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# New Approaches Suggested by the Colombia Employment Programme

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AT THE INVITATION of President Carlos Lleras Restrepo, Colombia became the subject of the first country study under the ILO's World Employment Programme.<sup>2</sup> The Colombia programme was prepared with the help of personnel and finance provided by twelve agencies.<sup>3</sup> A team of specialists was formed to cover all the main sectors of the economy and policy areas; it included three sociologists. Its job was to review the employment impact of policies in each sector and to produce a consistent set of policies for eliminating unemployment.

Since this was the first of a set of *pilot* studies, our intention was to produce a report which would be of benefit not only to Colombia but to all the many countries now suffering from chronic unemployment. I shall not try to summarise the report here, but rather to bring out the ways in which it may help to change the approach to development policy and the techniques of development planning. As we shall see, many of the policies advocated in the Colombia report are not really innovations but are based on ideas already emerging or current. The

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Helpful comments on a draft of this paper were received from Andres Bianchi, Emanuel de Kadet, Richard Jolly, Jorge Mendez and Hubertus Zoeteweij. But the responsibility for the paper, as for the report itself, is mine.

<sup>2</sup> For an outline of the World Employment Programme, whose main objective is to make productive employment for large numbers of people a major goal of national and international policies for development, see David A. Morse: "The World Employment Programme", in *International Labour Review*, Vol. 97, No. 6, June 1968, pp. 517-524.

<sup>3</sup> See ILO: *Towards full employment: a programme for Colombia prepared by an inter-agency team organised by the ILO* (Geneva, 1970). The participating agencies besides the ILO were IBRD, IDB, ECE, ECLA, FAO, OAS, UNCTAD, UNESCO, UNIDO, UNOTC and WHO. Members of the mission were given a completely free hand by the agencies. One limitation was the fact that the President wanted the report by the end of May, barely six months after I was asked to lead the team.

novel feature of the report is largely that it pulled them all together into a new type of development strategy. Of course, it will be easier to appraise the general applicability of this strategy after the World Employment Programme's other pilot missions have written their own programmes. But some of the report's findings are clearly likely to be of wider interest.

### The several dimensions of the unemployment problem

The mission had to assess the unemployment problem, which meant first defining it. The only available statistics are from sample surveys showing the numbers searching for work in the cities (but unable to find it), the first statistic usually quoted.<sup>1</sup> But visible unemployment is only the tip of the iceberg. There are three dimensions of the unemployment problem, and on each of them the problem is far greater than just overt urban unemployment—though the statistics available did not allow us to say how big it actually is.

The first dimension is the insufficiency of work opportunities. It is of course well known that in a "developing" country there is "disguised" as well as "open" unemployment and underemployment—involuntary idleness in the form of people who do not even look for work, because the search is hopeless.

The second is inadequate incomes. All those with low incomes are really part of the total employment problem. For example, families working for a low income on a very small farm stay there only because of the scale of unemployment; if there were sufficient jobs available, the exodus from the smallholdings would be much faster than it is. In addition, the large volume of unemployment is undoubtedly responsible for the low level of wages (outside the modern sectors). We came to see poverty and unemployment not as different problems but as different aspects of a single problem. The most effective way to end poverty, almost the only possibility in a "developing" country, would be to induce a sharp increase in employment at adequate wages.

From a third point of view, unemployment is an enormous potential resource for raising output—if it could be mobilised. From this angle, the cost is not merely the waste of the working time of those out of work, but the fact that many in work (for example the smallholders, but also much of the labour force in services) are very unproductively employed, often in "make-work" jobs. (This category of the unemployment problem overlaps, but is not identical, with those suffering from low incomes.)

The three aspects are summarised schematically opposite. In each case the scale of the unemployment problem is far greater than is

#### SCHEMATIC SUMMARY OF THREE MEASURES OF THE UNEMPLOYMENT PROBLEM

	Visible	Disguised.
<b>I. Insufficient work opportunities :</b>		
A. Unemployed	Persons without work but seeking it at going wage rates	Persons without work, not openly seeking it but who would seek it at going wage rates if unemployment were much lower
B. Underemployed	Persons employed but seeking to work longer hours	Persons employed, not openly seeking longer hours but who would seek it at going wage rates if unemployment was reduced to "reasonable levels"

<sup>1</sup> From useful surveys conducted by the University de los Andes (CEDE) and other Colombian universities. Figures from the population censuses were found to have very little meaning.

**II. Inadequate incomes :**

- |   |                  |                  |
|---|------------------|------------------|
| A. Unemployed   | Defined as in IA | Defined as in IA |
| B. Employed but receiving less income than required to provide "minimum" living standards |                  |                  |

**III. Unutilised or underutilised labour resources :**

- |                  |  |                  |
|------------------|--|------------------|
| A. Unemployed    | Defined as in IA                                       | Defined as in IA |
| B. Underemployed | Defined as in IB                                       | Defined as in IB |
| C. Underutilised | Persons working full time but not efficiently utilised |                  |

indicated by figures of the open unemployment in the towns<sup>1</sup>, though how much greater we do not know. Much more and much deeper research is needed, even on the creation of quantifiable concepts within these three dimensions.

The problem of course takes different shapes in different countries; in tropical Africa, for example, urban unemployment may be relatively less important and rural underemployment may not be attributable primarily to the structure of land ownership. But everywhere one would have to investigate the extent of forms of unemployment very different from those customarily found in industrial countries.

**The limited significance of economic growth**

The problem of chronic unemployment, with all its social and economic costs, is becoming very severe, as in many other countries. In Colombia a basic and inescapable fact is that the population of working age will continue to grow at a rate of at least 3.5 per cent a year for at least fifteen years, with even faster growth in the towns. Urban unemployment could become disastrously large by the middle 1980s if present trends continued and there were no major structural changes. Even assuming unemployment is reduced in the meantime, the problem will be at least potentially serious beyond 1985, unless the birth rate falls sharply in the 1970s. The unemployment crisis requires, in fact, analysis not just of growth of unemployment itself but of the whole development process. To cure it requires a fundamental rethinking of development—not just "providing jobs" to mop up open unemployment.

Nor is it enough to "accelerate growth". Perhaps the hardest step for those who have worked for many years in the development field is to realise the limited relevance in itself of the rate of economic growth. Even those who accept employment as a specific objective often fall back on the argument that the way to achieve the necessary increase in employment is to accelerate the rate of economic growth. Yet it is clear, by now, that fast economic growth is not sufficient to raise employment at a fast pace; moreover, one common result is that part of the population is left behind and inequalities become even greater. In fact, if growth is concentrated in a few capital-intensive industries, as it tends to be when it is really fast, the effect may be to raise productivity rather than employment, and also to lift wages to levels higher than other industries can pay, especially agriculture, thus *reducing* the employment they provide. This is a particular danger in countries where the dynamic sector is petroleum, mining or tourism.

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<sup>1</sup> In fact unemployment affects at least a quarter of the *urban* labour force, and perhaps more than a third, depending on which of the three approaches one adopts, and where one draws the poverty line. This compares with a figure for open urban unemployment of 14 per cent in 1967. (We could not make any quantitative assessment at all of the *rural* problem.)

Those who draw up targets for income rather than employment are in effect saying that to raise the income of the unemployed is no more important than to raise the income of the rest of the community. This does not seem to me morally (or politically) defensible. What a development plan needs to concentrate on is first an employment target and then—to achieve the target—not so much the *pace* as the *process* of growth, i.e. the changing balance between sectors (and within them) and between town and country.

We could not, therefore, limit the discussions of unemployment in Colombia either to minor tinkering with the labour market (vocational training, placement services, etc.) or to a macro-economic discussion of growth rates. We had to look at the whole strategy of development. As a help in assessing the strategic choices, we estimated that 5 million more jobs would be needed by 1985, and we worked out various sets of sectoral projections showing what full employment patterns would look like then on different assumptions.<sup>1</sup>

The problem is to select a not implausible strategy which would create these 5 million additional jobs (which amounts to doubling the volume of employment). We tested a fast growth strategy for doing this, i.e. putting the emphasis on expansion of the modern sectors. It became obvious that this would require very rapid output growth indeed, about 14 per cent a year for fifteen years in the urban economy—creating unmanageable needs for capital and skills, not to speak of problems of urban planning, food supplies and wages policy.

What emerged was the need for a more balanced strategy; in particular if full employment were to be approached, agriculture would have to absorb a substantial part of the increase in the rural labour force, and migration to the cities would need to be slowed down. This in turn implied the need for a fast pace of land redistribution and settlement and for improving employment prospects, education and health services and housing in the small towns and the countryside.<sup>2</sup>

This type of strategy seems appropriate for other countries too, but it would need a somewhat different balance in those which do not possess—as Colombia does—large areas of cultivable land not yet under cultivation.<sup>3</sup>

### **Techniques—general issues**

Making a set of projections in this way brought out for us a key issue: our attitude to techniques. Even with agriculture absorbing part of the increase in the labour force, the capital needed to employ the remainder seemed formidably large, given existing techniques (let alone those which could be expected to be developed in the future).

Since the transfer of techniques (devised for countries where labour is relatively scarce and exported to others where the balance of productive factors is quite different) is world wide, this question is posed sharply everywhere (even, though less acutely, in the countries of Western Europe).

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<sup>1</sup> For this purpose the sectors of the economy were classified by degrees of capital and skill intensity, not the usual “primary”, “secondary”, etc. See Yves Sabolo: “Sectoral employment growth: the outlook for 1980”, in *International Labour Review*, Vol. 100, No. 5, Nov. 1969, p. 445.

<sup>2</sup> It became clear from this (and from what follows) that when unemployment is, to use an analogy, a cancerous condition, spreading through the country’s structure, simple panaceas like adjustment of wage or exchange rates would not provide a sufficient cure (cf. W. Arthur Lewis: “Summary: the causes of unemployment in less developed countries and some research topics”, in *International Labour Review* (special issue devoted to economic research for the World Employment Programme), Vol. 101, No. 5, May 1970, pp. 547-554).

<sup>3</sup> The possibility of absorbing more labour in agriculture also depends on the income-elasticity of demand for food, which is a function of income per head. At some level of development, there is bound to be a shift out of agriculture. (Mr. S. K. Singh, of the International Bank, is doing interesting work on this question.)

This is not to say that imported techniques are *always* harmful. The Colombia mission felt, for instance, that the national statistical office, DANE, had been fully justified in putting their basic statistics on computer tapes.<sup>1</sup> The question to pose about any technique is whether it is the most appropriate one for a country where there is massive unemployment. Sometimes the most modern technique *is* the most appropriate; it may be capital-saving as well as labour-saving.

But this is by no means necessarily the case. Choosing appropriate techniques would be an even more important policy issue in countries where foreign capital plays a bigger role than it does in Colombia (especially in countries where the entry of capital is stimulated by tax incentives and other subsidies). Foreign investment is likely to bring with it the techniques which happen to be used in its country of origin; this process can, however, be influenced through the use of import and other controls.

"Development" has become confused not merely with "economic growth" but with "modernisation". Those who introduce the latest types of machinery (whether in the public or private sector) tend to feel proud of it—but they really ought to feel defensive. A brand-new, highly automated plant may turn out to be not so much a step towards an economy of the twentieth century as towards the political chaos of the nineteenth.

By questioning the appropriateness of modern technology, the Colombia report should help to dispel its glamour. Yet changes in the attitude of decision-makers will not be achieved just by exhortation. Naive prejudices in favour of the "most modern" techniques are not merely continually reinforced by overseas travel and education, foreign films, magazines and television programmes, etc; they are also encouraged by the inappropriate structure of factor costs (inappropriate, that is, for a country where capital is scarce and unskilled labour plentiful). Several new ways of making decision-makers think twice, before they introduce capital-intensive techniques, are proposed in the report, ranging from criteria for project evaluation in government to fiscal changes affecting private employers.

What is needed, in addition, is sustained pressure to encourage the use of more labour-intensive methods; techniques have been biased in a capital-intensive direction by many types of policy that make capital cheap compared with labour—interest rates, for example, so low as to be virtually subsidised, and (especially) overvalued exchange rates. Rates of wages are relatively high in the modern sectors—especially if "fringe" benefits are taken into account, as they are by the employer.

But wages policy generally turned out to be rather less important than we had expected. Apart from the modern sectors, which are small, wages are not high in relation to other incomes. What the mission's work showed to be at least as significant was labour legislation. When a firm hires a worker, it takes on many legal obligations—which make it very difficult to dismiss him. Of course, workers need protection, but the total effect of labour laws in Colombia (and this applies throughout Latin America, though perhaps less so elsewhere) is to give great security to a small minority of the working class at the cost of great insecurity for the remainder.

The employer is encouraged to keep his labour force as small as possible, and, despite the heavy unemployment, to work them long hours—much longer even than the 48-hour standard week. Indeed in Bogotá a recent survey showed no less than 18 per cent of the occupied

<sup>1</sup> Though we raised very big questions about the proliferation of computers which are used at far less than their capacity, in both public and private sectors, and we proposed a national computer policy.

population working 64 hours a week or more.<sup>1</sup> We tend to discuss "labour-intensive" techniques as if the issue were just one of how production should be organised. But the basic question is how much employment can be generated from a limited amount of capital. One way to achieve this is to work capital for as many shifts as possible—which may be hindered by labour laws (especially a prohibition on night work for women).<sup>2</sup> Another is to employ more people for fewer hours.<sup>3</sup>

We felt that the possibilities of raising output and employment were so great, if these restrictions could be removed, that it ought to be possible to get union agreement to relaxing them in a "package" deal of some kind.

### **Manufacturing techniques**

The key to the problem of techniques is to break it down and examine it sector by sector. There is a widespread tendency to think of it as an issue in modern manufacturing.<sup>4</sup> Yet for most non-industrial countries the bulk of the labour force is, and will continue to be, in other sectors. While policies affecting techniques can raise the numbers employed in Colombian manufacturing by no more than thousands, they can induce tens or hundreds of thousands of jobs in the rest of the economy. This is even more true of many other "developing" countries. Besides, in other sectors, the range of techniques available is wider, and the possibilities of varying the product are greater.

It is indeed questionable whether techniques *ought* to be changed in modern manufacturing by more than they *would* change if the biases mentioned above were removed. The strategy requires a fast expansion of exports (especially exports other than coffee). So the danger of reduced efficiency affecting competitive power in world markets, or the ability to undertake further import substitution, is a real one. In this sector, therefore, one cannot go much further than the removal of biases which harm competitive efficiency.<sup>5</sup>

But the mission to Colombia did not ignore manufacturing techniques. In an unemployment situation as desperate as Colombia's, every job counts (after all, for one family at least, it reduces, if it does not end, destitution and insecurity). Moreover, the manufacturing sector already has very different productivity, and thus wage levels, from the rest of the economy; it would be dangerous if this gap grew bigger.

We discuss in the Colombia report not only how to reduce biases affecting techniques but also the need for research designed to develop more appropriate techniques; research by regional and international agencies, as well as national institutions. We stress the importance of searching in all parts of the world for the most suitable existing techniques—non-industrial countries often passively adopt the techniques used in the one or two countries of the North Atlantic area with which they happen to have close trading links. What are needed, in fact, are considerably more knowledgeable and sophisticated industrial policies than have been pursued so far. This conclusion is very widely applicable.

<sup>1</sup> CEDE survey, September 1969.

<sup>2</sup> The Colombia report points out that most of the negative effect of labour laws on employment is due to the fact that they exceed international norms. But it suggests that some Conventions and Recommendations, such as the Night Work (Women) Convention, 1919, needed looking at again in the light of the unemployment crisis of the 1970s.

<sup>3</sup> This makes it possible to slow down the growth of output per man-year, without affecting output per man-hour—the basic determinant of international competitiveness.

<sup>4</sup> This applies also to academic discussion of the choice of technique. Economic texts usually take their examples to illustrate *any* theory (e.g. the theory of prices) from manufacturing—which accounts for only a small fraction of output (and of employment) even in industrial countries.

<sup>5</sup> One particular bias that arises mainly in manufacturing is that monopolistic conditions, consolidated by hyper-protection against foreign competition, make the financing of equipment purchases easy, and also facilitate the payment of high wages.

### Agricultural techniques

The report's conclusions on agriculture were more conventional. If employment in the country as a whole is going to be raised fast enough to exceed the growth of the population of working age, the demand for food will grow very rapidly. There could easily be an upward pressure on food prices or rising food imports which would create unmanageable foreign exchange problems—indeed big increases in agricultural *exports* (other than coffee) are needed. These, however, are economists' reasons for fast agricultural growth; the real justifications are first that this is necessary to abolish undernourishment, which is widespread, especially among children, and secondly that the abolition of rural poverty cannot be achieved without fast increases in output. Moreover (to revert to the economic plane), so long as rural poverty is widespread, it is hard to see how sales of manufactures can rise rapidly enough to permit manufacturing employment to grow, or how migration to the cities can be slowed down.

So in agriculture the danger is not of productivity rising too fast to permit enough labour absorption, but of it rising too slowly, especially too slowly to permit the necessary expansion of the *urban* economy. Of course, local rural unemployment can be severe (and foreign exchange wasted), if the big commercial farms—e.g. sugar and cotton plantations—become flooded with machinery. This has happened at times in the past. But this problem is not unmanageable. The mission recommended a switch of emphasis towards helping the *small* farmer; he could and should get a much bigger share of credit and technical advice than he does at present. In any case, productivity could be raised by improvements in cultivation practices, such as increased use of fertilisers, rather than by mechanisation.

The chief way of increasing productivity in the rural sector—and of achieving the employment increases which are needed—must, in the long run, lie in land reform. The Colombia report points out that the present distribution of land, with hundreds of thousands crowded into tiny minifundia while great areas lie uncultivated, cannot be optimal. Agricultural output can only be doubled in the next fifteen years (as we believe necessary), and substantial numbers of men absorbed in productive work on the land, if its distribution is radically changed, involving both new settlement in the Llanos and the partitioning of under-used latifundia.<sup>1</sup> This is an essential condition of the employment strategy; without land reform, the burden on the urban economy would be intolerable. In this respect, however, the lessons of Colombia are perhaps not universally applicable. Colombia is, as I said earlier, particularly fortunate in being able to absorb a big fraction of the increase in the labour force by extending the area of cultivation.

### Techniques in other sectors

Our attitude to productivity in other sectors is very different. Construction could play a major role in an employment strategy because it can expand rapidly<sup>2</sup>, but the employment effect of this could easily be dissipated in mechanisation. Yet the range of construction techniques is very wide, whether we are considering buildings or roads. Moreover, even if labour-intensive techniques cost more, there is no real danger of houses being imported, nor is there an export market to be prejudiced.

<sup>1</sup> The report stresses the importance of providing technical services, credit, marketing facilities, etc., to support land reform, but argues that it may well be necessary to proceed with land distribution at a faster pace than these can be provided, creating a temporary "siding" of subsistence farming.

<sup>2</sup> See W. Paul Strassmann: "Construction, productivity and employment in developing countries", in *International Labour Review*, Vol. 101, No. 5, May 1970, pp. 503-518.

Indeed the only danger of foreign exchange loss is if labour-saving equipment or prefabricated components are imported—and foreign exchange needs to be conserved for inescapable capital needs in the rest of the economy.

When dealing with the service sectors, we were hampered not only by the lack of data but also by past neglect of this sector by economists. However, obvious questions are raised by the spreading use of machinery, especially computers, for banking, and by the emergence of supermarkets. Innovations of these types are only very remotely related to the country's competitive efficiency in export markets. Indeed, since such technical "advances" are mostly introduced by foreign firms, they not only have an immediate foreign exchange cost, they set up a lasting *outflow* of foreign exchange in higher profits. Yet they reduce employment among categories of workers in excess supply and with few alternative possibilities.

In these sectors it is possible and necessary to take stronger action to promote employment than just eliminating biases against labour-intensive techniques. Import controls can be used to check purchases of equipment, especially computers. In addition, the authorities can cease treating amortisation allowances (or rental fees) on equipment as deductible expenses for tax purposes.<sup>1</sup> Such ideas are worth considering in other countries too.

### **Income distribution**

In one respect, we opened up territory which has been very inadequately explored in the past. Employment depends not only on *how* goods are produced but also on *what* goods are produced. Much recent discussion has been on the supply side—manufacturing techniques and wage levels—and the demand side has been neglected.<sup>2</sup>

The root cause of unemployment in Colombia is that some types of demand, adding up to a big proportion of total demand, could not be satisfied if the economy were fully employed. Policy certainly needs to operate on the supply side along the lines discussed above—by changing the proportions in which labour and capital combine, as well as by raising skills through educational and training policies (dealt with at length in the Colombia report). But it needs to operate on the structure of demand as well, by altering the distribution of income and the ways in which income is spent. The distribution of income not only *reflects* the existence of unemployment (as I have said earlier); it also *causes* unemployment.

I shall not go into this at length here.<sup>3</sup> Suffice it to say that, though the statistical evidence is weak, it is hardly conceivable that a high level of employment will be achieved in Colombia so long as the distribution of income by size (and its related distribution between town and country) is such as to generate a heavy demand for goods and services with big import requirements (allowing for both capital goods and intermediate

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<sup>1</sup> Among other fiscal innovations mooted in the Colombia report is that the wage-bill should be calculated for tax purposes in ways that encourage additions to employment, but discourage wage increases.

<sup>2</sup> This may be a reaction against the emphasis on demand in Keynesian employment theory, which implied that the main policy need was deficit finance—obviously inappropriate in non-industrial societies. But the Keynesian emphasis was on *total* demand.

<sup>3</sup> Economic and political aspects of changing the income distribution are discussed in a paper entitled "Income distribution and employment; some issues raised in the Colombia report", in *Bulletin of the Institute of Development Studies* (Brighton), Vol. 2, No. 4, 1970. See also Keith Marsden: "Towards a synthesis of economic growth and social justice", in *International Labour Review*, Vol. 100, No. 5, Nov. 1969, pp. 389-418, a paper which in a number of respects anticipates the findings of the Colombia mission.

products) and heavy skill needs<sup>1</sup>, but little demand for goods and services incorporating a high content of unskilled labour.<sup>2</sup> This line of argument implies that the expansion of government services (especially rural education and health services) required by an employment strategy needs to be financed primarily by taxes on the rich. It also reinforces the arguments for land reform (provided it is not implemented by cash purchases at market prices), for the control of monopoly and for the widening of educational opportunity. Such redistributive policies seem to be required in all "developing" countries, if employment opportunities are to be increased—apart altogether from their ethical justification.<sup>3</sup>

### New directions in planning

Any government that adopted a full employment strategy would naturally have to develop an appropriate system of planning. For any development strategy tight co-ordination of policies is needed to achieve consistency—and the political backing to enforce it. Since an employment strategy compels policy-makers to consider the labour (and thus educational), technological and income-distribution implications of each major decision, as well as the foreign exchange and fiscal, the need for a strong central planning office is that much greater.

Comprehensive policies need to be worked out to develop the social services, especially in the rural areas, with special training schemes, special incentives, including higher rural salaries, as well as (perhaps) compulsory programmes to achieve a drastic reallocation of professional personnel between the cities and the rest of the country.

Since wage policy is an essential element, the machinery of planning will need to muster wider participation than is necessary in conventional planning. Moreover the government, if it is to adopt the necessary redistributive policies, will need to obtain the support of groups that have at present little economic or political power (especially the unemployed themselves and smallholders).<sup>4</sup> Partly for this reason, but also because of the need to co-ordinate different sector policies in the country's various regions, regional government will need to be developed much more than at present.

The report shows that fundamental changes in planning techniques would be needed. An employment target, obtained from demographic projections, would replace national income targets. It would then have to be broken down into sectoral targets. These would be converted into output targets by using assumed rates of productivity growth (which are, however, treated not as exogenous, but as partially policy-determined).<sup>5</sup> Planning of this type would need to be backed by new statistical series

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<sup>1</sup> A particular leakage of purchasing power is through heavy expenditure by Colombian tourists abroad.

<sup>2</sup> One major exception here is domestic service. Whatever the convenience of domestic service (especially to the professional classes), it is becoming indefensible socially as a source of employment. It is in any case an example of the sort of low-income job which would become increasingly unattractive if full employment were approached.

<sup>3</sup> The report develops in fact a framework of analysis which raises questions about the appropriateness in the Third World, where the problems are essentially structural, of the analytical frameworks (Keynesian or neo-classical) set out in textbooks imported from industrial countries. For example, the main effects of changes in income distribution are usually described in textbooks as operating via savings and/or incentives, not through the demand for foreign exchange and for local productive factors. One of the necessary conditions for a lasting solution of the unemployment problem may be the development of textbooks and other teaching materials based on research into the problems of "developing" countries.

<sup>4</sup> It is on such questions that the mission's sociologists were especially useful.

<sup>5</sup> This step is harder than it sounds, due to the very poor quality of data on past output and employment trends, and the shortage of usable data for other "developing" countries (which would at least provide clues). Moreover, past productivity trends obtained in this way tend to be underestimated because of the growth of underemployment of the types indicated above. (We tried to get round this by using "standardised" productivity, obtained by adjusting the employment figures for "underemployment" of labour as defined above—see Appendix 3 of the Colombia report.)

and research projects; these are indicated in the Colombia Programme, but much more work needs to be done to refine and develop them. (The report stresses throughout the limited utility of available statistics.)

It is unlikely that full employment could be approached in (say) ten years when unemployment is on the scale it is in Colombia; the necessary institutional changes, especially in education and agriculture, take longer than this to make their impact felt.<sup>1</sup> Yet after fifteen years the size of the labour force starts to become uncertain, because it will be affected by changes in fertility in the next few years. So this period—fifteen years—is the natural planning period, once employment becomes a major policy objective.

This does not rule out, of course, shorter-term planning; rapidly acting measures are essential to break down the psychological resistance to an employment strategy and create the momentum needed. They range in Colombia from devices that would accelerate the flow of funds into house construction to raising the overtime premium. These need to be brought together into a plan for three to five years, a period which would be short enough for some economic projections, such as projections of commodity exports, to be more reliable than they can be for fifteen years.

### **International policies**

The Colombia report ends with a look at international policies in the light of the unemployment problem. Changes are needed in Colombia's trade and exchange policies, and the potential of the Andean Pact<sup>2</sup> (for economic integration) is discussed. But these moves need to be supplemented by the removal of barriers on imports of manufactures into the "developed" countries.<sup>3</sup> An expansion of exports of manufactures not only provides employment directly; an increasing flow of foreign exchange is needed to pay for the capital goods and intermediate products that would complement a growing labour force. Recent moves in the industrial countries to increase protection of their textile industries make the problem of growing chronic unemployment in the "developing" countries, which is difficult enough anyway, harder still.

The report also discusses aid practices. The tendency of donors to limit the use of aid to financing imports makes a project easier to finance the less labour-intensive it is. Moreover, procurement is usually "tied" to countries where techniques and therefore equipment catalogues are particularly inappropriate to the needs of the aid recipient. In fact Colombia, which has benefited from considerable quantities of aid, has probably suffered less from tying than most "developing" countries. But, since the mission was a pilot one, the report includes a general discussion of the types of aid policies which would be constructive in the present world-wide employment crisis. Of special importance would be technical assistance in planning and research.

The national effort required by an employment programme is so demanding (and the danger to world order so great if this effort is not made) that there is both a moral and a hard-headed case for industrial countries (and international agencies) adjusting their policies, especially in the fields of trade and aid, to take account of the unemployment crisis of the 1970s in the Third World. It is to be hoped that they realise this in advance of, rather than after, major political upheavals.

<sup>1</sup> A revolution, as in Cuba, might well bring full employment more quickly, at the cost of a fall in productivity—but this raises issues outside the scope of the present paper.

<sup>2</sup> Known also as the Cartagena Agreement; the text was signed at Bogota on 26 May 1969 by Bolivia, Chile, Colombia, Ecuador and Peru and entered into force on 24 November 1969.

<sup>3</sup> See Jan Tinbergen: "Trade policy and employment growth", in *International Labour Review*, Vol. 101, No. 5, May 1970, pp. 435-440.