

Introduction

THE EMPLOYMENT QUESTION AND DEVELOPMENT POLICIES IN LATIN AMERICA

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Introduction

Inasmuch as population growth involves, among other things, both an increase in the supply of the labor factors of production and an increase in the number of persons whose consumption needs seek expression as a claim on aggregate output, it would appear that the working class segment of the Latin American population has a rather immediate and twofold interest in the whole question of demographic policy.

As wage earners, workers are, in the first instance, concerned with those policies which affect conditions in the labor market by influencing the supply of workers (both quantitatively and qualitatively) and the number and types of jobs which are made available for absorbing the supply of labor factors. This first area of concern may be conveniently identified as the labor interest in employment policy. Secondly, since a considerable portion of the work force must share job earnings with other (either unemployed or partially employed) members of worker households, the question of how many dependents there are to feed, clothe, and otherwise provide for defines another dimension of worker concern with the matter of population growth. This second area of concern may, for our purposes, be identified as the labor interest in family policy. The two aspects, of course, are not unrelated; birth control measures, for example, would, in time, reduce the pressure of a growing supply of job seekers in the labor markets, while a contraction of household size would increase the income available for supporting each member of worker households. To the extent that economic rationality is operative in working-class attitudes and behavior, these two dimensions of the population question would presumably find some reflection in the policy preferences of workers, as these preferences are articulated

and expressed in the forum of public discussion by the various institutional channels available to the working class in contemporary Latin America.

This is not, of course, to deny that still other considerations might enter into forming an actual labor position on development policies. For instance, particular workers and groups of workers may, and probably do, perceive their own interests from a perspective which is far more limited than that of the working class as a whole; cases are not unknown in which, say, organized and relatively well-paid groups of workers have endorsed programs and policies which, viewed in their broader impact, are possibly injurious to the welfare of other segments of the labor force. Moreover, to the degree that the real income of at least certain portions of the labor force is composed of supplementary nonwage components (such as benefits which are structured into social programs and financed through a variety of income transfer mechanisms), there is obviously reason for labor to concern itself with policy questions that lie somewhat outside the field of employment as such.* As a practical matter, it is clear, too, that partisan political considerations intrude from time to time to influence the reaction of labor to the development policy issues of the day. Besides the foregoing, still other variables may, of course, intervene to shape the action-orientations of workers.**

*It is suggested here that a number of these fringe benefits represent a type of payment of income in kind (as contrasted with the monetary wages), which payment-in-kind may be favored by workers as offering greater protection than that provided through money wages against the erosion of real value by inflation. Thus, the relatively important role of these supplementary fringe benefits as a portion of worker income in certain Latin American industrial fields may be at least as much a response to the economic circumstances in which organized labor seeks to increase and safeguard its income position as a culturally-engrained preference for paternalistic labor policies.

**For a rather murkily expressed but nevertheless useful discussion of considerations of this sort, see Alain Touraine and Daniel Pécant, "Working-Class Consciousness and Economic Development in Latin America," Studies in Comparative International Development, Vol. III, No. 4 (1967-1968).

The foregoing observations aside, however, it should be of some interest to explore the kinds of employment and employment-related policies which have been considered at various hemispheric-level meetings of labor specialists, labor officials, and trade union representatives in the Americas during the 1960's, as well as to take account of other employment-related policies which have not been brought up for deliberation at these meetings.* The aim in so doing is (a) to assess the degree to which employment expansion has figured as a priority in policy-making and (b) to raise certain questions regarding the efficacy of present policies, given the existing high rate of population increase, for generating a sufficient number of jobs to overcome unemployment and underemployment.

*The conferences selected for review are the major meetings in the Americas at which labor policies have been discussed as a component of contemporary development efforts:

- a) First Inter-American Conference of Ministers of Labor on the Alliance for Progress, Bogotá, Colombia, May 1963--(hereinafter referred to as Colombia-63),
- b) Meeting of the Inter-American Economic and Social Council, São Paulo, Brazil, October 29-November 16, 1963--(hereinafter referred to as Brazil-63),
- c) First meeting of the Special Committee on Labor Matters of the Inter-American Economic and Social Council, Lima, Peru, January 30-February 7, 1964--(hereinafter referred to as Peru-64),
- d) Second meeting of the Special Committee on Labor Matters of the Inter-American Economic and Social Council, Buenos Aires, Argentina, October 1964--(hereinafter referred to as Argentina-64),
- e) Second Inter-American Conference of Ministers of Labor on the Alliance for Progress, Federal District, Venezuela, May 1966--(hereinafter referred to as Venezuela-66),
- f) Second meeting of the Permanent Technical Committee on Labor Matters, Viña del Mar, Chile, June 1967--(hereinafter referred to as Chile-67).

The earliest of these meetings coincided, approximately, with a series of discussions of the topic of "Employment Policy, with Particular Reference to the Employment Problems of Developing Countries," sponsored by the International Labor Office.

Before going further into the matter, however, it is well to make explicit that we are adopting what might be called a general labor perspective on the question and assuming, for purposes of exposition of the issues, that the overriding interest of the working class lies in an expansion of the remunerative employment opportunities to which that group has access. By approaching the question from this point of view, we are, at the same time, deliberately excluding other perspectives which might be taken in assessing the appropriateness of alternative development policies. Some writers, for instance, have argued that the employment aspects of developmental investments should be treated as a secondary consideration, that, in other words, capital-intensive types of projects might be preferred over more labor-intensive ones on the grounds that the new income generated by the former projects would accrue more to the recipients of profit and interest than, as in the case of the latter, to recipients of wages. On the assumption that the profits and interest categories of income are more likely to lead to savings and reinvestment, whereas wage income more likely goes into consumption, such an investment criterion, it is claimed, would tend to raise the aggregate rate of capital formation and, hence, the long-term growth rate.* Another argument which has been adduced to justify the relegation of employment considerations to a secondary position in development policy stems more from a behavioral type of consideration. In this case, the claim is made that an initial choice of capital-intensive production technologies (with a corresponding sacrifice of jobs) reduces the likelihood that

*W. Galenson and H. Leibenstein, "Investment Criteria, Productivity, and Economic Development," Quarterly Journal of Economics, Vol. LXIX, No. 3 (August 1955), pp. 343-370. The article makes a number of other relevant points not mentioned here, such as the supposedly superior skills-generating aspect of large, modern industries.

an entrenched labor force would be able, at some future date, to resist the introduction of still further labor-displacing technologies. Thus in this view, the accentuation of job-creating investments in the short run carries with it a risk of blocking technological progress in the future.* Moreover, balance-of-payments considerations may, in a number of instances, be decisive, at least in the short run, in determining the most desirable pattern of investment allocation, whatever the employment effects of the investments deemed desirable by this criterion.**

In any event, we do not wish to enter here into the whole extensive discussion of investment criteria, nor are we denying that certain possibly crucial development projects (such as hydroelectric power-generating facilities, chemical plants, petroleum refineries) apparently have quite inflexible technical coefficients of production and should, in certain circumstances, be undertaken even though they directly generate little new employment.***

*See, for example, Walter Phillips, "Technological Levels and Labor Resistance to Change in the Course of Industrialization," Economic Development and Cultural Change, Vol. XI, No. 3 (April 1963), pp. 257-266.

**More broadly speaking, comparative international advantage as structured by natural resource endowments (e.g., petroleum or copper deposits) may occasionally point to the desirability of concentrating investments in fields in which the capital/labor ratio is quite high, given the prevailing technical coefficients of production, and in which, correspondingly, the direct employment effects of new investments are likely to be limited.

***Even in less extreme cases, of course, the productive superiority of more mechanized processes may be so great as to render unfeasible alternative labor-intensive processes; the superiority of the power loom over the hand loom is a frequently cited example.

Instead, we are prescind from these sorts of issues and examining the degree to which the development approaches currently en vogue in the Americas give some promise of socializing the benefits of growth via employment channels.

Employment Policy in Inter-American Meetings

A concern, of sorts, with the employment aspects of development was incorporated in the Punta del Este Charter with which the Alliance for Progress formally began in 1961, particularly in the clause of that document which stated that the Alliance programs should "assure to workers a just remuneration and adequate conditions of work."* Although employment policies were not spelled out in any detail, the general context in which the Punta del Este Charter was conceived--namely, that of framing a policy which would broaden participation in the processes and fruits of development--creates a presumption in favor of such policies. A year later, at the October 1962 meetings of the Inter-American Economic and Social Council (IA-ECOSOC) in Mexico City, further action, albeit of an indirect sort, was taken in that direction with Resolution A-10, which called for worker representation at various levels of the planning and policy-making organizations charged with conduct of the Alliance program. At the same meeting, however, a report was received from a special international labor mission appointed by the Organization of American States to ascertain the degree of labor involvement in the

*The Charter touched on the employment issue, indirectly, in several points. Paragraph two of Title One spoke, for example, of designing development so as to achieve a broader distribution of income and raising the living levels of the most necessitous groups in the population. Paragraph two of the second chapter of Title Two referred to reducing underemployment, while paragraph two of the third chapter of the same title emphasized projects which would "benefit directly the greatest number of persons" and would utilize resources, especially manpower resources, then not fully employed.

economic and social programs of the Alliance; the report indicated that the mission had been unable to find, in the course of its Latin American investigations, any significant worker participation in the formulation of development programs.* Under the circumstances, then, it was perhaps to be expected that employment objectives did not figure very centrally in the policy deliberations which had occurred up to that point.

With the Colombia-63 conference, however, at least a start was made to a more direct confrontation with the employment problem,** although even then the participating labor ministers seem to have devoted a great deal of their attention to such matters as the need for export commodity stabilization schemes, greater amounts of foreign economic aid, minimum wage and salary programs, programs for harmonizing social and labor legislation among countries, the strengthening of workers' rights to organize, and social benefit programs (i.e., housing and other cooperatives, worker banks, and the like). Under the circumstances prevailing in Latin America, the benefits of a good many of these

*The special labor mission's findings and recommendations are reproduced in Revista Interamericana de Ciencias Sociales, segunda época, Vol. 2, No. 2 (1963), pp. 170-182. In the main, the mission dwelt upon the need to strengthen trade union organizations (in urban and rural fields), to increase technical and vocational training facilities, and to foster such social projects as worker housing, credit cooperatives, and consumer cooperatives (preferably through trade union organizations) rather than an elaboration of programs to multiply employment opportunities. The general impression arises that the mission was somewhat more concerned with improving the lot of the organized workers than with more comprehensive programs which would embrace the unorganized as well.

**Ibid., pp. 183-268, contains a review of the topics taken up for consideration at the conference, including the recommendations for action adopted by the labor ministers.

measures would tend to accrue primarily to that segment of the labor force which was relatively better off to begin with. Nevertheless, the need to strive for full employment was assigned a top priority in the work of the labor ministries, the necessity of compiling more accurate labor market statistics was recognized, vocational training programs were accorded some emphasis, and action was urged in the field of establishing employment exchanges or services. To prepare the technicians needed for carrying out these activities, the labor ministers also recommended creation of a multi-lateral training center for labor ministry personnel--a project which, after lengthy study and negotiation, finally got underway in 1966 with the opening of the Inter-American Center for Labor Administration in Lima.

Later in the same year, at the Brazil-63 conference, the IA-ECOSOC established a Special Committee on Labor Matters to provide continuing supervision of the various efforts then being made to strengthen and expand the use of manpower evaluation, training, and planning activities. It was also recommended that member states carry out, with the assistance of appropriate international organizations, national studies of evaluation of human resources for use in economic and educational planning agencies. This latter point reasserted the importance of preparing current and future manpower supply and demand estimates, a measure which had been recommended at the Conference on Education and Economic Development that was held in Santiago in 1962. During the same period, 1962-63, the Pan American Union had also put into operation a regional program to support the growth of technical competence in the human resource field.

When, in early 1964, the Special Committee on Labor Matters was convened for its first meeting, the Peru-64 conference, a uniform reporting system was

devised for gathering employment and other labor data from the several Latin American republics, and the rather limited accomplishments of these countries in developing more systematic manpower programs and policies were reviewed.* Although some headway had been made in setting up rational vocational training programs (particularly in Brazil, Venezuela, Colombia, Peru, and Chile) as well as, to a still more modest degree, employment services, it is clear that very little had as yet been done to integrate manpower questions with national development planning. Moreover, it became equally evident, on the basis of information reported at Peru-64, that the informational and organizational basis for such planning, through which employment objectives could be treated more explicitly in development programs, was largely absent in the hemisphere--except for some initial efforts being made in Peru and a few other countries. On the other hand, the widespread failure to incorporate manpower planning--in either its employment-creation or skills-identification-and-formation aspects--into the national development plans then being devised should be seen in the light of the nature of those development plans themselves, few, if any, of which possessed more than a remote relationship to what was actually happening in the economies for which they were devised.

By the time of the second meeting of the Special Committee on Labor Matters at Argentina-64, the national reports called for at Peru-64 (under the uniform reporting procedures set up at that meeting) had been received and

*"Report of the First Meeting of Special Committee VII: Labor Matters," Inter-American Economic and Social Council, Pan American Union, Washington, D. C.: March 24, 1964 (OEA/Ser.H/XIII, CIES/Com. VII/22, Rev. 2-English).

processed from twelve Latin American countries and the United States.* Even in the case of the countries which filed the reports, much of the information requested was unavailable, and a portion of that which was obtained almost certainly consisted of very crude estimates. In the nonreporting countries, it is reasonable to suppose that useful data were still less readily available. In any case, the reports, with their substantial data lacunae, reveal how marginal the whole area of manpower planning and employment policy still was in the Latin American development effort. No country, for instance, was able to report "the existence of a specific policy regarding employment, wages, technological unemployment, or income distribution," and the ministries of labor were found to be "doing very little in the way of analyzing these problems or of planning or coordinating these policies."** Few countries made any analysis of their labor markets, and most of those which did restricted their focus to the "most important urban area or areas."*** In most countries

*"Summary of National Labor Reports on the Labor Situation in the Hemisphere," Special Committee VII: Labor Matters, Second Meeting, Buenos Aires, Argentina, October 19-26, 1964, Inter-American Economic and Social Council, Pan American Union, Washington, D. C.: October 2, 1964 (OEA/Ser.H/XIII, CIES/Com.VII/53-English). Also useful was another report prepared by the OAS General Secretariat for the same meeting: "Information on the Labor Force in Latin America" (OEA/Ser.H/XIII, CIES/Com.VII/52-English, October 1, 1964). The "Final Report of the Second Meeting of the Special Committee of the IA-ECOSOC on Labor Matters" (OEA/Ser.H/XIII, CIES/Com.VII/72, Rev.-English, October 26, 1964) was also used in preparing this paper. A number of other documents from the meeting were consulted but not found germane to the issues here under discussion.

**"Final Report of the Second Meeting of the Special Committee of the IA-ECOSOC on Labor Matters" (OEA/Ser.H/XIII, CIES/Com.VII/72, Rev.-English, October 26, 1964), p. 13.

***Ibid., p. 9.

there were no public employment services; where they existed, their activities were largely confined to the capital and a few principal cities. The preparation of studies and projections of labor supply and demand was conspicuously absent from the actual functions of labor ministries, while the existing statistical basis for deriving such projections was generally quite inadequate. In short, two years after the OAS had sent its international labor mission through Latin America to check on labor participation in the Alliance for Progress (and two years after the IA-ECOSOC had initiated action to increase this participation), it was evident that "in general, neither the ministries of labor nor the workers have reached any appreciable degree of participation in the work of the planning agencies...."* Given this undoubtedly realistic assessment of the situation, and all that it implies for the attention accorded employment policy in development, it is perhaps remarkable to find that very shortly thereafter, in February 1965, the secretariat of the Inter-American Regional Organization of Workers (ORIT) claimed

The ORIT has advanced along this road [i.e., the granting to trade unionists of an ever-increasing responsibility in the planning and execution of Alliance programs] and has achieved undeniable success, for the representatives of the highest organizations at the hemispheric level have recognized that the presence and action of

*Ibid., p. 14.

Report of the Third Meeting of the Trade Union Technical Advisory Committee, pp. 19-21 (OEA/Ser.L/V/II/65/Doc. 1).

A convenient summary of this experience is contained in the Revista Interamericana de Ciencias Sociales, Vol. 4, No. 1 (1966).

the workers is indispensable for the success of the Punta del Este Charter program....*

The ORIT secretariat, however, was understandably vague in providing details on this success.

At the Venezuela-66 conference, the labor ministers reworked much of the territory covered in previous meetings, the chief novelties being a call for the creation in each country of (a) a national council on income and prices to serve as a mechanism for developing wage policies and (b) a national council (within the labor ministries) on human resources.** The latter organizations were seen as a vehicle for injecting "policies on employment, labor, and human resources into the national planning process." In addition, the conference

*Secretariat of the Inter-American Regional Organization of Workers, "Report to the Sixth Continental Congress of ORIT," Mexico, D.F.: February 2-6, 1965, p. 11. Interestingly, at the third meeting of the Trade Union Technical Advisory Committee of the OAS Department of Social Affairs, which was held at Bogotá in January 1966, the results of a survey made on trade union participation in national development plans were discussed. The findings of the survey indicated that there was little evidence that trade unions were being brought into participation in the planning structure or in the plan implementation agencies. Neither was there any indication that trade unions were consulted about policies on employment, wages, and income redistribution. Generally speaking, unions were represented chiefly on minimum wage-setting agencies (where these existed) and on vocational training agencies. "The replies under study indicate that the development of trade unions, cooperatives, or other working class institutions is not as a rule among the socio-economic objectives of the countries, nor are they considered essential to well-balanced development." "Report of the Third Meeting of the Trade Union Technical Advisory Committee," pp. 19-21 (OEA/Ser.H/X.8/CIES/846).

**A convenient summary of this conference is contained in the Revista Interamericana de Ciencias Sociales, Vol. 4, No. 1 (1966).

established a hemispheric Permanent Technical Committee on Labor Matters (composed of labor ministry officials and trade union representatives) to assume, essentially, the same functions previously performed by the IA-ECOSOC Special Committee on Labor Matters, and an appeal was made to the Inter-American Committee on the Alliance for Progress to use its supervisory leverage to encourage more labor participation in national planning processes. All of these steps were, of course, efforts to devise new institutional means to cope with the rather obvious and continuing failure of the Latin American countries to incorporate labor interests into their development activities and objectives --or at least to simulate action of that sort.* The labor ministers also returned to a theme which had been played in previous meetings and which probably indicates rather accurately the level of actual national commitment to labor interests in development: namely, the notably low budgets assigned to supporting the work of labor ministries in most of the countries of the hemisphere.

For the first time, however, at Venezuela-66 the question of employment policy began to receive something more than merely general recognition--nearly five years after the Alliance for Progress was launched. For one thing, the conference participants were able to study a survey report, "Summary of National Reports on the Labor Situation in the Hemisphere,"** which systematically

*Whatever the lack of concern with employment objectives at the national level, it must be said that the organizational proliferation at the international level (including the American Institute for Free Labor Development in addition to the other entities mentioned in this paper) was certainly providing something close to full employment for persons charged with the responsibility of promoting a greater labor participation in development.

**OAS Official Records, OEA/Ser.K/XII.2.1, Doc.16, April 15, 1966.

reviewed what little was being done in various countries to relate employment (and other labor) considerations to the development effort, thereby providing a limited pool of experience and knowledge for discussion and evaluation. Secondly, the conference took up a more narrowly-focussed report on "Aspects of Employment Policy in Latin America,"* which, based upon a survey of five countries, examined in some detail the problems encountered in devising an employment policy (inadequate statistical records, improvisation and lack of coordination in development planning and policy implementation, characteristics of occupational structures, nonemployment constraints on economic policy), reviewed alternative approaches then being followed in manpower planning, and identified certain policy contradictions which worked at cross-purposes to employment objectives. Among other things, the report concluded

An examination of the consideration given to problems of employment in Latin American countries shows on the whole a negative picture. The development plans drawn up so far are comprehensive fundamentally depending for their cohesion on national accounting systems. In some cases attention has been paid to the feasibility of achieving the implicit increases in manpower productivity; but as a rule the attainment of specific levels of employment constitutes a secondary issue, to be settled by the other measures proposed for stimulating development.

In general there is no clearly defined policy with regard to employment, or any agency with full responsibility for dealing with the different problems that arise in this area. The countries in the sample do not have adequate means of obtaining information on what is being done by the various agencies whose decisions affect the level of employment, and consequently have no way of preventing the development of duplicate or conflicting activities....**

*OAS Official Records, OEA/Ser.K/XII.2.1, Doc.9, April 26, 1966.

**Ibid., p. 16.

Finally, in a third conference report, "The Formulation of Labor Policy for National Development,"* it was recognized explicitly that the identification of specific employment and wage objectives would be essential to ameliorating the lot of the estimated ten percent of the Latin American labor force which was unemployed and that these objectives would have to be pursued deliberately not as an eventual by-product of development efforts.

...One of the basic factors to be considered, therefore, whenever decisions are made in connection with development activities, both at the level of the national economy and at the local or sectoral level, must be the impact that these decisions will ultimately have on the level of employment.**

The report then went on to illustrate aspects of the current policy mix which were judged undesirable from the standpoint of their impact on attainment of higher employment levels. Modest though it was, the report, along with the other two mentioned previously, at least had the merit of moving towards more specific analysis of the real problems encountered in generating jobs sufficient to meet the growth of the work force and of taking a more forthright position on the importance of integrating employment policy with other policy measures.

If this promising, if belated, confrontation with the employment issue raised hopes that a more concerted effort would follow along this line, then those hopes were in time dispelled. The first meeting of the Permanent Technical Committee on Labor Matters, held in Washington in September 1966, was largely devoted to speechmaking and committee organizational matters, with

*OAS Official Records, OEA/Ser.K/XII.2.1, Doc.13, April 18, 1966.

**Ibid., p. 1.

the usual array of general resolutions or recommendations on a wide variety of matters.* The second meeting of the Permanent Technical Committee, the Chile-67 conference,** had rather more of a substantive focus, but, even so, the consideration of employment policy was left aside. So far as can be ascertained, it has not yet been accorded a strong priority in any of the development programs currently underway in the Americas. Thus, the major connection between demographic growth and Latin American labor as a whole remains, so far as concerns its relevance for actual policy implementation, not much beyond where it was when the Alliance for Progress first set out, at least ostensibly, to bring a larger share in economic growth to the working class population of the area. Considering the magnitude of the problem --an estimated 70-percent increase in the Latin American labor force between 1960 and 1980, including a 78-percent increase in the number of women workers and an 80-percent increase in the number of younger, inexperienced workers***-- there is little reason to feel optimistic that the somewhat desultory attention directed to the question thus far will constitute a satisfactory response for the future.

*"Informe Final de la Primera Reunión del Comité Técnico Permanente Sobre Asuntos Laborales," Washington, D. C.: September 26-28, 1966 (UP/Ser.H/V/COTPAL/I/17, September 29, 1966).

**"Final Report, Second Meeting of Permanent Technical Committee on Labor Matters," Viña del Mar, Chile, June 12-14, 1967 (UP/Ser.H/V/COTPAL/II/20, July 27, 1967).

***International Labour Organisation, M manpower Planning and Employment Policy in Economic Development, Eighth Conference of American States Members of the International Labour Organisation, Ottawa, September 1966, pp. 35-36.

The Employment Impact of Certain Current Policies

While it might be argued that the efforts being made to promote general economic expansion in the hemisphere contain the ultimate resolution of the employment problem, a closer examination of both the general design of development policy and the particular policy instruments which have been used to promote economic growth leads to doubts that a satisfactory relationship between growth of GNP and growth of employment will be obtained automatically.

For one thing, industrialization along import-substitution lines has played a fairly central role in the overall development strategies of many of the larger Latin American countries, and while industrialization was especially rapid in the 1940's and 1950's, there has been a distinct change in the character of industrial development (at least in the relatively more advanced countries) since the late 1950's. In the earlier periods of industrialization, the growth of manufacturing activity was concentrated in such fields as textiles, food and beverages, and other nondurable consumer goods (as well as simpler sorts of durable consumer goods), many of which were, relatively speaking, labor-intensive types of operations. Consequently, as these industries were established and expanded, their growth created jobs for a considerable number of workers, while the income of these workers, in turn, helped to expand the markets for the kinds of simpler consumer goods these industries were producing. To the extent that these types of goods were widely consumed, particularly among the lower-income groups of the population, the rise in the associated marketing or distribution activity also opened up new employment opportunities in the labor-intensive tertiary sector.

By the mid-Fifties, however, the major dynamism had gone out of these fields, and the never industrialization shifted into such activities as the

Journal of Latin American Economic Development, vol. X, no. 2 (October 1958), pp. 163-167.

production of more elaborate consumer durable goods and basic industrial goods. While it is this latter part of the industrial sector which in recent years has exhibited the most dynamism, its growth has very different implications for the employment situation. To be sure, labor productivity tends to be relatively high (if, partially, artificially so) in these newer fields, and wage levels are correspondingly higher. Yet, for the most part, they are much more capital-intensive than the earlier types of industries, so that their establishment and subsequent expansion have not increased the employment opportunities in manufacturing at anything like the rate which prevailed up to, say, the mid-Fifties. Serving much more limited markets, relatively speaking, the new industries' effect on associated expansion in tertiary-sector employment has probably been less as well. At the same time, the kinds of jobs the new industries have provided have skill requirements far higher than those which many of the new entrants into the urban labor market possess. Since, moreover, many of these newer industries cater to a higher-income clientele, which is augmented only slightly by the employment generated in the industries themselves, they contribute relatively less than did the earlier industrial growth to a general broadening of the national market. For a number of reasons, too, it may be supposed that many of these newer industries will reach the limits of their rapid growth stage much sooner than did the older industries, so that it would be misleading to expect the new wave of industrialization to provide much of an answer to the employment problem over the years ahead.* Indeed, to the extent that regional economic

*For two articles examining this development, see "The Growth and Decline of Import Substitution in Brazil," Economic Bulletin for Latin America, Vol. IX, No. 1 (March 1964), pp. 1-60; and "Structural Changes in Employment Within the Context of Latin America's Economic Development," Economic Bulletin for Latin America, Vol. X, No. 2 (October 1965), pp. 163-187.

integration should accelerate the process of technological modernization in the older, and hitherto protected, industries, it is conceivable that increased technological unemployment might result in the same period.

A second macrostructural feature of contemporary Latin America which raises problems for the employment level stems from the widespread relative neglect of the agricultural sector. In this case the failure to introduce meaningful institutional and other reforms has apparently been a factor in driving people out of the depressed rural regions into the cities, where they arrive with few skills of the sort which would facilitate their absorption into the urban employment structure. At least a portion of these migrants might well have found productive employment in the countryside had public investment been geared, along Nurksian lines, to transforming rural labor into rural capital, in other words, into raising the production possibilities of the agricultural sector by labor-intensive construction projects to build dams, irrigation and drainage systems, farm-to-market roads, rural schools, erosion control schemes, land-clearing schemes, and the like--some of which projects would also have served to increase the supply of cooperant land factors. At the same time, the institutionally-conditioned distribution of rural income has tended to inhibit the growth of national markets (in the more modest-income segments of those markets) for the kinds of manufactures and services which have generated many of the new jobs in the past several decades (thereby restricting the labor-absorptive capacity of the urban sector), while the neglect of agricultural productivity has apparently been a factor in raising food prices in urban markets, producing a consequent upward pressure on industrial sector wages and encouraging employers to respond by replacing men with machinery in an effort to cut the wage bill.

Unfortunately, now that relatively more thought is at last being given to programs for agricultural development, some of the new ideas under consideration seem to offer scant promise of relieving unemployment--particularly those which aim at replicating the large-scale, capital-intensive, corporate style of agriculture practiced in the United States. While this latter approach to agricultural modernization might conceivably be more compatible with the existing land tenure system, at least so far as concerns the large holdings, it is doubtful that it will be politically and socially tolerable or, indeed, really very economic if all social costs were taken into account. More difficult, institutionally speaking, but in the long run probably more feasible even from an economic point of view would seem to be an alternative route of rural modernization patterned somewhat after the Japanese experience, one in which a more progressive, labor-intensive type of agricultural technique would serve both to raise rural productivity and to enhance the employment opportunities of the rural sector.*

A third problem at the macroeconomic policy level, one suggested by the above reference to Murkse's concept of capital formation, relates to the general failure to institute the kinds of fiscal reforms which would enable the Latin American governments to accelerate public or social investment programs without recourse to inflationary techniques of finance. Any curtailment of the existing levels of conspicuous consumption (with their usual high import component) would probably be justifiable from the standpoint of releasing

*A provocative discussion of the possibilities of this approach (with reference to India) is found in Morton Paglin, "'Surplus' Agricultural Labor and Development: Facts and Theories," American Economic Review, Vol. LV, No. 4 (September 1965), pp. 815-834.

resources for more productive alternative uses (such as employment-creating outlays), just as a reduction of the possibilities for capital exportation currently enjoyed by the moneyed classes might be desirable on the grounds of fostering greater domestic capital formation. But from an employment perspective, there are even additional values. To the degree that social investment programs redistribute income downwards, they tend to broaden the home market for the kinds of items in which Latin American manufacturing industries have accumulated some production competence already, thereby renewing the dynamism of the industries which formerly played such an important role in adding to the supply of jobs. Beyond this, however, it is clear that a public investment program of the sort which is needed to meet the most pressing economic and social needs of the day in most countries would involve a considerable emphasis on construction activity (the building of roads and highways, education and health centers, popular housing, urban water systems, and so on), in which, it appears, there are considerable possibilities for utilizing labor-intensive production techniques effectively to absorb larger numbers of unskilled and semiskilled workers into the employment structure.*

*There are, of course, still other developmental values to such a program, among them the ability of the construction industry to draw upon resources which are largely internally available, the external economies generated by infrastructure, the use of construction employment to "prepare" workers for industrial employment in terms of skills and discipline, and the probable usefulness of popular housing as an "incentive good." Further, by expanding and modernizing the educational system, governments could do much to increase the supply of trained workers to industrial and other employers. The failure to do much along this line in the past has forced employers either to assume the additional expense of training their workers on the job (with consequent higher costs of production, higher prices, and narrower markets) or to seek to overcome the skills bottleneck by replacing labor with automated processes of production.

At the microeconomic level of decision-making, one can also identify a number of policies which seem not to be appropriate to a context in which employment objectives should loom large. For example, in most Latin American countries the labor and social legislation is such that "the incidence of fringe benefits on the total labor cost in industry is high in relation to straight hourly wages (as much as 50 per cent or more, in some instances)," as a result of which employers "tend to favor the payment of overtime rather than the recruitment of new workers for whom they would have to pay all the fringe benefits."* For that matter, the fringe benefit costs are as high as they are because of the prevailing Latin American practice of financing social programs by what are, in effect, taxes on payrolls rather than through taxes on net business income.** While such practices may conceivably be justified on the grounds that employers might directly provide social services where needed more efficiently than could the public administrative apparatus, it is obvious that the policy of tying the tax obligation to the size of the wage bill rather than to net income tends to increase, artificially, the supply price of labor while leaving the supply price of capital unaffected. To this extent, therefore, the existing labor and social legislation tends to bias business decisions against the employment of labor factors and to favor their replacement by capital.

*See p. 2 of the previously cited document, "The Formulation of Labor Policy for National Development." The same legislation also tends to impair labor mobility, resulting in the "overcommitment" of workers to particular jobs or firms.

**A typical example of this may be taken from the Peruvian case in which employers assume responsibility for maternity benefits for female workers and must provide free elementary schools for the children of workers when the workers' families live adjacent to the establishment and when the school-age dependents of the workers number more than thirty.

Additional distortion of business decisions regarding the factor mix, again in a direction unfavorable to the employment of labor, has been fairly common as a result of still other prevalent policies. Very often, for instance, internal inflation (reflected, among other things, in money wages) has coexisted with fixed exchange rates and, from an international point of view, overvalued currencies. Since much of the capital equipment used in Latin American industry is imported, the effect of this foreign exchange policy has generally been to cheapen the supply price of (imported) capital inputs at the very time that labor costs were rising. While this alone would tend to encourage the displacement of labor by capital, the effects have on many occasions been accentuated even more when, under multiple exchange rate systems, preferentially low (and, in effect, subsidized) rates have been given for the importation of machinery and equipment.

To be sure, the aforementioned practice of favoring the importation of capital items through preferential rates for the purchase of foreign exchange has been pursued with the intention of stimulating industrial growth rather than reducing employment, but, given our interest in the employment question, it should be noted that the same antiemployment side effects may also inhere in a number of the other industrial promotion techniques common to the area. Here and there, for example, tax reduction inducements designed to encourage new investment seem to be based largely, or even entirely, on new investments in fixed capital rather than on new investments in fixed and working capital combined, the latter of which includes the wages bill. In the same manner, the low-interest-rate loans frequently offered by development banks to new industries as a technique of subsidizing their inception are, more often than not, extended for the purchase of capital equipment and/or the construction of

physical plant; much less frequently is this special low-cost credit made available for working capital purposes such as the financing of payrolls.

In both cases--the tax inducements and the development loans--the manner in which the investment incentive is provided tends not only to raise the inducement to invest but also to influence the investment choice regarding factor proportions in a direction prejudicial to the employment of the labor factors of production.

Conclusion

The foregoing is intended to be a suggestive rather than exhaustive listing of the employment aspects of contemporary development policy in Latin America.* The fact that employment policy, as such, has been so evidently peripheral to most of Latin American policy-making and that, even when it has been mentioned, it has not entailed a systematic examination of the employment consequences of the policies actually being pursued, a number of which are of questionable value in this regard, suggests that serious efforts to moderate the impact of population growth on the working-class population lie almost entirely in the future. Furthermore, little in recent experience would support the view that the existing framework of policy formation in Latin America is adequate to the task. For reasons which lie beyond the scope of this paper, the most salient feature of the policy-making machinery which has functioned

*Yet another illustration of a policy field deserving analysis in this connection would be the treatment of the export sector. On occasion, the discriminatory tax treatment of export activities (either directly or indirectly, as through the manipulation of foreign exchange rates) may have discouraged the expansion of output and employment in fields in which the comparative international advantage has depended, in part, upon extensive use of labor factors, though this is more likely to have been the case in agricultural exports than in mineral exports.

in the period under review has been, in plain terms, its rather consistent capacity to dodge the issue, or, perhaps, to bury it amid a preoccupation with other matters.

David G. ...

There are several established expectations as to the demographic transition in currently developing countries which seem to be corroborated by recent evidence from Peru. In this respect it is assumed, and in some cases it can be demonstrated, that Peru's experience is similar to the majority of other Latin American countries except for Uruguay, Argentina, and Cuba. (There was chosen as the focus for this study because its demographic situation has received far more attention than that of any of the other "Latin" American countries--and because a sample of female factory workers is available, permitting further investigation of the relationship between female employment and fertility.)

The first of these expectations is that the population explosion will not free an increase in birth rates, which were initially high and presumably "spontaneous," but face a decrease in death rates which could be manipulated externally and with relatively little local resistance. Growth then would occur from the resulting natural increase and would continue until the birth rate fell to the same level as the death rate.

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