competitiveness and efficiency in the production of goods and services. Another major issue that human resource development planners have to address is unemployment and the policies that should be adopted to deal with it. The proposed Human Resource Development Plan project is intended to address these current and emerging issues and to make a breakthrough in terms of the future role of HRD planning in the context of Malaysian socioeconomic development efforts.

Notes

1. Relevant documents include the following: Second Malaysia Plan, 1971-75 (Kuala Lumpur: Government of Malaysia, 1971); Mid-Term Review of the Second Malaysia Plan, 1971-1975 (Kuala Lumpur: Government of Malaysia, 1973); Third Malaysia Plan, 1976-1980 (Kuala Lumpur: Government of Malaysia, 1976); Mid-Term Review of the Third Malaysia Plan 1976-1980 (Kuala Lumpur: Government of Malaysia, 1979); Fourth Malaysia Plan, 1981-1985 (Kuala Lumpur: Government of Malaysia, 1981); Mid-Term Review of Fourth Malaysia Plan, 1981-1985 (Kuala Lumpur: Government of Malaysia, 1984); and Fifth Malaysia Plan, 1986-1990 (Kuala Lumpur: Government of Malaysia, 1986).
2. Malaysia's first three development plans expressed concern about the effects of a high population growth rate on employment creation and economic growth. Population policies were formulated specifically to reduce birth rates.
3. Report of Manpower Survey in Malaysia 1973 (Kuala Lumpur: Economic Planning Unit, Prime Minister's Department, 1973).
4. Towards a Masterplan on Manpower Development (Kuala Lumpur: Malaysian Administrative Modernization and Manpower Planning Unit, Prime Minister's Department, 1983).

Managing Human Resources in Tropical Africa

Leonard Goncharov

Remnants of old colonial or semicolonial socioeconomic structures in African countries complicate the productive use of the population in various sectors of these countries' economies. The task of accelerating economic growth calls for a major restructuring of the economy, a removal of structural imbalances and the selection of priority sectors that will ensure economic uplift.

In many African cities, industry at its present level of development cannot absorb the inflow of fresh manpower from the rural areas. The problem is not only that in a number of countries, industry is still at a very early stage of development and is simply powerless to provide work for all those who seek it. The core of the problem is that this manpower, whose inflow from the villages to the cities keeps increasing, is mostly an untrained and unskilled mass of former peasants.

Meanwhile, the scientific and technological revolution makes a growing demand for highly skilled manpower both in the advanced nations and in developing countries. The transfer of technology, which has received so much attention in the past fifteen to twenty years, loses much of its value if unaccompanied by a matching rise in labor skills and the training of national technical and engineering personnel.

In the 1960s and 1970s this aspect of industrial and technological progress of developing countries was not given sufficient attention. True, in some countries, Africanization of the economy provided for the Africanization of the personnel, too. For example, in Zambia, contracts signed with foreign specialists and skilled workers in the late 1960s obliged them to train local replacements for themselves before the end of the contract period. However, the question of training personnel who could learn to handle new equipment was not addressed at the national level.

One of the most important things about the Lagos Plan of Action, adopted in 1980, was that for the first time, the question of the effective use of manpower resources and, notably, of training qualified personnel was raised at a pan-African level.

The upcoming transitional period in the development of modern productive forces, marked by the dismantling of the old forms of industrial production and the development of new ones, is fraught with major structural crises which will inevitably affect the African countries. The economic leadership in the countries of the continent will bear a special responsibility for decision making in those complicated conditions, when any miscalculation may substantially damage the national economy. To choose structurally outdated forms of industrial production will condemn these African states to technological backwardness and

unproductive capital spending, while delays in industrialization will prevent them from accomplishing the tasks of agricultural growth and modernization.

Industry: The Right Choices

Only those production processes which are based on partial automation or man-machine combinations - numerically controlled machine tools, simple industrial robots, etc. - can secure advantages for developing countries with skilled manpower potential. These countries will also need to create new forms of productive employment while boosting labor productivity, for otherwise, they may lose their foreign markets.

One way of dealing with this problem would be a massive investment in microelectronics, with a view to raising the competitiveness of these industries, and the training of appropriately qualified personnel.

Given the short-, medium- and long-term consequences of the technological revolution, the developing countries are faced with the urgent task of remodeling their systems of general education and vocational training in order to produce qualified personnel capable of handling new equipment.

From the viewpoint of the need to develop productive forces in African countries, new equipment and technology may prove to be the decisive factor in boosting labor productivity and product quality with substantial material savings and in alleviating the dependence of production on the low qualification of manpower. The new system of production compensates for the deficiency of technicians and skilled workers, while the information-intensive technology used in

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the process appreciably raises the productivity of managerial workers and compensates for the shortage of highly productive manpower. The current trend toward production miniaturization (in the metallurgical, power, chemical and other industries) will enable African countries to overcome the investment barrier of initially advanced capital and start new production sectors in their economies.

Over the next decade, however, African countries will face the most unfavorable international economic conditions for development since gaining their independence - a further decline in the purchasing capacity of their traditional exports and a reduction in concessional development aid that has up to now largely financed agricultural programs, technical assistance, the development of human capital and institutional reform.

The drop in foreign exchange earnings and in the inflow of foreign aid will exacerbate the problem of financing investment programs, development and internal reforms undertaken in a number of countries in tropical Africa in recent years. It will also aggravate the foreign exchange positions of those countries and provoke the further growth of inflation: That, in turn will jeopardize programs to combat famine and poverty, to eradicate illiteracy, to develop health delivery services and to reduce unemployment. At the same time, the situation will reemphasize the need to find internal sources of financing and to remodel the economic structure of these countries.

The changes in the world economy brought about by the scientific and technological revolution imply new imperatives for the developing countries. Considering their general socioeconomic backwardness, the most practicable way of remodeling their economic structure is the transfer of modern productive forces from industrialized to developing countries in the form of the exchange of goods or development on credit.

In the "Program of Priorities for Economic Reconstruction of Africa" adopted at the OAU Assembly in June 1985 and supported by the U.N. General Assembly at its special session in May-June 1986, the African states in effect formulated a new approach to their internal economic policies and priorities. The central point is the recognition of the "positive role of the private sector" and of the need for a "thought-out and coordinated program" of stimulating and involving that sector in the general strategic tasks of socioeconomic

development. Without denying the leading role of the public sector in the African economies, the new approach provided

for a modmea attitude to state-owned enterprises, to the process of accumulation, to structural changes in the investment policy (toward agriculture) and for changes in price-setting, taxation, monetary and credit policies.

Within that general reorientation of African internal economic policies, changes are taking place in their attitudes toward the development of human resources and to the financing of such development through the establishment of a social infrastructure. The development of human resources as a universal precondition for social production is beginning to be understood in Africa as a crucial factor for socioeconomic growth and higher production efficiency, while investments in human capital are now generally recognized as economically profitable.

Famine and its Consequences

The principal directions in the development of human resources in Africa are associated with (i) the development of food supplies and rational alimentation, (ii) guaranteed elementary medical aid and sanitation, (iii) universal clean water supply, (iv) the eradication of illiteracy and the establishment of a basic education system, (v) the development of progressive skills, (vi) the development of social institutions, and (vii) underscoring the special role of women in socioeconomic advancement. The fulfillment of all these basic needs is a precondition for the optimal use of human resources.

A balanced diet is a crucial factor for normal physical development and the capacity to perform work. According to estimates of the U.N. Economic Commission for Africa, the number of partially employed people in African rural areas increased from 60 million to 94.8 million between 1980 and 1984. This can be seen as an indirect sign of a temporary loss of the capacity to work as a direct result of malnutrition and famine. Of the more than 30 million people who temporarily lost their capacity to work during the famine, 10.2 million were hired workers directly engaged in agricultural production. The very number of people with a limited capacity to work - 94.8 million, or 47.4 percent of the economically active population - speaks for itself.

The growth in the number of starving people proceeds at the same rate as general population growth. According to FAO estimates, nealy 50 percent of all African children are undernourished,

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When considering the task of educating qualified engineering, managerial and research personnel, African governments are faced with the perpetual problem of financing. Should they finance higher or primary education? A year of university education costs 50 to 100 times more than a year of primary education. One way of resolving this problem is to introduce tuition fees at universities and colleges, which are attended mostly by children from well-to-do families. Special importance is now given to the training of managers, technicians, agronomists and research workers capable of managing production, promoting new methods and adapting the latest advances in science and technology to African conditions.

Employment

Since the late 1960s, African development has been increasingly dependent on solving the unemployment problem. Even relatively high rates of economic growth do not guarantee full employment. As a rule, the growth of employment lags behind GNP and industrial output growth and, most importantly, behind the growth of manpower resources.

Modern industry in Africa (or even the whole modern sector in African economies) cannot guarantee productive employment to a greater share of the added manpower or help to reduce current unemployment and underemployment. Agriculture, urban trades, crafts and services will continue to **play** a leading role in absorbing excess manpower for a long time to come.

A special role is played in the African economies by the subsidiaries of various TNCs, which are a source of gradual diffusion of technology and indirect horizontal stimulation of employment due to the migration of skilled workers and managerial and technical personnel from these subsidiaries into local enterprises set up by the same subsidiaries.

The problem of productive employment generates problems in the effective use of manpower resources and in income distribution. The latter largely depends on the character and depth of social reforms. The 1970s and 1980s have been marked by the employment of more people than is economically justified as a way of reducing unemployment. However, the policy of expanding employment by arbitrarily increasing the number employed in excess of rational needs does not solve the problem, but simply leads to higher production costs and lower productivity.

existing technological methods which best meet the specific conditions and requirements of economic development. The expansion of employment is not a production goal in itself, but preference must be given to production methods which, along with tackling specific economic tasks, also involve a maximum number of able-bodied members of society in productive work.

Conclusion

The struggle against famine, disease and high infant mortality must be closely correlated with a general strategy toward social modernization. An important component of that strategy, and a major condition for its implementation, should be a strategy for eliminating the "demographic backwardness" of the continent, or population control. The calamitous social consequences of overpopulation are increasingly evident, and population control measures are increasingly supported by African governments and the public.

Management Training in China: A Case Study

N. T. Wang

Until recently, enterprise management had long been neglected in China. There are four main reasons for this neglect. First, neither enterprises nor their management stand high in the traditional value hierarchy. The pursuit of material output or profit does not appear to have the same lofty purpose as statecraft or literature. Heads of enterprises, however successful they may be, are often subjected to scorn for venality and opportunism. Whenever there is an economic crisis, such as a shortage or a sharp rise in prices, the evils of profiteering and speculation are always blamed.

Second, under authoritarian regimes, managers are subject to all sorts of controls and arbitrary decisions by officials. The more ambitious prefer to rule rather than be ruled.

Third, under the traditional examination system, fields of study are concentrated in philosophy and literature. These are worthy of scholarly pursuit and serve as avenues to high position, power and wealth. The shift of emphasis to the natural sciences since the Republican Era has not helped the management sciences. Educational institutions usually direct the lower achievers to the study of these "less demanding" subjects.

Fourth, the study of management is not developed, and its practical application is sporadic. The usual avenues to managerial positions are apprenticeship, learning by doing, and influence. The high echelons of enterprises especially are mostly filled by people with political or technical backgrounds.

Although important changes have occurred since the establishment of the People's Republic of China, the age-old neglect of management has lingered. The immediate reason is that, under a centrally planned system, the managers of enterprises basically

Some of the ideas contained in this paper originated from discussions with others involved in the management training program described herein. Since it is not essential to the discussion, and since no permission to release information has been sought, the identity of the ministry and others concerned is not revealed. The authors solely responsible for any errors of fact or interpretation. They perform engineering functions, transforming allocated inputs into defined outputs. They have little concern with finance or markets. Their ways of management are mainly

prescribed. Experimentation with new ways courts the danger of revisionism and ideological impurity. Indeed, western ways of management are condemned as tools of capitalistic exploitation.

It was not until the late 1970s that the winds of change began to blow. With the introduction of the open-door policy and economic reform, a sense of the inadequacy of enterprise management in China began to be keenly felt. Many Chinese became aware of better management practices, not only in the developed countries, but also in developing regions, including the neighboring countries and territories. Visitors from foreign enterprises bluntly stated that the production of existing facilities could be increased dramatically without the infusion of new resources if only management could be changed.

The movement toward enterprise autonomy as economic reform has progressed has tended, moreover, to complicate the role of management. Enterprise managers can no longer rely passively on the targets and allocations of superior authorities but have to seek profits, face competition, obtain inputs, market the product and satisfy the workers.

Suddenly, management has become a popular subject. It has received attention from the high echelons in organizations such as the State Education Commission, the Economic Commission and the Science and Technology Commission. Numerous ministries with responsibility over enterprises are beginning to introduce new management training programs. Multilateral and bilateral agencies have been eager to assist, notably the World Bank, the European Economic Community, Canada, Japan and the United States.¹

Designing a Management Training Program

Through a nonprofit organization, I was asked by one of the ministries to assist in the design of a management training program in the summer of 1984. The ministry was anxious to have its own program, because the demand for such personnel is several hundred times greater than possible recruitment from other institutions.

It was agreed that foreign instructors would run the program, and that an MBA equivalent was appropriate. One reason was that it

was the level most needed. The effect on management would be greater if it started at relatively high echelons and permeated downward. Another reason was that foreign assistance was most needed at that level, because there were very few qualified trainers in China. Even today, only a very small proportion of Chinese students and visiting scholars sent abroad major in business or management.

With regard to the selection of trainees, it was decided that in order to achieve a multiplier effect, the initial program should turn out teachers of management. This decision implied that, instead of choosing from among existing managers, trainees would be selected mostly from among teachers and potential teachers. Ideally, the candidates should have had several years of practical management experience. However, the decision that the instruction should be mainly in English excluded most candidates with work experience. Among the forty-nine candidates selected, only 12 percent had one or more years of work experience, while 35 percent had teaching experience. The average age at the time of admission was 25.4 years.

The question of the language of instruction was considered at length. The original hope was that foreign language training could be deemphasized if Chinese were used in class. Moreover, the experience of other management training programs had shown time and time again that, when interpretation was required, the quality of instruction depended more on the interpreter than on the instructor. One reason was that good interpreters were hard to find. Most professional interpreters were trained in foreign languages and were unfamiliar with the subject in question. There was also a gap between correct translation and communication. For example, many trainees had no conception of certain terms, such as marketing, competition, etc., which are taken for granted in a western society. For technical terms such as liquidity and internal rate of return, the correct Chinese translation might not convey the proper connotations to the uninitiated.²

Nevertheless, English was decided upon as the language of instruction for a number of reasons. First, most reading materials are available exclusively in English. Second, other, similar programs are mostly conducted in English. The inability of graduates to handle English will place them at a comparative disadvantage, bearing in mind that one of the justifications for this type of training is to foster an ability to deal with foreign business.

This decision was also influenced by the source of the instructors. If the language of instruction were Chinese, almost all the instructors would have to be of Chinese origin. This is limiting, because only a relatively small proportion of overseas Chinese are in the field of management. However, overseas Chinese instructors do have some advantages. One is their willingness to devote their time to such a course for the benefit of people of the same ethnic origin, even if employment or living conditions are not competitive. Another advantage is that they may experience less of a cultural gap and be able to communicate better. The outcome was that of twelve foreign instructors of three nationalities, three were of Chinese origin.

In retrospect, the overseas Chinese instructors played an important role in making the other instructors feel more at home. They acted as informal bridges between them and the Chinese side so that minor irritations and frustrations were smoothed out. They served as willing social companions to reduce the sense of loneliness and isolation felt by those away from home. They were also able to serve as intermediaries in delicate negotiations between instructors and the administration.

All instructors were to send in lecture outlines and required texts months before the commencement of classes. They were advised to speak distinctly and slowly, like foreign language teachers. They were also asked to explain concepts in great detail. Furthermore, about 20 to 25 percent of instruction time was devoted to a review and discussion session, mainly in Chinese, guided by a Chinese counterpart to the instructor.

As far as the method of instruction was concerned, the general line was that it should be left largely to the instructor. It was pointed out to all the instructors, however, that in the Chinese experience, there were three difficulties with the case method. First, Chinese students were used to a formal and logical lecture type of instruction. Future teachers especially relied on the lecture materials for their own instruction. Second, most trainees would feel confused and lost if the case method were used exclusively. Third, readily available case materials were intimately related to foreign legal, cultural and business environments, while the trainees had no knowledge of these and doubted their relevance to the Chinese situation. In practice, most instructors used a mixed approach. Their lectures were structured, but not reproductions of formal papers. They encouraged class discussion and illustrated general principles by cases.

The subjects of instruction were those included in all the standard core courses of major U.S. graduate schools of business.

One major difference was preparatory intensive English, in addition to calculus, statistics and computer use. Another difference was that elective courses, such as second-year accounting and quantitative methods, were concentrated at the advanced levels to save on costs.

The terms and conditions of employment of the foreign instructors were a major determinant of the cost of the program, as well as of the ability to attract qualified people. A compromise solution was adopted. Remuneration could not be compared with that in American or European business schools, but it was several times higher than what Chinese full professors earn and sufficient to cover moderate living expenses in China. Provision was made for the international travel of each instructor and spouse, and two weeks of guided tours were arranged. These tours were a main attraction for the foreign instructors, some of whom stayed on beyond the allotted period.

Evaluation

At the end of the training program, in the summer of 1986, I was invited to evaluate the overall performance of the trainees, to appraise the strengths and weaknesses of the program and to make suggestions for future work.

Each student was interviewed individually for at least a half hour. Some also volunteered to give their personal views. The method used was interactive. A small part of the interview was conducted in English to gain an idea of the language proficiency reached. Most of the queries were similar to those in a graduate oral examination, starting with something general and probing progressively into depths of knowledge and applications.

The overall performance of the trainees was good. Slightly more than one-third received excellent marks, one-tenth barely passed, and the rest were in the middle. The relatively high achievement reflected the generally high standard required in the selection process. It also reflected the seriousness and diligence of most of the students, who often worked until long after midnight. The main characteristic of the low achievers was their inadequacy in English. As a result, they were frequently unable to complete their assignments, and even when they did, their comprehension was inadequate. Another reason was that some of them were placed in the program against their will and had little interest in a field which was totally new to them. These overall results correlated well with average course performance. A discussion with each instructor revealed differences in

their evaluations. A number of them emphasized the inadequacy of the English-language training, although others felt that the Chinese were superior to other non-English-speaking students. A few students were quite articulate during discussion sessions. Some instructors felt that the students were overworked to the point of illness, especially since no extended vacation period was provided between terms. Others noted that toward the end of the program the enthusiasm appeared to have waned, especially when the students learned that they would not be awarded an MBA degree. Some instructors pointed out the lack of fundamental preparation, such as elementary economics. Others commended the high quality of the students' field projects and their writeups about personal experiences.

On the whole, the trainees gave high marks to the program and to the instructors. Many of the subjects, especially marketing and organizational behavior, were eye openers for them. They were especially impressed by the international reputation of a number of the instructors, not only in academic circles, but also as consultants to business. The method of instruction was appreciated, especially the instructors' dynamic presentation styles and their interaction with trainees. Some of the instructors knew instinctively whether trainees had understood the subject.

Those trainees who had initial misgivings about such a method of instruction were mostly converted at the end. For example, a number of them complained at first that there was too much reading material and too little indication of what was the right argument or the correct solution. They were persuaded by the argument that one main goal of education was learning to select among the vast amount of material available and to make up their own minds about what was right or wrong.

Although several instructors questioned the relevance to China of some subjects and their content, neither the Chinese administration nor the trainees expressed concern in this respect. The main reason was that the trainees do not expect to apply the knowledge to China without adaptation. More relevant materials can be developed gradually.

The major complaint of the trainees was that they were not awarded the MBA degree. During the planning stage, no attempt was made to fulfill the national requirements for such a degree by selecting candidates through a national competition, as stipulated by the Education Commission. Subsequent inquiries directed to the commission revealed that the requirement could not be waived for fear of establishing a precedent. The ministry decided, however, that for personnel purposes, such as salary levels, the graduates of the program would enjoy the same status as MBAs.

All the foreign instructors valued their experience in China. A number of them have started to learn Chinese and made arrangements to conduct further training programs. Most reported that they had never worked harder. A few felt that their objective of learning about the Chinese economy went largely unfulfilled because of the lack of arrangements for in-depth interviews.

Suggestions for Follow-up

At the graduation ceremony, the students were told that graduation is not the end of learning, but only the beginning. This is certainly the case with MBA graduates in the United States. When they are employed by enterprises, they frequently have to go through another training program before they participate in real work.

Some of the trainees are still weak in basic skills, notably English, the principles of economics, and computer applications. For graduates who are attached to training institutions, the opportunities for self-improvement are good. Access to computers presents special problems. On the one hand, the utilization rate is extremely low. On the other, the centralized computing centers often place severe limitations on users, partly for fear of damage. One way of remedying the problem would be to decentralize control by allocating small computers to selected departments. Another would be to encourage computer applications to such courses as statistics, accounting, quantitative methods and marketing.

Although the graduates have acquired some special expertise in certain disciplines, their time of exposure was short, and their depth of understanding is limited. For instance, marketing cannot be mastered by a few months' study of principles and cases. Each product, each channel and each locality has its special characteristics. Similarly, to qualify as a senior accountant usually takes over ten years of cumulative experience. A sizeable portion of the graduates are likely to be sent to work in areas where they are needed rather than in areas where they have special qualifications. For example, those who are most proficient and interested in behavioral science may be employed in finance and accounting. Consequently, apart

from reforms in the labor allocation system, further education of the graduates in particular disciplines is essential.

In some institutions, senior members of the faculty can be relied on to assist in this respect. Many institutions are, however, short of such personnel. One solution would be to maintain contact

with the instructors in the program.

In management topics, the various disciplines are often interrelated. For example, accounting is basic to production management as well as finance. International business has become an integral part of marketing, as enterprises can no longer ignore foreign competition and opportunities. Indeed, in U.S. business schools, admissions policy generally welcomes applicants of different backgrounds, whether in liberal arts, engineering or science. Joint degrees are organized (e.g., business and health for hospital managers, or business and fine arts for museum managers). The usefulness of an engineering background for business is obvious to an engineering company. Similarly, a chemical or drug company should benefit from having managers with some familiarity with the pharmaceuticals production process. A liberal arts background is desirable when management involves human and societal relations not only within the firm, but also outside it.

Yet, in China, because of the influence of the Soviet educational system, the various disciplines are strictly separated. Those who are pursuing one discipline are not encouraged, or even allowed, to cross over to another. Even in work environments there is comparatively little horizontal contact. Reforms to promote interdisciplinary studies and contacts are essential. They should include the loosening of compartmentalization and the promotion of horizontal exchanges. For example, informal interdepartmental seminars on particular topics could be organized including faculty members from various specializations, as well as outsiders with practical experience.

Although research is less emphasized in management topics than in pure science, there is a great need to change the style of management research in China.

First, much of the existing writing is not original research. It is mainly introductions to well-known works or textbooks. These are certainly necessary and useful, but as foreign literature becomes increasingly available in China, less emphasis should be placed on this type of writing.

Second, a cursory survey of published articles reveals that an overwhelming proportion is devoted to large topics whose proposi-

boos cannot be proved either right or wrong. This is a result of the Chinese intellectuals' traditional stance of being concerned with the entire country, the globe or the human race. It also reflects the difficulty of doing research in management and the social sciences in general. Much of the specific information is simply not available, and when it is, it is often difficult to find out exactly how it is compiled, what the definitions are, and whether the series can be connected or not.

A first step in promoting in-depth and specific research is to strengthen library collections. Procedures should be established for guiding library purchases by user recommendations.

Another step is a change in publication policy. As matters now stand, serious research papers are not rewarded, since the quota for researchers and the fees paid by publishers are set by the number of words. Research results which are technical and long will have difficulty in getting published.

More research should be oriented toward application. In the first place, it is generally admitted that management theories from the west or Japan should not simply be transplanted in China. There is much controversy among different schools of thought. For example, some blame the "decline of the west" on what western business schools are teaching. Thus, the Chinese should not only learn state-of-the-art management from abroad, but even more important, they should explore how it can be adapted or changed to suit Chinese conditions.

The Chinese have narrowly interpreted this search for appropriateness, however, as meaning that they must rely on themselves. This is based on the twin assumptions that the Chinese have already mastered the subject, and that foreign experts do not understand China. The first assumption certainly does not apply to the recent graduates from the MBA type of training, nor does it apply to most of the practitioners. As far as the second assumption is concerned, the question is in what way foreign experts may be able to make a contribution even though they are not experts on China.

The inescapable answer is cooperation on specific projects, as has been demonstrated in many other countries and in other fields in China. Foreign experts have been able to make valuable contributions to such work as the design of research methodology and the analysis of experiences elsewhere. Foreign experts can guide young Chinese researchers toward manageable and concrete topics. For example,

instead of researching an overall strategy of export promotion in general terms, as has been done by countless others, one might start with how to market Chinese coal in Japan or Christmas tree decorations in the United States, including an investigation into the conditions of domestic supplies, transport and port facilities, the various types of coal desired by different users, and the competition from other suppliers and substitutes.

Certain topics are especially suitable for cooperation with foreign experts. Marketing is a case in point, since familiarity with foreign conditions is essential. The Chinese are handicapped in this respect, because their opportunities for foreign travel for research are still extremely limited due to foreign exchange shortages and cumbersome visa procedures. Even those who do go abroad for market surveys are usually not experts, and they spend most of their time making brief visits to cities and enterprises.

It is therefore suggested that a roving corps of foreign experts in management be organized. Members of the corps should be prepared to spend several weeks or months in China on call. Initially, they could advise or assist on specific research projects, especially in connection with field studies. The field studies would benefit the enterprises as well as the researchers. For example, if an enterprise is interested in promoting its exports, a project team organized by a Chinese marketing researcher could include graduate students doing field work and foreign experts in an advisory capacity. Similarly, if an enterprise wishes to revamp its accounting and reporting system, a research project could be organized for the purpose.

Such projects will also yield instructional materials which are directly relevant to China, in contrast to case studies from foreign countries. They will also be different from most of the existing case

studies, which are based mainly on journalistic interviews.^o

As faculty members and researchers gain more practical experience, they should also become more involved in enterprise manage

ment. They can act as consultants to enterprises, as lawyers already do. They can organize executive development programs ranging from one or two days to several months in length which cater to the particular needs of the trainees. These programs would also educate the educators, giving them closer contact with reality. For the educational institutions, they would be a source of revenue, or at least be self-liquidating. Many of the existing facilities can be more fully utilized in the evenings, weekends or vacations.

Although this is a special case, especially as regards the role played by foreign advisers,' the experience gained is suggestive of other programs. First, an MBA-type program can be organized in China for a fraction of the cost of sending Chinese students abroad for that kind of training. Similar programs should be considered by other ministries and educational institutions. This suggestion also has the advantage of minimizing the brain drain, but it is not meant to imply that China should not send students abroad for MBA training. Among the 27,000 Chinese students who have studied or are still studying abroad, too few have received such training. One practical difficulty is that few Chinese students have been accepted by the better business schools because they are unfamiliar with requirements like the GMAT. Most Chinese libraries do not contain guidebooks on such tests, and the copies kept at the U.S. Embassy in Beijing are for the use of U.S. citizens only! The Chinese authorities should therefore assist students in their preparation for such tasks. In view of the importance of verbal skills in class discussion and the preparation of reports, foreign language proficiency should also be upgraded.

Second, foreign experts should play a more significant role in designing programs, serving as instructors and assisting in field work. In the initial stages, foreign cooperation could be limited to areas in which foreigners have a clear comparative advantage, and where confidentiality is not a major concern. It should be noted that the role of foreign experts is far greater in other countries or territories, including the Republic of Korea and Taiwan.

Third, domestic field studies will yield suitable instructional materials, as well as redirecting research efforts away from theoretical pieces to concrete problem-solving topics. They are also useful avenues for attaining world standards of research.

Fourth, the production of MBA-type graduates will for a very long period of time be totally inadequate to fill the management needs of over 400,000 enterprises in China. The main thrust of training must be a greater dissemination of practical knowledge through executive development at various levels, as well as through consulting. However, such dissemination must be built on a core of MBA-type training and supported by in-depth, post-MBA field research.

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PART
FINANCING HUMAN DEVELOPMENT
Financing Human Development

IV

I. Henry Ergas

In discussing human development and the provision and financing of social services, at least four related general questions are relevant.

a) What is the amount and type of financial resources which can be made available for the purpose of securing "good-life entitlements" without jeopardizing long-term economic and social development?

b) Who should pay for the supply and use of resources for human development? At the national level, the question would address itself to (i) the demarcation of the public versus the private sector and (ii) the distribution of the burden of expenditure between the beneficiaries and the rest of the community. Problems arising in this context are the extent to which (i) funds from various sources are sufficient and secure and (ii) the burden of payment for the resources is equitably distributed. This involves such questions as communal responsibility, reliance on self-help incentives, the relative effectiveness and efficiency of the private enterprises involved, and the importance of all these factors to the particular aspects of human development being discussed. At the international level, the determining factor is the degree of solidarity between rich and poor countries.

c) What do the resources allocated for the provision of these services actually buy? This question draws attention to the efficiency of particular modes of service provision and financing. The more efficient the systems of financing and the provision of services, the less resources are required. This involves efficiency in production - that is, producing at minimum cost - and also allocative efficiency - that is, the extent to which the price the consumer pays for services reflects the cost at which they are provided. Ideally, the distribution of resources between different uses is optimized so that the market approaches perfection.

d) Who are to be the beneficiaries of human development services? This depends on short- and long-term political and social

external with domestic resources and with the development pattern. Aid usually involves additional costs in terms of The internal resources it requires for its effective use, for changes in the production pattern which it provokes, or because of its long-term impact on the external payment situation. In calculating net aid, these factors need to be taken into account. In some cases, these additional costs account for a negative long-term impact of net aid on human development. A case in point is food aid. Experience in some countries in Africa has shown that while food aid can be of major assistance in promoting rural welfare and development, it can also, if unplanned and uncoordinated, as well as a disincentive to agricultural production, create distortions, and cause damage to future generations in terms of the debt burden and/or opportunities foregone. Another case is that of export credits. Long-term export credits can, and usually do, have the major advantage of reconciling the interests of both lenders and receivers; but they can also make it easier to slip into encouraging contracts for ill-advised investments. Who has not seen, in a large number of developing countries, hospitals with highly sophisticated medical equipment empty for a lack of adequate staff, or empty university campuses which are replicas of those in the United States, all of which have been financed by aid in some form or another?

As far as the public authorities are concerned, the problems of resource availability are related to two factors. (i) the relative extent to which the services originate in the public or in the private sector, and (ii) the extent to which they are self-financing. This brings us to the topic of paying for human services.

Paying for the Services Required for Human Development

Here, some of the important issues are

- a) What sort of services should be paid for by the consumer, and to what extent?
- b) Who should pay for services - the community or other subsidizers?
- c) How should payment be effected?
- d) When should payment be effected?

The public philosophy of any particular government establishes a hierarchy as to the importance of the social services, or entitlements, which have to be paid for by the community. This is not inevitably related to the extent to which the government wishes to control the provision of social services, because it is possible for a government to exert a rigid control or impose minimum standards on social service provision even while such services are being paid for partly or entirely by users.

The Safety-Net Approach

In the most laissez-faire situation, the government deals only with cases of hardship, providing a "safety net," while the individual in normal circumstances pays out of his own resources for the social services he requires, much in the same way as he would pay for other services or commodities. There is thus a process of downward selection in the attribution of entitlements.

This argument, which enjoys much favor among hardheaded supply-siders, contends that compelling people to pay for social services increases the overall, and not only the private, availability of resources through decreased tax or inflation burdens and greater incentives. It also contends that the individual ought to have a choice among available services. The extent of market orientation implicit in this is determined by the level of the safety net, and how far above the floor of sheer subsistence and lack of self-improvement it is situated.

Logically, this safety-net approach would have to be applied in degrees increasingly proportional to the level of income and development: in other words, the lower the income level, the more responsibility the government would have to bear (in relative, not absolute, terms) for the "minimum entitlements," however low these might be. As incomes increased, the range of social services would also increase, and while the government's contribution might rise, the proportion paid for by the individual beneficiary would also rise. Within the liberal philosophy, the "upward bias" in the level of responsibility for social services assured at low levels of income is matched by a downward bias at higher levels.

Furthermore, not all social needs or demands are awarded the same importance. Housing, education, health care, transportation and telecommunications receive differential treatment according to the felt needs of the government. These needs may not necessarily correspond to generally accepted criteria for promoting human development. For instance, under certain circumstances, a national broadcasting system may absorb resources which would be much more usefully devoted to health.

The Entitlements Approach

This takes us to the other extreme, where all human development services are the financial responsibility of the government and in fact are the entitlements of all citizens, with various degrees or types of equalization - in terms of location, in terms of expenditures, which may discriminate in terms of income (means tests), or in terms of the actual supply of services. In between a situation where payment for social services is based on a market mechanism related to cost and a situation where the cost of social services is totally subsidized by the public sector, there are gradations not only in the form of payments, but also in the "agents" providing social services - for instance, voluntary or political-religious associations - spanning everything from the tribe to mutual aid societies. Voluntary agencies assume group responsibility for certain specific aspects of human needs - for example, health, pension, support in times of distress.

They are usually self-supporting, though they might also have help from government or international agencies. The principle is paying out on the basis of what has been paid in. In some cases, of course, accumulation of wealth within the subgroup also occurs through reinvestment of funds.

The relationships between payment, services provided and level of development also depends on the type of payment envisaged. A tax is the first and foremost type of payment. It can be indirect, by going into the general pool of government revenue, or specific and direct, as, for instance, in some countries in relation to health. In both cases the payment is anticipatory and has little relevance to efficiency. User fees, on the other hand, at least encourage a notion of cost. There are other systems of nonmonetized payments for social services in many communities. These may be related to military service, or to cases where repayment for services received, earlier is made in kind (for instance, medical students undertaking to serve as national health doctors). This type of payment helps cement a sense of community.

The Efficiency of Service Provision and Financing

This relates to a basic question of choice. Attitudes toward the effectiveness of private versus state initiative, toward the public good, to "profits" (which are often considered "immoral," especially

where social services are concerned), and to the complex question of reconciling the fear of monopoly power with the constraints imposed by economies of scale, all influence the choice of financing mechanisms.

To what extent can the provision of social goods and services be subject to market mechanisms? The answer varies according to the political coloring and priorities established in national terms to the equal provision of at least minimal services. In a laissez-faire system, the basic guideline is that the individual and family are responsible for their own social well-being, and the market is therefore the mechanism for satisfaction of social needs, with the individual and the family being the primary actors. At the other extreme is the universalistic approach, where considerations relating to equalization (which can be on a tax basis to support services, a per-client expenditure basis, or on the basis of the actual equal provision of services to all) take precedence. In practice, in many countries at all levels of development there are "mixed economies" in health, education, retirement schemes, etc. Diverse provision by the state for all these services may reduce consumer choice, but it can be argued that within the broader group of services, there are certain types which are so costly that they could not be provided through the market at a price accessible to those in need.

This argument in itself has two interpretations. One is that because they involve very large and lumpy expenditure and organization, services cannot be delivered efficiently by private enterprise without giving rise to price distortions. The other is that there is an unwillingness by the consumer to pay for these services, hence it becomes the responsibility of the state to provide them. Whether the state can produce the services at a lower cost or more efficiently than the private sector is a question which cannot be answered in the abstract. There arise in this context such problems as the efficiency of control of public expenditures, the flexibility of the state as to government enterprise and the rules under which it operates, the degree of inevitable monopoly power involved, the pressure for "exits," and securing complementarity between regulation, privatization and effective competition. [It is of course true that the essence of all private enterprise is that it is private; but if it is to enter forcefully into the social service sector and to operate effectively, it must have the same degree of transparency that one expects from the public sector and be subject to audit for overall regulation.

International Assistance in Financing Human Development

Because of its very nature, and the extent to which user fees are likely to pay for only a part of social service expenditure, international private financial sources are unlikely to provide "project finance" - i.e., financing based on returns - to projects and programs for social development. Borrowing for this purpose will require guarantees at the government level.

However, it could also take place at the level of contracting firms, depending on the strength of governmental backing and commitment.

At the governmental level, the best source of international social service financing is still likely to be intergovernmental finance, provided this is integrated into an overall plan in keeping with the fundamentals of the economy. Errors of the past - "monuments to waste" in the name of a good cause - must not be repeated. For this, the existing approach of the international financial institutions to the economic justification of projects is still the standard guide, with the proviso that there could be a new system of assigning weights to unquantifiables (such as the impact of a campaign for literacy, or the eradication of endemic diseases). Financiers should also consider cumulative expenditures for social services over the years as basically equivalent to capital formation. It cannot be repeated too often: sooner or later, the basis for human development is economic development, but the reverse also applies.

The emphasis here is on the need to tailor the provision of financing for social services to individual country conditions. But the general principles are also valid, and it is to be hoped that cross-country studies of experience in human development policies will undertake to compare financing systems both by sector and by broad country grouping.

Notes

1. Anurthy Kurtvir Sen, "Development: Which Way Now?" Economic Journal, March 1983.

The Human Resource Dimension to
Development Assistance
Peter Marshall

The objective of development is improving the quality of human life - not just expanding cash incomes, but achieving better health, wider educational opportunities, more personal security and greater freedom. At the same time, to achieve development requires skilled, highly motivated people. While there are conceptual and statistical problems in establishing with any precision the impact of human resource development on economic progress, there is a broad consensus on its importance. This is reflected in the high priority attached to education almost everywhere. A prime concern of bodies such as the ILO, UNICEF, WHO and UNESCO is to emphasize both the value of development and the crucial part played by human resource development in economic growth. The Commonwealth Secretariat shares this concern and finds it reinforced in the multidisciplinary character of its work.

There have been serious reverses in human development during recent years. Education and health expenditure and nutritional standards have declined in many countries, a consequence of deep and prolonged economic crises which have affected Africa and Latin America in particular. Per capita incomes have fallen sharply in sub-Saharan Africa and in highly indebted countries (mainly in Latin America). This has been reflected in lower per capita consumption, investment and imports. Inevitably, standards of social provision have been dragged down. Foreign exchange shortages have restricted the imports of drugs, books, foodstuffs, and teaching and medical equipment. Budget cuts have affected publicly funded activities, including health, education, research and development, and agricultural extension services.

It is sometimes argued that what is required is a reorientation of adjustment programs and a redirection of development assistance. This may be true in some cases, but in most, painful adjustment is a consequence of adverse international conditions and in some, of domestic policies which have aggravated their effects. What is required

is thus not so much a reorientation of international assistance as an increase in official development assistance (ODA) and other external resource flows to a level which can enable developing countries to achieve both higher growth through adjustment in the short and medium term and the implementation of effective development strategies in the longer term. Such resource flows naturally include private capital, in loan and equity form, and contributions by voluntary organizations. They can assist human resource development directly or indirectly by freeing finance from other uses.

Objectives of Human Resource Development

Human development is both a means to an end and an end in itself - both a source and a consequence of economic progress and the fulfillment of the human spirit. A more educated and trained, healthier and better-fed population is a prerequisite for economic growth and development. The relationship between the development of human resources and economic growth is circular; they reinforce each other. For some developing countries, especially in Asia, there has been a virtuous circle. In many others, a downward spiral has set in.

A starting point in looking at the connection between levels of material development and levels of human resource development is the large disparity which exists in both respects between rich and poor countries. Among low-income developing countries other than China and India, only 23 percent of the secondary school age group - and 15 percent of girls - receive secondary education. While this is a massive improvement over the 9 percent of age group and 4 percent of girls of twenty years ago, the availability, let alone the quality, of provision is far below the near-universality of the industrial countries of East or West. Higher educational enrollment in LDCs averages a mere 3 percent of age group - again, a big increase from the one percent in 1965, but very small by comparison with the 38 percent for western industrial countries (21 percent twenty years ago). Among the educated, the concentration of trained scientific and technological personnel in the industrial world is even more stark. Africa has 50 scientists per million inhabitants, North America

2,600 and West Europe 1,735. Fully 89 percent of the world's scientists and engineers live in industrial countries, and they account for 94 percent of total research spending. The comparable figures for Africa are 0.4 percent and 0.3 percent respectively.

There are similar enormous disparities in health care. There are 17,350 patients per doctor and 7,620 patients per nurse in low-income countries other than China and India, as against 530 and 180 in the western industrial countries. Provision is improving in the developed world faster than in the low-income countries, where the ratio of nurses to population has actually worsened in the last twenty years. The picture varies enormously from country to country. The level of education and health provision is generally higher in China, India, Sri Lanka and Pakistan than in other countries of comparable income levels. The extent of improvement has been most striking in many of the middle-income developing countries and the high-income oil exporters. Overall, however, there is a significant correlation between income levels, the provision of education and health care services.

The interaction between human resource development and economic growth has been well documented. Yet some of the statistics are striking enough to bear repetition, even though they are somewhat dated. Taking literacy rates as one example, the World Bank calculated that, in the 1960s and 1970s, the ten developing countries whose economies had grown fastest had literacy rates which were on average 16 percentage points higher than would have been expected in relation to their income levels. Investment in education yields high social returns. The World Bank has estimated these to exceed 20 percent for primary school and to range around

15 percent for secondary schooling and around 12 percent for higher education. Studies in many countries, including Bangladesh, Colombia and Kenya, show that one of the best investments a country can make may be in extending education to girls, as this can result in falling infant mortality, lower population growth, improved health and rising agricultural productivity. Studies comparing the productivity of farmers have shown that those with even four years of primary education produced on average 13 percent more than those with no schooling, provided the complementary inputs required for improved farming techniques were available (and even if they were not, there was still an increase, averaging 8 percent).

Health and nutrition also affect economic growth and development, primarily through their impact on labor productivity. A healthy and well-fed labor force is obviously likely to be

more energetic, both physically and mentally, and thus more innovative and productive than one which is sick or hungry. Although studies have been few, available evidence is startling. In the Philippines, for example, malaria control reduced absenteeism from work from 35 to 3 percent in one program. In 1980 the World Bank calculated that the ten developing countries with the highest life expectancy - a product of higher levels of health and nutrition - in relation to income in 1960 subsequently attained growth rates 1.6 percentage points higher than those of developing countries as a whole.

It is well known that high rates of population growth can be inimical to economic and human development. It is equally well established that investments which raise levels of health, nutrition and education can reduce fertility rates and thus, eventually, population growth. Better health and nutrition lead to lower levels of infant mortality. Higher rates of child survival mean there is less incentive to conceive children to augment the stock of producers within the family. Education leads to better prospects for employment, later marriage and more knowledge of contraception and thus, with higher incomes, provides the means to limit and space families.

The problem for development is the circularity of the process the fact that for poor countries, rapid economic growth is required if they are to be able to generate the necessary resources [o invest in education, health and other social programs. But such investment may also be a prerequisite for faster economic growth. That this dilemma has become mote acute during the present decade is in substantial part because of the deterioration in the international economic environment.

The Integrated Economic Context

The 1980s have been frequently described as a "lost decade for development," and so far, the economic and social indicators of the Third World as a whole tend to bear this out. According to the IMF, GDP growth in the developing countries as a whole averaged 2.5 percent during the first half of the decade (1980-84), while in 1985 and 1986 it registered 3.2 percent and 3.5 percent respectively. The position is deteriorating, however. For this year the forecast is for only 3 percent - half the average rate of the 1960s and 1970s. On a per capita basis - a more relevant measure for human development - the position is much worse, with no growth at all on the average during the first half of this decade and under one percent in 1985 and 1986, compared to over 3 percent during the 1960s and 1970s.

Individual developing countries' experiences have been varied. Some countries, such as most of those in East, Southeast and South Asia, have continued to develop rapidly. In the case of India and China, historically rapid growth is being achieved as a result of largely autonomous factors, but other Asian countries have adjusted comparatively painlessly to the harsher external economic environm~nc. Many of them have maintained high rates of growth of manufactured exports, which have helped them to service their external debt. Oither countries, notably in sub-Saharan Africa and Latin America, have fared much less well. A substantial majority of countries in both regions have experienced falling per capita GDP in each of the last five years.

In sub-Saharan Africa, per capita GDP has declined by around 20 percent since 1980, and a further fall is expected this year. With the marked deterioration in the terms of trade, the gains in income from increases in output have been smaller still. Per capita consumption and investment in this group of countries are now no higher than in 1965; and in the fifteen most highly indebted of them, per capita incomes are a third lower than at that time. Debt servicing has become particularly burdensome for some of these countries, and debt burdens are such that for many seriously indebted countries, the external financing position precludes any realistic possibility of growth that will raise living standards in the foreseeable future.

Many of the difficulties faced by Third World countries - though by no means all - have originated in factors outside their own control. Prominent among these have been falling commodity prices (to a level which in real terms last year was the lowest since the 1930s) and

growing protectionism. In addition, there have been adverse developments in the financial and monetary field, notably the continued high rates of interest and a sharp fall in net external financial flows. Overall, between 1980 and 1986, the net flow of financial resources from developed to developing countries was transformed from a positive figure of \$29 billion to a negative transfer of the same magnitude. While much of this change was attributable to the major debtor countries, even for low-income Africa there was a fall from \$3 billion to \$1 billion. Within the total there has been a sharp contraction of private flows - bank lending, trade credit (including that which is officially guaranteed) and, to a lesser extent, foreign investment. This has meant that much more responsibility for assisting Third World development has devolved onto official finance. But the response has been discouraging. Between 1980 and 1985, flows of ODA from all sources stagnated in constant dollar terms, and the 2.5 percent increase in net disbursements from DAC countries in 1986 was disappointingly small. The overall total in that year, \$37 billion, was quite inadequate in terms of the needs of recipient countries, as well as being only half the internationally agreed target of 0.7 percent of the GNP of DAC members. In this context, the question of reorienting priorities within programs is secondary to the overall inadequacy of flows.

Adjustment and Human Resource Development

Developing countries, however, have had to take the world as they have found it. They have had little choice but to adjust. Large numbers of countries, low-income or seriously indebted or both, have accepted the necessity of undertaking adjustment programs under the auspices of the IMF and through the World Bank's Structural Adjustment Lending programs. Many find that Fund programs in particular have had short time horizons and have been focused essentially on reducing external (balance-of-payments) and internal (budgetary) deficits by cutting demand. The chosen route has usually been to tighten fiscal and monetary policies and sometimes to devalue the exchange rate. Inadequate account has usually been taken of distributional aspects, poverty-related implications or social infrastructure. Structural adjustment loan conditionality has tended to operate by increasing supply (mainly through introducing price incentives) rather than by reducing demand and has had longer time horizons. But these programs, too, were until recently not designed to take sufficient account of such long-term considerations as the contribution made by health and education to development. At best it is difficult, and usually it is impossible, to differentiate between the impact on human development which is caused by adjustment policies per se on the one hand and the impact resulting from the economic recession which such policies are designed to remedy on the other. Whatever the intentions of those who have designed them, adjustment policies implemented by developing countries have often been followed by substantial cutbacks in expenditures on health and education, a deterioration of nutritional standards, and an increase in poverty and unemployment. Examples abound, but a few are worth quoting, if only for illustrative purposes.

Studies show that concurrent with or following soon after adjustment policies, the per capita calorie consumption in Africa fell in all but five countries during the first half of the 1980s. The calorie consumption of the poorest one-tenth of the population in Sri Lanka fell by 9 percent between 1979 and 1982. Infant mortality rates in Brazil rose by 12 percent during 1982-84 after a long decline. Deaths from malnutrition among children and infants in Zambia doubled between 1980 and 1984 (a country in which real per capita expenditure on health and education had halved between 1975 and 1985). Open unemployment in Mexico rose by 70 percent between 1981 and 1984. Real wages in Tanzania fell by about half between 1977 and 1982. And the incidence of poverty in Chile rose by around a third between 1980 and 1982, and in Costa Rica by around two-thirds during 1979-82.

The impact of rising poverty and declining social provision has been most marked in those countries in sub-Saharan Africa where infant and child mortality was already among the world's highest. In Ethiopia, where over two children in ten die before the age of 4, the position is now worse than it was twenty years ago. Several other low-income countries

with comparable child death rates have seen a sharp deterioration in the 1980s, reversing earlier progress (Mali, Malawi, and Somalia). Other countries with lower infant and child death rates than these have also seen a deterioration in the 1980s (Tanzania, Kenya, Uganda, Zimbabwe and Mozambique, for example). In respect of nutrition, it has generally been in the poorest, most undernourished societies that standards have fallen. Mainly because of setbacks in the 1980s, per capita calorie supplies in low-income countries (except for China and India), which are around 60 percent of industrial country levels, have improved over the last twenty years by a mere 3.8 percent, as against 9.4 percent in industrial countries and 19.5 percent in lower-middle-income countries. In the case of eighteen low-income countries, per capita calorie consumption has aemally fallen over this period.

Clearly, many of these problems relate to deep-seated failures of development, to climatic factors, and to adverse external events and cannot be laid at the door of agencies which are charged with responsibility for assisting with adjustment. Nonetheless, these agencies have come under pressure to consider the wider consequences of macroeconomic adjustment.

The Changing Role of the International Financial Institutions

Much of the criticism of conventional adjustment policies has been directed at the IMF. In par[, it has responded. In its approach to adjustment policies, the Fund has begun to pay more attention to growth objectives. There is an implicit assumption that growth will thereby create the means to alleviate poverty and 'The resources to invest in human capital. The Fund has established a Structural Adjustment Facility (SAF) designed to enable low-income countries facing protracted balance-of-payments problems both to secure adequate concessional financing with which to carry out needed structural reforms within a growth-oriented context and to improve their external viability. The problem, however, is that SAF resources (SDR 3 billion) fall far shott of these countries' requirements. Even if they are trebled - as proposed by the Fund's Managing Director and welcomed by the Venice Summit, but not yet agreed - they will still fall short of what is required. Developing countries as a whole will still be making net transfers to the Fund, and low-income developing countries will be helped to do little more than avoid such negative net transfers.

The World Bank has also m recent years consistently emphasized the goal of "growth-oriented" adjustment in its lending programs, though of course the bulk of Bank lending is still concerned with project finance rather than with structural adjustment loans, which account for around a quarter of the total. It has also been giving increasing attention to the poverty impact of structural adjustment and development programs and to human resource development. The main problem for the Bank in carrying through this work is that wifh a sharp rise in repayments, it has been unable to expand its gross disbursements fast enough to maintain net transfers at a level conducive to aaelerated development. In fact, despite an increase in IBRD gross disbursements (to middle-income developing countries) from over \$8 billion in fiscal year 1984 to more than \$11 billion in FY 1987, net transfers were negative last year, compared with a positive figure of over \$3 billion in the earlier period. Even IDA's gross disbursements and net transfers were both lower in the most recent fiscal year than they had been in FY 1986. Looking ahead, it will not be possible to maintain significantly increased lending without early agreement on a substantial capital increase. Moreover, IDA-8, which came into operation in July and will expire in mid-

1990, has been replenished at a level of \$12.4 billion, which falls well short of the \$15 billion required to match in real terms the level attained in IDA-6. If the dollar depreciates further in terms of other currencies, the shortfall will be greater still. The capacity of the Bank to achieve its ambitious objectives in the human resource development field is consequently limited.

Nonetheless, even with their limited financial resources, Ne Fund and Bank have considerable influence on the overall thrust of adjustment and (in the case of the Bank) long-term development policies. Within both organizations there has been debate on how structural adjustment can be made consistent with human development; how to incorporate measures which protect vulnerable groups, such as women and children; and how to mitigate the

transitional difficulties the process necessarily entails. The evidence on how far this has been achieved is inconclusive. On the one hand, UNICEF's study, *The Impact of the World Recession on Children*, showed that with few exceptions, the children and women of poor families were hardest hit by recession and structural adjustment programs. On the other hand, it is recognized that disentangling the effects of the two phenomena is not easy. Research by the IMP, as well as independent work by the Overseas Development Institute, supports the view that adjustment programs do not necessarily worsen the living conditions of the poorest. A recent study of 94 Fund-supported programs concluded that in general, over the 1950-84 period these had not worsened income distribution overall.

There is growing recognition in the World Bank especially, but also in the IMF, that directly or indirectly, adjustment programs should pay more attention to the poor, particularly in relation to education, health and nutrition. The means can vary from compensatory programs, which transfer income directly, to employment programs, training schemes or food-for-work schemes, which do so indirectly. However, the objective remains the same. These new orientations have been increasingly stressed in public statements. Addressing the meeting of the U.N. Economic and Social Council in June, for example, the IMF Managing Director pointed out that in recent years the IMF's adjustment policy prescriptions have given steadily greater attention to social aspects, and particularly to the protection of the poor.

The Bank is more directly involved in two main ways. First, it is assisting governments to ensure that the poor have access to basic

social programs. For example, public expenditure reviews in Brazil, Ghana, Nigeria and Zambia have recommended redirecting health and education programs toward low-income groups by placing a greater emphasis on preventive health care and primary education. Second, the Bank is helping countries to compensate the poor directly through better targeting of programs. For example, programs in Senegal and Ghana have been designed to improve the nutritional levels of the poorest groups, as well as to assist the unemployed. The Bank is also strengthening its cooperation with other agencies. Working with the World Food Programme and USAID, it is using food aid to reduce adjustment costs for the urban and rural poor. With the International Labor Organization it is cooperating in the design of public works programs and other employment schemes. Low-cost maternal and child care programs are being coordinated with UNICEF. The Bank has also increased its cooperation with nongovernmental organizations.

While these recent initiatives by the Bank and other agencies to reduce the social costs of adjustment for the poor are welcome, they will be effective only if compensatory programs are an integral component of adjustment programs, and not optional or ad hoc responses to them. Moreover, while adjustment lending is essential, it is equally important that governments and aid agencies do not lose sight of its fundamental role in long-term poverty alleviation. Such lending is not only a moral imperative; it also has extremely high rates of return if properly designed, as UNICEF and others have shown. But there are awkward questions to be faced once we turn to the longer-term issues.

Long-term Perspectives

As a more rounded view of adjustment is incorporated into policy, more specific questions arise. There are several strands to a more "human-centered" approach to adjustment and longer-term development which are not necessarily consistent. One is the emphasis on economic growth rather than achieving external and internal macroeconomic balance by cutting back activity. A second is the focus on poverty, "basic needs" and inequality - adjustment with a human face, to take UNICEF's phrase. A third is the focus on people as a resource, particularly on education and training. Growth may be a necessary condition for alleviating poverty, but it is not a

sufficient condition. There are, clearly, choices to be made - between high-yielding, rapidly maturing investments in industry or agriculture and longer-term, more speculative investments such as in education or between spending on, say, scientific and engineering training versus

poverty alleviation.

The need to confront such choices is inherent in any budgetary or planning process. Obviously, it is easier to divide up an expanding rather than a shrinking cake. There are specific areas of policy when conflicts of interest may be more apparent than real and can be minimized by carefully designed policies. As regards the key issue of nutrition, for example, much of the emphasis in "growth-oriented" adjustment is on restoring price incentives, especially to food producers. These policies are now beginning to bear fruit even in those developing countries where production has previously failed to grow rapidly. This may lead to a short-term conflict of interest between food producers and poor, especially urban, food consumers. But experience suggests that nutrition should improve in a context of greater food availability. Food subsidies have often been used to sustain the nutritional levels of the poor but, if generous, have also created budgetary pressures. This, in turn, has led to pressures to hold down prices, which are inimical to domestic production. But this need not happen if the subsidy program is carefully targeted and applied to the specially affected groups.

The pressure resulting from the need to make difficult choices in resource allocation can also be eased by an active search for low-cost solutions. UNICEF, for example, has shown that child health protection measures such as immunization and oral rehydration therapy need not be costly. It has long been recognized that shifting resources from curative to preventive medicine and from, say, building urban hospitals to setting up rural pharmacies and providing them with essential drugs is not only effective in terms of benefits, but can also save money. Selectivity can be similarly cost effective in education, where, rather than providing expensive specialized teaching and equipment for tertiary education, a reorientation of resources toward the provision of essential books and teaching materials to primary school pupils can lead to universal literacy and numeracy.

In our work in the Commonwealth Secretariat, we have endeavored to focus on several particular areas where there are complementarities in social and economic policy objectives and where, with

types of economies. In both developed and developing countries, these involve general measures to secure higher growth, especially when given an employment-oriented focus. In addition there is a major role for improved education and training programs and the encouragement of self-employment, especially in the agricultural and informal sectors. Commonwealth experience suggests that there is much scope in developing countries for low-cost, village-level apprenticeship schemes and skill training for the informal sector in large cities. The expert group's report also puts forward the idea of a "youth entitlement" scheme. This would vary in detail by country but would incorporate a universally applicable commitment by governments to providing youth with training and employment counseling. Specifically, in relation to developing countries, a particular role is seen for freer international trade as a stimulant for labor-intensive exports and increasing productive employment opportunities in the large labor-absorptive agricultural and informal sectors.

Finally, there is technology. Without trained human resources, societies are not equipped to take full advantage of the potential of emerging technologies or to manage them in ways that are beneficial. At present, 75 percent of the world's population is in the developing world, but most of the world's R&D takes place in rich countries. For emerging technologies the proportion is even higher. As we noted earlier, Africa is especially disadvantaged in this respect. Such disproportions are not merely inequitable - they are also dangerous. They increase the possibility that technologies employed in developing countries will be inappropriate to labor-surplus, low-income, societies. They also increase the likelihood that few new products or production processes will be designed specifically for low-income societies either through conventional technologies (such as low-cost renewable energy systems, or drought- and pest-resistant seeds) or by blending emerging and traditional technologies (as in the use of microprocessors to improve quality and reduce waste in village industries). Commonwealth Expert Group

report entitled *Technological Change: Enhancing the Benefits* (1985) argued that it was not enough for developing countries to be merely responsive to new technologies - it was vital for all societies, even the smallest, to have some capacity, however rudimentary, to forecast and evaluate the impact of new technologies and to educate and train men and women to be able to use and adapt them. Resources have to be set aside from consumption today to ensure that this investment in human resources takes place. Only then can sustainable improvements in living standards occur.

What Can Be Done?

It is vain to imagine that governments, struggling with problems of development in an unhelpful and unstable world economy (over and above any domestic political problems they may face), are going to find it easy to meet the complex and somewhat contradictory goals now being demanded of them: financial stability and adjustment, more rapid medium- to long-term growth, concentration on the needs of the poorest, long-term investment in training and scientific research, priority for women, youth and oppressed minorities, concern for the environment, etc. Especially in democratic societies, where change has to be achieved through consent and where there are deeply rooted traditional attitudes (in relation to women, for example), progress may be infuriatingly slow.

For these reasons it is very important that outsiders - aid donors, voluntary organizations, multilateral agencies - recognize the limits to what is possible and do not attempt to "play God." The idea that external agencies can, by reorienting their own priorities, fundamentally shift development priorities is presumptuous in the extreme. The presumption is all the greater when, as now, the external financial resource contribution to development is so small.

If, therefore, a broad consensus recognizing the importance of investment in people is to be strengthened and is to progress beyond mere exhortation, it needs the commitment of real resources. A heavy responsibility inevitably falls on the developing countries themselves to ensure that the right priorities are observed in allocating scarce resources. It is a matter of some concern that while developed market economies, with vastly greater resources in absolute terms, held their share of central government spending on education, health and social services at just over 50 percent during the period 1972 to 1985, such expenditures in low-income countries other than China and India declined from 23.5 percent to 18.5 percent, with a particularly sharp fall in the share for education. By contrast, defense spending took a larger share in the low-income countries. Only a few, mainly rapidly developing middle-income developing countries, have devoted an increased proportion of their budgets to education (Singapore, Korea, Iran, the Philippines, Indonesia and Thailand). But a major responsibility also falls on the more affluent member states of the international community to provide greater financial flows and to increase technical assistance. Governments are by no means the only conduit for assistance; foreign investors can contribute substantially to manpower training and voluntary agencies to low-cost rural projects. But the long time horizons involved in human resource development, and the considerable excess of social over private rates of return, make it inevitable that well-funded aid agencies are in the vanguard.

Joseph C. Wheeler

Observers of the structural adjustment process have been concerned that budget appropriations in such areas as education and health have had to be cut. There is an implicit assumption that less funding means less schooling and poorer health conditions - that more funding would logically translate into more schooling and better health. This would be true if government budgets were designed to efficiently translate money into services. A closer look suggests they are not.

Even if there were no requirements for structural adjustment, better designing of strategies for education, health and other human resource-related programs would still be needed. The

structural adjustment crisis has focused our attention on the issue, but improved programming for human resource development is a long-standing need related to general development strategy. There are several practical things which might be done to improve our joint performance on human resource issues by three sets of actors: developing country governments, multilateral donors - especially the World Bank - and bilateral donors. While education and health are used as examples, there are many areas of government activity affecting human resources where the points made are equally applicable.

Developing Country Governments

A very important advance would be to try to move programming in human resource areas from an approach characterized by the support of individual, small-project interventions toward the support of fully designed sectoral and subsectoral strategies. The isolated project approach is not only a result of an absence of sectoral planning; it is a natural result of a process in which politically significant groups or individuals support the funding of a project of particular interest to them. There is nothing unique about this. In the United States it is called the "pork barrel," and the process surely has equally colorful names in other countries.

The problem with this ad hocism - this decision making outside the framework of a strategy - is that governments make unwise decisions that preclude the financing of more cost-effective alternatives which might have a better chance of reaching the poorer segments of the community. Of course, a certain amount of politically inspired decision making is part of the process of political compromise. Probably the best a planning commission can hope for is to give efficiency criteria a much stronger voice in decision making.

Planners can strengthen their case by collecting and analyzing facts to be able to describe the tradeoffs to the ultimate decision makers. In one specific case, after a careful analysis of costs, a country discovered it was financing college-level liberal arts education at a cost per student year which was 100 times the cost of one year of primary education. One hundred young children were being deprived of primary education [to permit one person to have a year of free liberal arts education. One could guess that the liberal arts student was probably not from the poorer sections of the community. The country also discovered that dropout rates in primary school were enormous - that quality as well as quantity issues were vital,

A strategic analysis would start with a statement of objectives. While most developing countries are committed to "universal primary education" and "health for all," there is often doubt as to the seriousness with which these goals are taken. The decision to prepare a fully articulated strategy based on facts and budget realities would be an important step. The ad hoc decision making process lets a government get by with a very general statement of goals. A strategic approach would require a statement of objectives in much more detail - for example, laying out targets for countrywide child mortality levels, specifying operational goals and standards. Governments would politically commit themselves to an approach which would reach the hitherto neglected population.

Budget realities will almost certainly preclude full financing from national government budgets of services for the whole population, so the strategy must specify a series of budget-saving measures. For example, the strategy might call for the decentralization of primary education and the delivery of village-level health care to the local communities, leaving to the central government more limited but critical service functions. Private-sector roles should also be delineated.

A strategic approach is more likely to achieve an improved balance of expenditures. A provincial development official once decried the influence of the aid community, which he said had sold the national government the concept that capital expenditures were more "developmental" than recurring expenditures. In one district, the official was told there was no money to repair the village school, but there would be no problem in getting a new one.

In the area of health, one is struck by the number of high-tech hospitals which continue to be built with the help of donors and requested by the developing countries. An aid agency was

once pressed by the wife of the president of a developing country to fund a children's hospital. The agency resisted, but the foreign office was pressed to overrule the agency. A strategy laying out the tradeoffs between what in this case was a hospital for the better-off city population versus saving the lives of thousands of children in the countryside might have been a useful tool in the debate. Many of these high-tech hospitals lie unused because governments did not consider before proceeding with them how much of a burden they would be on the recurring budget. In other cases, they are operating, but they consume funds desperately needed elsewhere. Unfortunately, analysis is usually lacking on the extent to which such facilities contribute to meeting the health needs of the whole population. A more strategic approach would look hard at these kinds of questions and probably lead to a more preventive orientation in health programs, with most services provided in less sophisticated facilities. While high technology is likely to be an important aspect of any health strategy, islands of high technology which do not serve as part of a total strategy are very wasteful.

Useful components in health strategies have been demonstrated by recent low-cost initiatives in the child survival based on inoculations and oral rehydration therapy sponsored by WHO and UNICEF and often financed with the help of bilateral donors.

These kinds of issues are discussed in the 1987 World Bank policy study *Pittancing Health Services in Developing Countries - An Agenda for Reform.* It describes a typical developing country system, where public health expenditures are largely urban, mostly for curative care, and with heavy subsidies to people in the modern wage sector. This study also reminds us that world health goals could be achieved with current levels of health expenditure if funds were used in the most efficient way.

More attention should be paid to the gathering of accurate and timely statistics. The debate on "adjustment with a human face" has been hurt by the lack of timely data. When a structural adjustment program has been operating for three years, it is unreasonable to criticize it with statistics gathered before the program was started. Three-year-old statistics tell us that there was a problem, and there probably still is a problem, but it is difficult to ascribe cause-and-effect relationships. Timely and reliable statistics are important to both recipients and donors.

Nutrition is one area where there is an urgent need for improved statistics. While it is interesting, albeit discouraging, to hear that two years ago there was a measure of weight loss among a particular population in a certain district in a given country, it is now too late to help those particular people. On the other hand, if governments could receive, based on low-cost sample surveys, accurate information on nutritional status on a monthly basis from each district, they would then be able to decide priorities and mount responses on a timely basis. Such accurate statistics can overcome political lassitude and can energize all the actors, including donors, to respond adequately and soon enough. WHO and UNICEF are now addressing the issue of statistics on nutritional status. There is a need to agree on standards and systems and get them applied as quickly as possible.

In summary, developing countries need to develop strategies in human resource areas and improve their information base. Donors should certainly stand ready to help them in this.

The World Bank and Other Multilateral Agencies

The world community looks to the World Bank to run Consultative Groups and to the UNDP to run Roundtables. These are the instruments for addressing macro policy issues. They are organized in close coordination with the IMF, which is often an important player. When a World Bank or IMF team goes to a developing country, separately or together, they tend to deal with the ministries of finance and planning. They address immediately critical issues, such as strategies for dealing with accumulated debt, exchange rate distortions, unbalanced budgets, inappropriate pricing and problems of cost recovery. The bilateral donors in the Development Assistance

Committee (DAC) have often emphasized the importance of taking into consideration human resource issues in framing macro policy packages. For example, in its December 1986 High-Level Meeting, the DAC said, "Structural adjustment programmes should take fully into account equity and income distribution issues," and DAC "would like to see more explicit addressing of budget and strategy issues in human resources questions such as education, health and population, as well as environment." But, being realistic about it, it seems unlikely that IMF and World Bank teams visiting countries for a few weeks at the most and dealing primarily with financial managers will be able to go very deeply into human resource issues. For this reason, it is encouraging to hear that under the general framework of World Bank Consultative Group and UNDP Roundtable auspices, separate consultations are taking place for a more careful consideration of this set of issues. Some of these consultations are under the leadership of bilateral donors, who may be funding significant projects in the functional area. This more careful look at human resource issues requires staff and time of both the donor community and the recipient government. The issues are of such importance that it seems warranted to encourage an extension of this process. Such an approach may lead to the kind of comprehensive sectoral and subsectoral strategic planning discussed earlier.

Beyond the country-by-country processes, we will continue to welcome the efforts of the World Bank on human resource issues.

Recent papers entitled **Poverty, (Undernutrition and Hunger, The Safe Motherhood Initiative, and Financing Health Services in Developing Countries'** are excellent examples. Likewise, the work of UNICEF has been of great importance - not only the oral rehydration and inoculation program, but the newer programs still in the initial stages of development.

The Bilateral Donors

Bilateral donors have a very important role to play. They can help government ministries and planning commissions improve their statistics-gathering and analytical capacity. They can play a leading role in consultation with the multilateral organizations in bringing together, under recipient government leadership, the donors most interested in various sectors in order to rationalize combined assistance. They can each plan and appraise projects in human resource areas to be sure they are designed in such a way as to be consistent with a strategy which reaches the whole society, financing capital-intensive, resource-consuming interventions only when it is demonstrated that they are part of a larger strategy. They can support low-cost campaigns, such as ORT, immunization, growth charts and iodine programs in the health area and specific components of universal primary education strategies. In other areas, such as urban strategies, they can be sure the beneficiary groups are among the bottom 50 percent of income strata and use the accumulated experience which encourages an "enabling" approach stressing ownership and services, cost recovery and private initiative.

In general, it will be a poor use of scarce aid funds to respond to calls for supplementing national budgets for human resource programs where no credible sectoral or subsectoral strategy exists. The bilateral donor agencies' best contributions will be those which leave behind strategies, institutions and funding mechanisms which fit the circumstances of the developing country. These strategies will usually be designed to enable private and community-level groups to provide the needed services, leaving to the central government ministries the catalytic roles which they can both manage and afford.

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3. See M. Wpwy, Poverty, Inflation and Hunger, World Bank Staff Working Paper no. 597 (Washington: World Bank, 1983); E. Herz and A.R. Mevahan, The Role of Manpower in Development, World Bank Discussion Paper no.9 (Washington: World Bank, 1997); and Financing Health Services in Developing Countries - An Agenda for Reform (see note p.

CIDA's Approach to Human Resource Development

William McWhinney

CIDA seeks to address through its development assistance program the wide range of development activities that has been labeled "human resource development."

This paper will provide a brief historical perspective of CIDA's involvement in this field. It will present a conceptual definition of HRD and describe preliminary results of the agency's evaluation of HRD activities. Finally, it will discuss new developments and priorities for HRD programming in developing countries and explain how CIDA intends to meet some of these challenges.

Historical Perspective

Human resource development has always been a priority for CIDA. At least 22 percent of all CIDA's bilateral assistance is devoted to HRD-related activities.

In the 1950s and early 1960s, emphasis was on the placement of teachers in Third World countries. In the 1970s, the trend was to integrate HRD efforts into multicomponent sectoral projects, project-related training and the establishment of educational institutions.

Now, in the 1980s, CIDA, along with other donors and recipient countries, recognizes HRD as the most important factor necessary to reach a sustained, effective level of development. Human resource development transcends educational activities or better-related training. In the broad context of human resource development, the individual is seen both as the object of development and the vehicle through which development will eventually take place. Any effort that contributes to the well-being of the individual or the community (e.g., health care, job creation, social services) can be viewed as fostering the development of human potential.

Definition of HRD

This paper will focus on one particular aspect of human resource

development: the development of the intellect, and of the academic,

General capacity building projects are aimed at improving the overall level of human resource development in a recipient country. These could include support for literacy campaigns, agricultural extension programs, or training programs in Canada or in another developing country.

Project- or program-related training provides personnel from developing countries with the technical or managerial skills needed to carry out or support specific development projects, or more generally aims to enhance the administrative capability of recipient governments and institutions.

Preliminary Findings

Preliminary findings indicate that most of CIDA's past HRD projects and programs have met or exceeded certain specific quantifiable objectives, such as the number of enrollments, the training of recipient country personnel to the expected level, and the development of curricula. Difficulties experienced in meeting these specified targets were generally related to problems in securing an adequate number of qualified trainees and counterparts.

Past evaluations of CIDA's HRD projects indicate that most have achieved a reasonably high level of success in the most immediate measure of project impact, including graduate

employment, improved counterpart skills, and improvements in the HRD output of recipient institutions.

The social returns on investment in formal schooling have been as high as or higher than returns on infrastructural investment. Further, expenditures on formal schooling appear to have been one of the best investments donors have made.

However, there is much controversy on the use of "rate of return" as a measure of effectiveness. Although less data is readily available on nonformal education and training, it was felt that these delivery systems deserve to be further investigated, especially in the vocational area. There is also increasing evidence that formal vocational training will not guarantee a meaningful link to local labor markets.

Preliminary findings indicate that CIDA, together with its Canadian counterparts (Canadian NGOs, universities and executing agencies) has not always been successful in planning, implementing and managing very complex HRD projects.

A number of other important issues or themes have surfaced in the preliminary review. Attention given to these can help in the design and delivery of future HRD projects and programs.

a) Both in general programming and in the design of specific projects, CIDA must take into account the specific needs of the country - its social, cultural, political and economic climate - as well as the available pool of Canadian expertise.

b) Involvement of the recipient local governments, institutions and people in the planning and implementation of HRD projects appears to be important, if not essential, for the successful attainment of project objectives.

c) A high level of local commitment is needed to ensure that HRD projects succeed. This commitment must be more than formal or budgetary and must include a supply of adequate human resource and policy support. One of the major difficulties in designing HRD projects is to obtain the political commitment and recipient country personnel required to carry out the project. Lack of a strong political will can produce frequent delays in project initiation. It is essential to incorporate local leadership in projects. Recipient country employment, education and wage policies can also be major determinants of project effectiveness.

d) A systematic review of national and regional institutional capabilities and real manpower needs must be undertaken during the planning of HRD projects. Incomplete studies may lead to problems of limited supply of qualified personnel and limited opportunities for graduates.

e) Target groups such as women, disadvantaged youth and the rural poor will not benefit from HRD projects unless their needs are identified and accounted for specifically at the planning phase. There is often a shortage of data on the impact of HRD projects on special groups.

f) Lack of specific program objectives and clearly defined roles for key actors, including Canadian advisers, has been a primary cause of administrative breakdown in some cases.

g) Effective and flexible systems for project monitoring and feedback are essential. This would allow the design of future HRD projects to be based on the cumulative history of past projects in the country or region.

h) Over the long term, one of the key measures of program success will be the localization of project planning, management and

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staffing. Localization efforts can involve the training of local people to replace expatriates; the development of indigenous systems for the administration of development programs; and developing HRD institutions to provide the required training in the recipient country. Localization is a worthy goal in itself, but it must be planned on a project- and country-specific basis. It must be based on a realistic assessment of the existing capabilities of HRD institutions, as well as on the country's capacity to meet recurrent costs (supplies, material, equipment, teaching and administrative costs). It usually involves a long-term commitment on CIDA's part and may consist initially in short-term efforts to simply forestall deterioration in existing systems.

Developing-country Priorities

What are the major challenges now facing developing countries in the area of human development?

Despite impressive gains in education in the 1960s and 1970s, a number of circumstances have led to a serious deterioration of HRD systems in many Third World countries: explosive population growth; man-made and natural disasters (drought, civil war, repression, etc.); growing indebtedness and balance-of-payments shortfalls; poor economic investment and management of HRD; and inappropriate educational and training structures.

Deterioration has been severest at the primary and secondary school levels. Illiteracy continues to be a problem, and in virtually every country there is an unfavorable gap between the literacy rates for men and women. The implications of this deterioration are enormous for developing economies. The situation is particularly critical in Africa.

Third World countries are increasingly seeking donor assistance for HRD. They recognize that they cannot meet their skill development requirements through their own limited resources. The types of development assistance requested by recipient countries will vary considerably according to the country's own level of technological advancement and economic growth.

More industrialized developing countries are requesting increasingly sophisticated training packages, with the accent on practical experience and technology transfer. They want short, tailor-made programs on specific subjects, i.e., toxic waste, finance, international marketing. They also need programs that will assist them in developing the institutional capacity to respond to their own HRD priorities.

In contrast, the less developed countries need far more assistance in defining their HRD priorities and in developing appropriate policies and strategies. They also require more projects in the areas of basic skills development, literacy, education and institutional development in agriculture and agro-related industries. They need more liquid transfers and more help in determining where their very limited HRD resources should be spent.

Too often in the past, interventions in HRD were short-term and fragmented and tended to reflect the preferences of the donor rather than the specific needs of the country. CIDA should encourage and support LDCs in identifying their HRD requirements and in developing appropriate responses. Africa will present a unique challenge in this respect. Innovative policies, strategies and mechanisms will be required to resolve the many challenges facing African countries.

The HRD field will require specialized programming, the allocation of scarce staff resources, improved managerial capability and research. Emphasis will be on institution building and self-sustaining capacities, both of which require long-term commitments.

Conclusions of Recent Canadian Parliamentary Review

The Standing Committee on External Affairs and International Trade of Canada's parliament recently completed a year-long review of Canada's Official Development Assistance Program.'

Overall; they were generally positive about Canada's contribution to development and recognized that Canada's assistance program had earned a generally good reputation abroad.

As in anything else, they felt there was still room for improvement. Some major themes ran through the report, among them the need to change the emphasis in the future from the building of things to human development, and from short-term projects to long-term relationships.

Development is a complex process, For that very reason, there is a strong temptation to represent it by tangible things - roads, wharfs, buildings and monuments. The Committee suggested that "human development goes far beyond training in modern management and technology.... More fundamentally, it is the struggle to

liberate human potential, which is blocked and often desroyed by poverty and deprivation.'" The Committee received abundant evidence chat Canadians see human

development as the single most important aspect of aid. They felt that HRD was now reemerging as a major priority for development assistance and that this was a gradual change from the "hardware mentality" of the 1970s, where more emphasis was placed on physical infrastructure projects.

HRD is an important objective in its own right (e.g., through education and health care), but it also cuts across all other sectors of activity. The Committee recommended that "CIDA provide capital and infrastructure assistance in the future only when there are built-in training and technical assistance programs designed to ensure the long-term maintenance and good management of the facilities. Thinking 'Human Resource Development' in everything we do should become a trade-mark of Canadian Aid".

The members of the Committee felt that the HRD program, in addition to infiltrating all aid activities, should concentrate on the following priorities:

a) A larger portion of ODA should be "channelled to projects that are developed by, and directed at, women, particularly at the grass roots level."⁰ This is because women continue to be the most susceptible of all groups to poverty and deprivation, yet their contribution to the development of households and communities is basic. Women must be given the resources to become more productive, including education and training.

b) Attention should also be given to primary health care, since no aspect of poverty deprives human potential more directly than ill health.

c) Another priority area was strengthening support for educational development, both directly in Third World countries and through expanded training and scholarship programs for study in Canada. It was felt that Canadian colleges and universities could play a greater role in the provision of much-needed assistance in the education sector.

d) The Committee shared a concern, also expressed by the World Bank, that primary education had suffered comparative neglect by foreign aid agencies in recent years. Literacy programs were still urgently needed in many developing countries.

e) It was also noted that Third World countries need educated people with practical, "hands-on" experience. Canadian businesses can be an important resource in this context.

The government is now preparing an official response to this parliamentary report.^o CIDA has always given a great deal of importance to HRD. There is no doubt that it will continue this trend and give even further emphasis to this objective in its future programming activities.

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3. Ibid., p. 15.

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5. This has not been published under the name of the International Development Assistance to Benefit the Third World (Ottawa: Ministry of Supply and Services Canada, 1987).

APPENDICES

APPENDIX

A

PARTICIPANTS AND CONTRIBUTORS

(All participants attended in their personal capacities. Participants' affiliations given here were those at the time of the meeting and not necessarily their present affiliations. An asterisk (*) after a name

indicates a contributor to this volume. A double asterisk (**) indicates a contributor who could not attend the meeting.)

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APPENDIX

B

NORTH SOUTH ROUNDTABLE

The North South Roundtable, established in 1978 under the auspices of the Society for International Development, is an independent intellectual forum in which academics, researchers and policy makers from around the world come together to discuss global development issues. The Roundtable brings together experts from every continent in many fields, all sharing a commitment to orderly progress in human affairs, for the advancement of a constructive dialogue between North and South, developed and developing, rich and poor nations, in search of a more just and stable world order. In its various sessions the North South Roundtable seeks to identify and analyze the most significant issues and to develop policy proposals in the mutual interest of North and South. The ideas evolved in the Roundtable process are disseminated to the general public, national decision makers and other international organizations through Roundtable publications and through direct briefings.

NSRT activities are funded by governments, international organizations and foundations; its policies are determined by a Steering Committee.

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UNDP

DEVELOPMENT STUDY PROGRAMME

The Development Study Programme of the United Nations Development Programme (UNDP) was established by the Governing Council of the UNDP in 1981 in order to promote a greater understanding of the issues concerning development and technical cooperation; strengthen

public and governmental support for development and technical cooperation; and generate new ideas and innovative solutions to the problems of development and technical cooperation. The activities of the UNDP Development Study Programme take different forms, such as seminars, lectures and informal discussion groups. Participants at the various events held under the auspices of the Programme are drawn from among high-level national policy makers, government representatives, senior officials of the United Nations Development System, leaders of public and private enterprises, representatives of the media and academics.

The UNDP Development Study Programme is financed by voluntary contributions from governments, international public and private institutions and foundations. Contributions include the provision of hosting facilities and collaboration in organizing joint seminars and meetings.

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APPENDIX C

NORTH SOUTH ROUNDTABLE PUBLICATIONS Books (paperbound)

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