REPORT VII

International Labour Conference

TWENTY-SIXTH SESSION

Director's Report

Seventh Item on the Agenda

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INTRODUCTION

The last Director's Report was prepared for the Conference of the International Labour Organisation which met in New York on 27 October 1941 and held its closing session at the White House, Washington, on 6 November.

After reviewing the general background of events since the Twenty-fifth Session of the Conference met in Geneva in June 1939, it concluded with a section discussing the future policy of the I.L.O. and making certain suggestions as to its place in the general work of reconstruction which would have to be faced at the end of the war.

This 1941 meeting, although it brought together 211 delegates and advisers from 35 Members of the International Labour Organisation, was not constitutionally a regular session of the International Labour Conference. It thus had no powers to adopt, under the Constitution, Recommendations and Conventions, nor could the members of its three constituent groups take the necessary decisions concerning their representation on the Governing Body. It was, however, an official meeting of duly accredited delegations from Members of the Organisation and it could speak with authority in assessing the work performed since the 1939 ordinary Session of the Conference and in indicating the role which it believed the Organisation should play when the war came to an end and the nature of the tasks which should be assigned to it.

Now, two and a half years later, delegations from Members of the International Labour Organisation are to meet again in Conference, this time in regular session. It is therefore appropriate that the usual Director's Report should be in the hands of delegates so that they may undertake that review of the Organisation's activities since their last meeting which is a traditional feature of each regular meeting of the Conference. The International Labour Conference has frequently been described as an international parliament and it has certainly two striking resemblances to a parliament in that at a normal session it discusses in considerable detail quasi-legislative texts which, when adopted, constitute a further contribution to the code of international labour legislation, and that it also engages in a general debate on social policy and thereby fixes the general tendency and orientation of the future work of the Organisation. This general debate takes
place on the Director's Report, which attempts to summarise for the benefit of delegates the outstanding social and economic developments which have taken place since their last meeting and at the same time gives them some account of the work of the I.L.O. itself since the previous Conference.

The present Report need not, however, attempt to cover so wide a ground as that submitted to the New York Conference in 1941. The forthcoming meeting of the Conference has an Agenda of an unusual and indeed of an unprecedented character. In addition to three Items, technical in nature though of outstanding importance at the present time, relating to the Organisation of Employment in the Transition from War to Peace, Social Security, and Minimum Standards of Social Policy for Dependent Territories, its Agenda includes two general questions which between them cover all those major questions of policy which would normally be dealt with in the Director's Report. On these two Items, namely, the Future Policy, Programme and Status of the International Labour Organisation, and Recommendations to the United Nations for Present and Post-War Social Policy, special Reports have been drawn up and are already in the hands of delegates. These Reports not only discuss in considerable detail the subjects to which they relate, but contain draft resolutions or other texts which it is suggested the Conference should take as the basis of its discussions with a view to arriving at concrete conclusions. The Report on the former of these two Items, namely, that relating to the future of the International Labour Organisation, is indeed the direct sequel to the Director's Report prepared for the New York-Washington meeting in 1941 and of the discussions and resolutions to which that Report gave rise. Much of the content and many of the proposals in the Report on the second of the two Items just referred to also derive from the New York-Washington discussions but less directly than the Report just mentioned for the reason that they attempt to indicate in detail how the main principles unanimously approved by the New York-Washington Conference can find effective application in different ways and degrees in connection with the whole series of decisions which have since been taken or envisaged by the United Nations in the field of international organisation.

Since the Conference will thus be fully documented for a discussion both of the future policy of the I.L.O. and of social and economic policy in general, the present Report may be confined to sketching briefly a few of the major developments in the economic and social field which have taken place during the last thirty months and giving some account of the activities of the Organisation itself during that period.
INTRODUCTION

It will, however, be useful before attempting this short economic and social survey to recall in the briefest possible fashion the main political events in the period under review. They are of course known to all. But as the great conflict goes through its phases on all the continents and all the oceans the throng of events is such that it sometimes becomes difficult to remember their exact sequence and to recall, at a distance of many months, the background against which the possibilities of one or other course of action had to be weighed.

At the time of the New York-Washington Conference the conflict which then raged and the destruction which had followed in its train was so unprecedented in extension and in severity that to many any wider calamity seemed inconceivable. The Director's Report, however, indicated that the situation in the Pacific had become acute and that the conflict might well spread further still. That forecast proved accurate. Only four weeks after the Conference had closed the Japanese struck simultaneously at Pearl Harbour, Manila, Hong Kong and the other principal outposts of the United States and the British Commonwealth in the Pacific. And with that treacherous attack, the last large area of precarious peace disappeared from the globe. Within three days the United States, Great Britain, Canada and the Netherlands had declared war on Japan; China had declared war on Germany, Italy and Japan, and Germany and Italy had declared war on the United States, and the great alignment of the contending nations had been practically completed.

Since 11 December 1941 the changing fortunes of war have dominated the whole life of the world, and necessarily also the work of the International Labour Organisation. The disaster at Pearl Harbour was but the prelude to a series of disasters to the cause of the United Nations. The Japanese swept victoriously through the Pacific and southeastern Asia, and their military victories brought them control of sources of raw materials of vital import. On 15 February 1942 Singapore fell and the Japanese, who had already engulfed Indo-China, Thailand, Malaya, Hong Kong and the Philippines, swept forward over the Netherlands Indies and Burma and established themselves in New Guinea, in the Solomon Islands and in the Bay of Bengal. Australia and India were in deadly peril of invasion. Disaster was likewise encountered in North Africa. On 21 May came the shattering news of the fall of Tobruk, and by 1 July Rommel had reached and crossed the frontiers of Egypt. Meanwhile, the German armed forces had broken the stubborn Russian defence and on 29 October 1942 Hitler's legions had reached Nalchik in the foothills of the Caucasus, rich in oil resources and the gateway to the strategic crossroads of three continents. These months of the late
summer and early autumn were indeed dark and discouraging. As Mr. Churchill said in the House of Commons on 2 July 1942 when he described the then military situation: “If there are any ... who feel able to paint the picture in darker colours they are certainly at liberty to do so.”

Nevertheless, the forces of the United Nations were being forged into unity and were gathering strength. While the situation in North Africa was at its most critical stage and while the German advance towards the Caucasus still continued, the United States Navy won its first great victories in the Coral Sea and at Midway and the tide began to turn in the South Pacific. At Stalingrad the Russians had held the Germans at bay since 22 August and won imperishable renown for Russian arms; at El Alamein on 23 October the armies of the British Commonwealth launched the offensive which routed the Africa Corps and started their third and final advance across the Western Desert; on 8 November the forces of the United Nations landed in North Africa and the way was prepared for the re-entry of substantial French forces into the struggle.

These weeks towards the end of October and the beginning of November marked a vital turning point. They were the result of long months of military preparations, but while these military preparations were going on, almost equally important progress had been made in securing closer political unity between the principal members of the United Nations. As early as January 1942 the United States, the United Kingdom, the Union of Soviet Socialist Republics and China had subscribed to the Declaration of the United Nations and pledged themselves to employ their full resources, military or economic, against those members of the Axis with which they were at war and not to make a separate armistice or peace. At Rio de Janeiro in the same month the Governments of the American Republics resolved to break off diplomatic relations with Japan, Germany and Italy and to act in co-operation for their mutual protection. On 26 May the United Kingdom and the Union of Soviet Socialist Republics signed a treaty of alliance and mutual co-operation valid for twenty years. Visits by Mr. Molotoff to Washington in May and by Mr. Winston Churchill to Moscow enabled personal contacts to be made of high political importance. And in January 1943 President Roosevelt and Mr. Churchill met in Casablanca on newly-liberated territory and called for the unconditional surrender of Germany, Italy and Japan.

Meanwhile, despite delays and disappointments a succession of military successes continued to alter the picture in favour of the United Nations. In January 1943 the greater part of a large German
army surrendered at Stalingrad: by May, Montgomery's victorious army had joined forces with British and American troops in Tunisia and, aided by an important French contingent, took Tunis and Bizerte: on 10 July forces of the United Nations landed in Sicily, and on the twenty-fifth of that month Mussolini fell from power: on 3 September forces of the United Nations invaded Italy: Italy signed an armistice, and on 13 October Italy declared war on Germany. The victorious Russian advance continued, and in September the Russians retook Smolensk and, a few days later, Kiev. On 30 October, Mr. Hull and Mr. Eden met with the Russian Foreign Minister in Moscow and signed the Moscow Declaration "recognising the necessity of ensuring a rapid and orderly transition from war to peace and of establishing and maintaining international peace and security with the least diversion of the world's human and economic resources for armaments", and pledging the continuation of united action for the organisation and maintenance of peace and security, and affirming "the necessity of establishing at the earliest practicable date a general international organisation, based on the principle of the sovereign equality of all peace-loving States, and open to membership by all such States, large and small, for the maintenance of international peace and security".

In December, President Roosevelt, Generalissimo Chiang Kai-shek and Mr. Churchill met in Cairo, and in the same month President Roosevelt, Prime Minister Churchill and Marshal Stalin at their meeting in Teheran expressed the common determination of the United States of America, of Great Britain and of the Soviet Union to work together in the war and in making "a peace which will command goodwill from the overwhelming masses of the peoples of the world and banish the scourge and terror of war for many generations".

The successes of the forces of the United Nations during recent weeks are fresh in all minds. The Russians have continued their victorious advance from Leningrad in the extreme north, have occupied Odessa in the south, and are driving the German forces out of the Crimea. United States forces have attacked Truk and Palau, driving right into the heart of the whole Japanese network of control over the Pacific. The aerial offensive against the German fortress in Europe has been growing in intensity and the whole world now waits in tense expectancy for the unfolding of the decisive act of history's greatest drama.
CHAPTER I

THE ECONOMIC BACKGROUND

WAR PRODUCTION AND INDUSTRIAL DEVELOPMENT

The economic developments of the past two and a half years have been dominated by the rapid and steady expansion in the war production of the United Nations. Prior to the attack on Pearl Harbour neither the United States nor the United Kingdom had developed a productive organisation sufficiently centralised to provide the over-all guidance needed to maximise the war effort and yet flexible enough to meet the changing requirements of the military authorities. This lack was, however, remedied in both countries in the early months of 1942. In the United Kingdom the creation of the Ministry of Production provided a central agency responsible for organising maximum production for war purposes; and in the United States the establishment of the War Production Board marked the end of a stage in which the chief civilian war agency had exercised merely advisory functions and gave it full power to formulate general policies and issue directions. Thus by gradual development the two most highly industrialised of the United Nations succeeded in evolving productive organisations that have surpassed in efficiency the highly centralised totalitarian models.

A characteristic feature of British war production methods has been the concentration of industries which produce for civilian consumption.\textsuperscript{1} The object of this procedure has not been to curtail the production of consumers' goods, for that was accomplished by controlled allocation of raw materials, but to concentrate their production into the smallest number of plants in order to release the greatest possible volume of manpower, machinery and factory space. A subsidiary but not unimportant object was to preserve as much as possible of the peacetime structure of industry in order to enable concentrated industries to revert as far as possible after the war to their pre-war status, or at least to normally competitive conditions. As a result of concentration procedures some 250,000 workers have been

\textsuperscript{1} Cf. Concentration of Production (London, H.M. Stationery Office, 1941, Cmno. 6258).
released for war work, or about one fifth of the total normally employed in the concentrated industries. In addition, many plants affected by concentration orders were converted wholly or in part to war work. In the United States, on the other hand, conversion to war production was generally accomplished by dealing with industries rather than with individual firms. Thus, the automobile industry was not converted to making a single category of war material but to a consistent production programme designed to utilise to the best effect the resources of each of the industry's component parts. The concentration technique was applied only in isolated instances, then quickly discarded. It has been notably absent also in the case of Canada, Australia and the other United Nations.

The effect on war production when "the New World, with all its power and might, steps forth to the rescue and liberation of the old" was foreshadowed by President Roosevelt's first Report to the Nation after the attack on Pearl Harbour. United States output for the calendar years 1942 and 1943 was estimated at 60,000 and 125,000 aircraft; 45,000 and 75,000 tanks; 20,000 and 35,000 anti-aircraft guns; 8 million and 10 million tons of merchant shipping, and so on. The changing needs of war have altered some of the proposed schedules, but in most cases the initial aims have been met or surpassed. Where output measured in units failed to meet the original specifications it was usually because improved or larger models were being produced and the tonnage of output was almost invariably in excess of the early calculations. In addition, by the end of 1943 the United States had virtually completed its war facilities construction programme, of which the Government financed $14.5 billion and private industry $4.5 billion. The most striking gains were made in the construction of plants to produce raw materials, which had earlier tended to lag disastrously behind the expansion of fabricating facilities.

In Canada also, production of war supplies has assumed remarkable proportions. The programme as a whole was integrated with the war production programmes of the United States and Great Britain, Canadian manufacturing output being concentrated largely on British types of offensive weapons, and her raw material production being geared closely to the requirements of United States industry. The expansion in manufacturing has been even greater, relatively, than in the United States: the establishment of a great war industry in Canada involved, indeed, almost an industrial revolution. Employment in manufacturing as a whole more than doubled from 1939 to

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1943. The expansion in non-ferrous metal production, which includes manufactured and semi-manufactured products of aluminium, copper and zinc as well as the primary operations of smelting and refining, and that in iron and steel production were both between three- and four-fold; and that in chemicals and chemical products was more than five-fold at the beginning of 1943, though cut-backs in certain forms of explosives and ammunition brought the employment index down to 425 in the latter part of 1943 as compared to a little over 100 at the outbreak of the war.\(^1\) A point of significance for the post-war period is that in the process output of a number of items, including certain special steel products, many industrial components and some machine tools, has been expanded to levels which will render unnecessary the volume of imports formerly taken in these lines: the structure of Canadian international trade will thus be permanently affected.

In contrast to the steady development of productive organisation and techniques in the United Nations, German production has gone through at least three distinct phases in response to varying degrees of pressure or of opportunity, and its total volume appears now to be contracting. Prior to the fall of France strenuous efforts were made to achieve self-sufficiency in at least steel, oil, non-ferrous metals, rubber and textiles, while large supplies were available from eastern and southeastern Europe. For about two years from the middle of 1940 an attempt was made to expand the material basis of the German war economy by integrating German industries with those in western Europe. This development gave a certain amount of flexibility to the totalitarian system, but the scheme broke down because the wholesale requisitioning of stocks and materials from the occupied countries destroyed the basis for an effective European war economy. The result has been a grossly inadequate over-all supply situation in the occupied countries, and the disappearance of many types of civilian goods in Germany itself. The third phase began about the middle of 1942 and has been characterised by the greatest possible concentration of Europe's industrial resources and manpower inside Greater Germany, Czechoslovakia and western Poland and, within this area, by concentration of production wherever possible in the largest and most efficient plants available. One result of these developments has been considerable inflexibility of industrial organisation and output.

The German drive for self-sufficiency on a long-term basis capable of providing an adequate standard of living has broken down through the failure to extend the area of conquered land and resources. In

the first two and one half years of war self-sufficiency in agriculture seems to have been reasonably well achieved. Imports of high quality foods were reduced to a minimum and the production of staple foods maximised, though at high real costs; even before the war German agriculture had been highly intensive in character. Output has not, however, been maintained at all times, because of vagaries in the weather, and there have been progressively severe reductions in the use of fertilisers, requisitions of draught animals, and rationing of both farm implements and the fuel for them. But German agriculture appears to be saturated with manpower in the form of war prisoners, many of whom, however, are not particularly productive. If farmers had been able to concentrate on food supply the situation might have been manageable, but industrial and technical demands on farm output have grown out of all proportion to any possible increases in production. Moreover, the Russian campaigns have ruined plans to increase the productivity of agriculture in southeastern Europe. The Germans are thus forced to live on what they can obtain from their own production and from still further reductions in the living standards of conquered and satellite countries. Current agricultural production, which is below the 1936-39 level, is maintained only by increased bonuses or equalisation funds; relatively equal distribution of food supplies is secured by rationing the peasants more severely; and lower quality foodstuffs form an increasing proportion of German diets.

Factory production also appears to be declining. The Russian offensives have destroyed the concept of a dual-purpose army, for soldiers cannot now be returned to the factories during the winter. Factory workers are scarce, for the majority of imported workers and prisoners are on the land. Inability to increase coal, iron and steel output is having consequences which are felt throughout the whole field of industrial production. On the other hand, light metal alloys and plastics have proved to be good substitutes for various non-ferrous metals and steel, and rationalised techniques and industrial concentration have proved successful in saving much manpower. Replacement of plant and machinery, however, are not keeping pace with loss through wear and tear and bomb destruction and the strain of transport facilities appears to have rendered impossible any such large-scale transfer of factories beyond current bombing ranges as was carried out in Russia; many new factories have, however, been built in the eastern industrial regions. The organisation of production has become increasingly centralised and complicated. Factory managers are no longer left free to find the best methods of production within the limitations imposed by restrictions on the use of scarce
materials. Both the types of materials and the methods of production to be used are stipulated by central planning agencies, and when difficulties arise, special staffs of engineers and key workers are used to set matters right, and to take over whole factories if need be. These methods are confined chiefly to manufacturing, however, and older forms of less centralised control persist in other lines of economic activity.

Marked shifts have taken place in production in the neutral European countries as a result of blockade restrictions and the varying needs of the German war economy.\(^1\) The lack of imported fodder and foodstuffs has led to widespread livestock slaughter, concentration of agriculture on the output of basic foods, and severe rationing.\(^2\) Shortages of imported raw materials have stimulated the production of substitutes, the higher cost or different properties of which, however, have forced curtailment or readjustment of operations in many manufacturing industries. The production of substitutes is, moreover, severely limited by general shortages of fuel and of manpower and though much ingenuity has been displayed in exploiting natural resources, in allocating available supplies to the most essential uses and in reorganising industries and methods of production, the wartime interruptions in normal trade, together with the diversion of a substantial proportion of manpower and production to defence, have inevitably been reflected in lowered standards of living. Turkey, though able to maintain closer economic relations with the United Nations than some of the western European neutrals, has also suffered from shortages of imported supplies. Industrial and agricultural output have, however, been well maintained and the Government has proceeded with the programme of industrial development begun in 1934. Turkey has also benefited from the improvement in foreign rail communications represented by the bridging of the gap in the Istanbul-Cairo railway.

The same interruptions in the normal currents of world trade which have forced European countries to develop substitute manufactures and to seek self-sufficiency in agriculture have stimulated industrialisation in other parts of the world. In many Latin American countries, for example, secondary industry, relieved of competition from overseas sources of supply, is undergoing a remarkable expansion. As usual in new industrial development the textile industries have been in the vanguard. The output of strategic raw materials has also

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\(^1\) See, for example, *Sweden: A Wartime Survey*, edited and published in Sweden with the assistance of public authorities (New York, American-Swedish News Exchange, Inc., 1943).  
been expanded, with the aid of capital imports from the United States; and in anticipation of reduced foreign demand in peacetime plans are being made in some cases—notably for rubber in Brazil—to develop domestic manufacturing industries to process the materials in question. Of special significance for the long term is the development, notably in Brazil and Mexico, of relatively large-scale heavy industry. The big steel plant which is being constructed at Volta Redonda in Brazil, with the aid of a credit of $45 million from the United States Export-Import Bank, is expected to be in operation by the end of this year and to produce at full capacity some 300,000 tons of steel and 50,000 tons of pig iron a year. Besides supplying a large part of Brazil’s needs for certain metal products it will aid in developing existing small industries and provide the basis for the manufacture of machinery and tools which in the past have been a major import.

A notable feature of the development taking place in several of the Latin American countries is the fact that it forms part of a carefully planned long-range programme. This is the case particularly in Bolivia, Chile, Ecuador and Haiti where special Development Corporations with extensive powers and substantial funds have taken an active part in promoting industrial development. Thus in Chile the Corporation for the Development of Production, set up in 1939, has allocated substantial sums for the development of metal mining, including, for example, the construction of a copper and gold smelting plant with an annual capacity of 140,000 tons; for the establishment or expansion of iron and steel, heavy chemical, wood, textile, food, coal and cement industries; for afforestation and the mechanisation of agriculture; and for the development of fuel and power production.1 In Argentina, Ecuador and Mexico, however, there exist national economic councils of commissions responsible for drawing up plans for economic development and advising the Governments on related matters; and in all of the Latin American countries there are unofficial development commissions which study the possibilities of developing industries and natural resources and exchange information and co-operate in other ways through the Inter-American Development Commission which has its headquarters in Washington.

In China, India, Australia, New Zealand and South Africa the stimulus to industrialisation given by the cutting-off of normal sources of supply has been reinforced by the need to manufacture war material locally wherever possible in order both to economise on shipping and to supplement the output of the great industrial coun-

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1 *Mensaje de S. E. el Presidente de la República de Chile, 21 May 1943 (Santiago de Chile, 1943).*
tries. The result has been a remarkable growth in both heavy and light industry. In China the process of development has, of course, been subject to special handicaps, due to the presence of invading armies and the interruption of communications with allied countries. Shortages of critical raw materials and supplies, including in particular those needed to maintain the inland transport system, have imposed severe limitations; but in spite of all these difficulties the volume of industrial production increased three-fold from 1938 to 1942.\(^1\) In India by mid-1943 iron and steel production had risen to a level one fourth higher than in 1939 and the capacity of the industry was being further expanded; textile production had risen rather more; and new industries had been established in the fields of non-ferrous metals, drugs, chemicals and miscellaneous stores. In South Africa the greatest expansion has been in engineering; and there has been a notable growth also in the food-processing, chemical, textile and leather industries. In Australia modern industrial plants have been established to manufacture all types of industrial products, including munitions ranging from small-arms to two-engined bombers and 10,000-ton merchant ships. Even in New Zealand, whose industrial development has always been limited by the smallness of the local market, wartime needs have led to the manufacture of scores of new products and the introduction in certain cases of mass production methods; and despite a heavy withdrawal of manpower for the armed forces and an increase in farm production the total output of manufacturing industries has shown a marked increase.\(^2\)

In Asia the “Co-Prosperity Sphere” under Japanese control has been steadily oriented towards a greater degree of self-sufficiency. Japan cannot absorb the raw material surpluses of southeastern Asia that formerly reached world markets, nor can she supply the food and manufactured goods that the countries in this area require. The plans at present being applied are accordingly designed to make each of the countries concerned independent of food imports within ten years by increasing the cultivation of staples and reducing the area in special products. Mining, except for gold, is being actively expanded, and the long-run plans adopted apparently call for a concentration on agricultural development in the various overseas countries under Japanese domination, though in the interest of the con-

\(^1\) The 1942 index numbers of industrial production in China (base 1938 = 100) were 272 for consumers’ goods, 659 for producers’ goods, 120 for export goods and 302 for all types taken together. Cf. *International Labour Review*, Vol. XLVIII, No. 6, Dec. 1943, p. 750; and see also General Ho Yao-tsu: “Chinese Economic Policy in Wartime”, in *idem*, Vol. XLVII, No. 5, May 1943.

\(^2\) Cf. Walter Nash: *New Zealand: A Working Democracy* (New York, Duell, Sloan and Pearce, 1943), Chapter 7, and Annual Reports of the New Zealand Department of Industries and Commerce.
queror certain types of manufacturing are being temporarily expanded. Thus, some 10,000 cotton spindles have been transferred from closed-down plants in Japan to the Philippines and other industries have been started there. Further developments along these lines, with Japan itself retaining the position of chief supplier of heavy industry products, would transform southeastern Asia into a unit more or less independent of the rest of the world; and it is evident that the longer Japanese domination in this area continues and the further these changes in the pattern of international specialisation are carried, the more difficult it will be after the war to reintegrate the countries concerned into the world economy on anything like the pre-war basis.

Throughout a large part of the world agricultural production during the war has been handicapped by shortages of labour, machinery and fertilisers. Shipping shortages of varying severity have interfered with the transport and marketing of farm produce and, combined with changing military requirements, have necessitated far-reaching and difficult shifts in production. Shipping shortages too have accentuated the consequences of local crop failures such as those which occurred in India during the past year and led to actual famine in certain areas. In general, however, farm production outside Europe has been well maintained, though in many cases, notably in North America, this has been due to a run of exceptionally good seasons.\(^1\) Since a continuance of favourable weather cannot be counted on, and since acute food shortages have developed in North Africa, Sicily, southern Italy and the rewon territories of Russia and may be expected in other liberated areas, a world food shortage is a real danger for the years immediately ahead. For this reason, and because of the difficult problems of readjustment which will be raised by the reopening of normal trade channels after the war, it is particularly appropriate that steps should have been taken during the past year to establish international organisations responsible for relief, rehabilitation and the long-run expansion of food production. An account of these steps will be given in a later section of this chapter.

The time is also approaching when the problems of readjustment involved in the conversion of manufacturing industry to peacetime production and to more normal patterns of international specialisation will have to be faced. As was indicated above, war plant construction in the United States is already well past its peak; and a similar stage is being reached in certain other war industries. An outstanding example is the machine tool industry. Peacetime output in this indus-

\(^1\) Cf. J. S. Davis: *Food as an Implement of War* (Palo Alto, Food Research Institute, Stanford University, Nov. 1943).
try in an average good year reached a value in the neighbourhood of $100 million. British orders in 1939 raised it to $200 million; with the beginning of the United States defence programme in 1940 production rose to $440 million, and in the next three years the figures were $775 million, $1,320 million and $1,200 million. Output in 1944, however, it has been estimated, will probably be under $500 million. Employment in the industry is consequently declining and some machine tool makers have converted a part of their facilities to subcontracting work for other industries. Despite the high levels of output in the first four years of the war high taxes and the arrangements in force for the renegotiation of contracts make it difficult for machine tool makers to build up reserves adequate to tide them over a period of low demand, or even enable them to convert to alternative lines of production. A sharp post-war decline in the demand for machine tools is, however, a probability, as a result both of the reduction in the average age of machine tools in use, due to wartime retooling, and of the fact that a substantial proportion of the machine tools in war plants can be converted to peacetime production. It is, however, possible that further improvements in design may make it worth while for manufacturers to replace the less efficient of their existing equipment; and the prospects of the machine tool industry will, of course, be speedily improved if new industries emerge or if a revival of international lending makes possible a large demand from other countries for machine tools for reconstruction and development.

In Canada and certain other United Nations, as in the United States, peak output has been reached in certain sectors of the war production programme. As this stage is passed and the output of certain types of supplies is reduced there will be set free resources not all of which can be directed to other war uses. To the continual adaptation of production schedules necessitated by the changing needs of the armed services there will consequently be added the task of reconverting to civilian production an increasing volume of resources no longer needed for the making of war material. The great complexity of this task is widely recognised and in several countries a beginning has been made with the advance planning and preparation which will be essential to its successful performance. In the United States, for example, a Report on War and Post-War Adjustment

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1 "One War Boom is Over", in Fortune, Mar. 1944, pp. 137 et seq.
2 Of the 1,750,000 machine tools at present in use in the United States, 700,000 were made in the past three years and it is estimated that at least 85 per cent. of the 700,000 can be easily put to production of peacetime goods and would suffice to equip United States factories until 1956 if no new models were devised (ibid., p. 240).
THE ECONOMIC BACKGROUND

Policies\(^1\) was prepared in February 1944 by the Office of War Mobilization; and various aspects of the same subject were discussed in the third annual report of the Senate Special Committee Investigating the National Defense Programme issued a few weeks later.\(^2\) And in the international field an illuminating analysis of the broader problems of the transition from war to peace economy has been made by the League of Nations Delegation on Economic Depressions.\(^3\)

INTERNATIONAL TRADE

International trade under war conditions calls for new and adaptable techniques, and the governments of all belligerent countries have entered to a greater or less extent into this field. In cases where trade is competitive with enemy governments or corporations it assumes political aspects, and only governmental agencies, or private corporations with governmental backing, can be expected to bid up prices above going market levels in order to deny supplies to the enemy. Even where trade is not directly an instrument of economic warfare governmental intervention to supplement private efforts may be required, for example, where subsidies are needed to buy up the surplus products of friendly countries that are severed from their normal markets. In addition, governmental assistance in the provision of materials priorities, cargo space or specially favourable insurance rates, may be essential to private trading activity. Finally, the mutual aid agreements concluded between the various United Nations have added a new chapter to governmental trade practice in war.

Thus the governments of democratic countries have been forced to take an active part in the conduct of international trade, although none has gone so far as to monopolise this field after the manner of the totalitarian States. In the United Kingdom, however, the Government transacts the bulk of overseas trade through the Ministries of Food and Supply and the administration of Lend-Lease transfers. In addition, the United Kingdom Commodity Corporation and its offshoots have supplanted numerous pre-war trading channels in much the same way as do the Metals Reserve Corporation in the United States, and the Sugar Administration of the Wartime Prices and Trade Board in Canada. The scope for the peacetime development of these types of governmental trading agency is considerable,

\(^1\) By Bernard M. Baruch and John M. Hancock, Advisory Unit for War and Post-War Adjustment Policies, Office of War Mobilization (Washington, 15 Feb. 1944).


even though it may be assumed that in democratic countries private enterprise will once more undertake the bulk of ordinary trade. Governmental trading agencies may, for example, be found convenient for conducting transactions with foreign state monopolies such as exist in Russia. They might serve, too, as agencies for absorbing temporary surpluses, or for building up stocks of foodstuffs and raw materials for strategic or other purposes.

Virtually all European trade relations now have the form that characterised trade between Germany and the Balkan countries before the war. Under German domination long-term agreements are based on clearing accounts and fixed exchange rates for the various currencies. Within this framework, trade is carried out on the basis of quotas which are fixed at yearly or half-yearly intervals. Changes in territorial and trade frontiers have served to obliterate the pre-war channels of trade; and both the composition and the direction of trade have been adapted to the needs of the German war economy and have been affected by the general replacement by substitute products of foodstuffs and raw materials formerly imported. Precise data are hard to obtain, but it would appear that international trade on the continent has been reduced to about 50 per cent. of the average of the two last pre-war years. The prime cause of this slump has been the reduction in German commodity exports since the beginning of the Russian war, but if German supply of war materials to satellite countries were to be included the volume of trade might approach pre-war levels.

Trade in Europe is now exclusively a function of government, although the execution of orders under the quota regulations is entrusted to private firms. Considerable difficulty is caused by the fluctuating prices and the state of incipient inflation in the occupied and satellite countries. The fixing of import and export prices has proved unsatisfactory, and has been supplemented by equalisation techniques, which consist in imposing levies on export products and using the funds so obtained to reduce import prices. At best, this method can be only temporarily successful, and could never take the place of efficient price control. Because Germany has a steady import surplus she is in debt to the other countries concerned to a large and rapidly growing extent on clearing accounts. In the western European countries the corresponding clearing credits have their counterpart in increased internal state debts incurred in the purchase of the goods sent to Germany. Some of the southeastern European countries, and particularly Hungary and Bulgaria, are allowed to use part of their clearing credits to reduce their long-term state debts held in Germany. There is, however, no sound long-term remedy for the
accumulation of German clearing debts as long as Germany's share of other continental countries' trade ranges from 60 to 80 per cent. of their exports, and Germany is unable to ship goods in exchange.

It would appear that the German authorities now tend to discriminate between clearing debts created in connection with the war, and those arising out of normal commercial transactions, with a view to repudiating the former on the ground that they really represent the occupied and satellite, and even neutral, countries' contributions to a common European war effort. Recently, moreover, neutral and even satellite countries have been increasingly reluctant to transfer goods to Germany against frozen clearing balances, or even payment in gold, and have tended to insist upon reciprocal shipments of German goods. The reluctance to accept gold will be intensified by the recent declaration of the major United Nations that they will refuse to accept looted gold from neutrals into whose possession it has come as a result of trade with Germany.

Since the beginning of the war, with the decline of European markets, the United States has concluded reciprocal trade treaties with most of the Latin American countries, and they in turn have signed numerous bilateral pacts among themselves. The bulk of the current trade of these countries is, however, with the United States, and only shipping difficulties have prevented an even greater growth in this direction. The monetary problems and adjustments of Latin American economies to greater inter-American trade have been measurably eased by the Lend-Lease technique and the operations of the United States Export-Import Bank and other agencies, which have financed public works projects and the expansion of both industrial and raw material production in several South American countries. In addition, United States trading agencies have purchased all available strategic materials, and have paid for foodstuffs, notably Brazilian coffee, in spite of the fact that transport difficulties prevent their shipment. The net result has been that South American countries as a whole have enjoyed a favourable balance of payments with the United States, and have thereby accumulated reserves of dollars and gold which will stand them in good stead for the purpose of post-war economic reconversion and expansion.

The supply problems of the Middle Eastern countries have been very largely solved by international collaboration through the medium of the Middle East Supply Centre, which is an outstanding example of successful co-operative machinery. Subordinate Joint Supply Committees work in close collaboration with the government of each country to formulate requirements for each half-year. The lists so drawn up are pooled at the Supply Centre and forwarded to London,
where the relevant ministries and agencies allot supplies and transport facilities for as much of the requirements as can be met. Only limited private trade is permitted, and bulky goods, as well as those subject to world-wide pooling schemes under the Allied Combined Boards, are handled by public agencies. In order to conserve shipping space, moreover, the Supply Centre has encouraged an expansion of food production in the Middle Eastern countries. For example, land has been shifted out of cotton and into food production in Egypt, and agricultural development, irrigation and flood control schemes have been promoted in Iran and Iraq. A number of secondary industries have been fostered, but these tend to be concentrated in Egypt and Palestine because capital and skilled labor are relatively more abundant there.

The Supply Centre bases its priorities upon proven needs, and is concerned to secure the maximum of exchange between the Middle Eastern countries themselves, in particular when deficiencies in one country can be offset by surpluses in another. The measure of its achievement is evidenced by the fact that since it began its operations there have been no serious food deficiencies in a region where shortages are chronic and famine frequently accompanies even local crop failures. This organisation should therefore prove valuable in the immediate post-war period when goods are still in short supply, and it could function usefully even when world production is fully restored. The Supply Centre could continue to pool governmental estimates of basic requirements, encourage the expansion of local production of basic commodities, and secure distribution on a priority basis with due regard to needs. In this way minimum standards of living could be provided for at the lowest possible cost, leaving to private traders and producers the task of catering to the demand for luxuries and for necessaries over and above the agreed minimum.¹

**The Battle against Inflation**

The great expenditures of belligerent governments on war supplies and on payments to the armed forces have inevitably led to increases in bank deposits and in the volume of money in circulation. These, together with wartime reductions in the supply of consumers' goods, have created a serious danger of inflation, with all its disastrous economic and social consequences. Governmental borrowing of individuals' savings has done much to reduce the inflationary potential inherent in expanding bank deposits but has little effect on note circulation. Increases in the latter are due chiefly to the rise in in-

comes (as a result of full employment, overtime work, higher wage rates, higher farm prices and increased sales of farm produce, and the growth of the armed services), to the fact that many persons are called upon to work at times and in places which make it difficult for them to use banking facilities, and to the fact that some persons with higher wartime incomes have not acquired the habit of using bank accounts and still keep their earnings in currency.

All these factors have operated in the belligerent countries to increase the amount of bank deposits and, to an even greater extent, the amount of currency in circulation. Thus in the United Kingdom notes in circulation rose 105 per cent. between August 1939 and December 1943, and bank deposits increased by 80 per cent. In the United States money in circulation rose 188 per cent. between August 1939 and December 1943, while deposits in all banks increased 72 per cent. between June 1939 and June 1943. Bank notes in the hands of the Canadian public increased 221 per cent. between December 1939 and December 1943, and bank deposits rose 55 per cent. between August 1939 and October 1943. The same phenomenon may be remarked, in greater or less degree, in the case of other belligerents. Between August 1939 and November 1943, notes issued in Australia rose 231 per cent. but notes in circulation in South Africa increased only 83 per cent. In New Zealand, bank notes rose 120 per cent. between August 1939 and October 1943. India, however, experienced an extraordinary expansion of notes in circulation, which rose 395 per cent. between August 1939 and December 1943.

Some of the non-belligerent countries have also experienced large expansions of their circulating medium, but the extent of these increases varies with the distance of these countries from the scene of conflict and the expenditures of belligerent governments and resident armies in them. Thus, the increase of notes in circulation in Argentina was a relatively modest 61 per cent. between August 1939 and November 1943. Portugal, on the other hand, had an increase in notes in circulation of 165 per cent. between August 1939 and June 1943. The expansion in Turkey of notes in circulation was 237 per cent. between August 1939 and November 1943. And in Egypt, where belligerent governments have also made heavy expenditures, and there were in addition outside armies in residence for a lengthy period, notes issued increased 323 per cent. between June 1939 and September 1943.

In the face of this widespread currency expansion attempts at price control have met with widely varying success in different countries. In some, such as Canada and New Zealand, they have achieved a degree of success which affords a welcome contrast to the experience
of the last war; while in others, as in China and to a less extent in India, they have proved largely ineffective against the surging tide of inflation. The test of successful price control in total war is, however, to moderate rather than completely to avoid inflation. Complete price stability is virtually impossible of achievement, for example, whenever a currency has been depreciated, for then import prices necessarily increase. In the countries where governmental administrative machinery is highly developed, and where efforts were made early in the war to control prices and purchasing power, the rise in prices has been appreciably less than in the last war, whether measured in terms of wholesale or retail prices.

In Great Britain the problem of price control has been approached from three main directions: by restraining the rise in disposable incomes, by limiting purchases and by freezing certain key prices. A limit to the expansion of spendable income has been achieved by restraining, though not forbidding, increases in wage rates, and by drastically raising income and other direct taxes as well as indirect taxes on unessential goods and services. These curbs on the increase in disposable incomes have been supplemented by rationing and savings campaigns in order to restrain private expenditure on consumption. The rise in prices of specific goods and services has been restrained by various methods. Government purchases have been made through an efficient contract system that reduces costs and avoids waste. Necessaries purchased by the public, whether home produced or imported, have been covered by price control from the raw material to the finished article by a process of fixing maximum selling prices or profit margins. Many food prices are subsidised in order to keep down the cost of living, and so avoid the necessity of granting wage increases, but most essentials are sold on a cost basis. Luxuries, however, have been left to find their own price level, which has been enhanced by heavy indirect taxation. The net result of approaching the problem of price control on all these fronts has been a considerable measure of success.

After a period of selective price controls Canadian authorities put into effect an all-inclusive price stop towards the end of 1941. The policy has been effective: during the first four years of war the Canadian cost-of-living index rose 18 per cent. as compared with 28 per cent. in the United Kingdom, 23 per cent. in the United States, and 51 per cent. in Canada in the same period of the last war. In the first two years of price ceiling control to the end of 1943 the rise in the Canadian index was only 3 per cent. The price ceiling is, how-

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1 Cf. Dominion of Canada: Report of the Wartime Prices and Trade Board, April 1, 1943 to December 31, 1943 (Ottawa, 1944), p. 65.
ever, subject to some adaptation: farm prices and wages have risen slowly, and the control has been concentrated on prices of consumers' goods and has been maintained by subsidies and by squeezing production costs and profit margins.

The development of price control techniques in the United States followed Canadian practice closely, culminating early in 1942 in a general price stop order relating to consumers' prices. Farm prices have not been so closely controlled, however, and wages have tended to rise rather faster than in Canada. The result has been a greater pressure upon the price ceiling, coupled with rapid increases in certain prices to which the price stop was not applied. Thus, there is evidence of an incipient farm land boom—increases in farm prices, the volume of sales, and the proportion of sales to absentee owners—that is reminiscent of conditions at the end of the last war.

The price situation in the various European countries is difficult to determine with any degree of accuracy. Quality deterioration in virtually all consumers' goods is so great that price index comparisons between pre-war and wartime periods are of little value. German authorities claim to have held prices stable, but the accuracy of their index numbers is open to question. It is certain, however, that inflation is steadily gaining ground in the occupied countries. Germany has virtually ceased to export to these countries, and the resulting shortage of goods, together with costs of occupation and the steady decline in industrial activity, has given a powerful impetus towards inflation. A considerable part of these countries' output, both industrial and agricultural, is transferred to Germany without any equivalent in imports or even in money payment, which means that the local governments must pay the exporters. In some cases elaborate financial machinery has been set up for the reimbursement of exporters, but ultimately central banks must issue more currency for this purpose, and currency expansion is one of the most important factors in causing inflation, as the experience of the Central European countries after the last war showed.

Outside Europe, more or less severe inflation has developed in numerous countries where the administration of thorough-going price control techniques presents difficulties. India, for example, has had a great monetary expansion due to large expenditures on defence and a steep rise in prices. Attempts to check the rise by local rationing, requisitioning, assignment of priorities and price freezing have proved less effective than in some other countries, though some results have been achieved through direct official intervention in the markets for bullion and basic commodities, and through efforts to damp down speculation in these markets. Price rises of large dimensions have
also taken place in China, Egypt, Mexico, Turkey and a number of other countries. The causes have in most cases been the same: shortages of consumers' goods, heavy expenditures for war or defence, consequent currency expansion, and inability to apply thorough-going price controls. In several countries attempts are being made to absorb excess purchasing power and check commodity hoarding, by open market sales of gold—a method which, though possibly effective, may prove disadvantageous at a later stage if the countries concerned find themselves in need of gold for making international payments.

WARTIME INTERNATIONAL COLLABORATION IN THE ECONOMIC FIELD

One of the outstanding features of the past three years has been the development of co-operation among the United Nations in the economic as well as in the military fields. Early in 1942 arrangements were made to pool the munitions, raw materials and ships of the United States and the United Kingdom through a series of five centralised, functional combined boards. Three of the boards concerned with raw materials, munitions and shipping, consist of representatives of the United States and the United Kingdom; the other two, concerned with food and with production and resources, include representatives of Canada as well. The task of the Combined Production and Resources Board is to integrate the production programmes of the three countries to meet their changing military requirements, as determined by the Combined Chiefs of Staff Committee, and to supply essential civilian needs. The Combined Food Board provides a common forum for the discussion of food problems and the framing of recommendations concerning the allocation, production, procurement and international distribution of available food supplies, for submission to the Governments of the three member countries. The Board co-operates with the London Food Council (which includes as members the other British Dominions and the colonies), with the other Combined Boards, and with other food planning agencies.¹ The Combined Raw Materials Board is responsible for allocating among the United Nations strategic materials controlled by the United States and the United Kingdom. It also collaborates with other countries to secure the maximum development and utilisation of their raw material resources and has recommended specific production projects in many parts of the world. The Combined Shipping Adjustment Board integrates the shipping policies of

the British Ministry of Transport and the United States War Shipping Administration, as well as the movements of the Norwegian, Netherlands and other United Nations fleets chartered to these two agencies.

Other wartime international economic agencies which have played an important part in the mobilisation and allocation of the resources of the United Nations include the Canada-United States Joint Agricultural Committee, Joint War Production Committee, Joint Economic Committee, Joint War Aid Committee and Materials Co-ordinating Committee; and the Middle East Supply Centre, an account of which was given earlier in the present chapter.

Underlying the Combined Boards and Joint Committees is the principle of the pooling of resources. The same principle received an earlier and equally important application in the system of lend-lease instituted by the United States in March 1941. By the Act to Promote the Defense of the United States, adopted by Congress at that time, the President was empowered to transfer without payment materials needed for winning the war to the governments of those countries whose defence was deemed vital to the defence of the United States; and the consideration for such transfers, to be determined at a later date, was to be such benefit to the United States, direct or indirect, as the President might deem satisfactory. In the course of 1942 a series of master agreements, establishing the principles governing the lend-lease relationship, were entered into between the United States, on the one hand, and the United Kingdom, the Soviet Union, China and other United Nations receiving lend-lease aid; and these agreements provided for reverse lend-lease aid from these countries to the United States. The position was further defined in September 1942 in a series of reciprocal aid agreements between the United States, on the other hand, and the United Kingdom, Australia, New Zealand and the French National Committee.

In accordance with these arrangements a great volume of supplies and aid in other forms has been exchanged among the United Nations concerned. Up to the end of 1943 the United States had supplied lend-lease aid to the other countries concerned to a total amount of nearly $20,000 million; and had received aid in return from the countries of the British Commonwealth to a recorded total of over $2,000 million, together with smaller amounts from other United Nations. These figures, it should be noted, though significant as indicating the great volume of aid flowing in both directions, are not strictly comparable. The total for reverse lend-lease is incomplete and reflects the lower price levels prevailing in the countries supplying aid to the
Moreover the volume of reverse lend-lease has been steadily increasing. The proportion of the total war expenditure of the United States which is being devoted to lend-lease is apparently somewhat, but not much, higher than the proportion of the war expenditure of the United Kingdom which is being devoted to aid to the United States and to other United Nations. Both the United States and the countries of the British Commonwealth are, however, devoting approximately the same proportion—about 50 per cent.—of their gross national production to war.

In view of the large amounts involved in lend-lease and reciprocal aid transfers the terms on which any obligations arising out of them are to be settled will be of great importance for the future of international economic relations. It is therefore noteworthy that the principles of repayment laid down in the master agreements are designed to improve these relations and to prevent the emergence after this war of the problems of inter-allied indebtedness which caused so many difficulties in the decade following the last war. Article VII of the Agreement of 23 February 1942 between the United States and the United Kingdom states that "the terms and conditions" of repayment "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are

1 Cf. the following passage from the Fourteenth Report to Congress on Lend-Lease Operations, For the Period Ended Dec. 31, 1943 (Washington, 1944), pp. 20-21: "The figures reported up to now for reverse lend-lease are an incomplete reflection of the value to us of these supplies and services. Reverse lend-lease expenditures by the British Commonwealth countries are made in their own currencies. The dollar figures are arrived at by translating pounds into dollars at official rates of exchange, which may not reflect adequately the lower prices usually prevailing in foreign countries and may understate the real value of the aid which we receive from our allies. The figures are incomplete for other reasons. They do not include all the reverse lend-lease aid rendered on the spot in combat areas. Furthermore, accounting is slow and incomplete at best, because reverse lend-lease supplies are provided at thousands of different places all over the world, in large measure out of stocks on hand. This is in contrast to outgoing lend-lease supplies from the United States, which flow from a single, central source under a unified appropriations and procurement procedure."


3 Cf. ibid., p. 10, where the figures quoted are, respectively, 12 and 10 per cent., the United States figure being for the period up to 25 May 1943 and the British figure representing the proportion current in Nov. 1943.

4 Fourteenth Report to Congress on Lend-Lease Operations, op. cit., p. 16.
the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the "Atlantic Charter. Similar provisions are included in the agreements between the United States and the other countries concerned.

The United Kingdom and Canada, like the United States, have furnished large quantities of war supplies and other aid to their partners in the war on terms designed to leave no aftermath of international indebtedness. Apart from reverse lend-lease to the United States, the United Kingdom has furnished aid to the U.S.S.R., China and other allies. Canada, in 1942, made a gift to the United Kingdom of $1,000 million for the purchase of Canadian arms and other goods: and in 1943 instituted a mutual aid plan under which direct contributions of goods are made to various United Nations on the understanding that reciprocal arrangements will be made wherever practicable. A basic principle of the plan, and one of outstanding importance for the post-war period, is that it gives rise neither to war debts nor to indefinite and uncertain post-war obligations. As the Minister of Finance stated, in explaining the Mutual Aid Act, in which the plan is embodied, "It shall be good and sufficient consideration for transferring war supplies to other United Nations that such supplies are to be used in the joint and effective prosecution of the war". The principle is applied in a series of Mutual Aid Agreements concluded early in 1944 between Canada, on the one hand, and the United Kingdom, Australia and Russia, on the other. The preamble to these agreements affirms that "it is expedient that the conditions upon which such war supplies are made available by one United Nation to another should not be such as to burden post-war commerce, or lead to the imposition of trade restrictions or otherwise prejudice a just and enduring peace"; and in Article X of the agreements the Governments concerned "reaffirm their desire to promote mutually advantageous economic relations between their countries and throughout the world. They declare that their guiding purposes include the adoption of measures designed to promote employment, the production and consumption of goods, and the expansion of commerce through appropriate international agreements on commercial policy, with the object of contributing to the attainment of all the economic objectives set forth in the declaration of August 14, 1941, known as the Atlantic Charter."

The contribution of the lend-lease and mutual aid arrangements to

the war effort of the United Nations needs no emphasis; but as the
day of victory approaches it will be well to bear in mind the possible
peacetime applications of the concepts underlying these arrangements.
Article VII of the Master Lend-Lease Agreements and Article X of
the Mutual Aid Agreements register the determination of the Govern-
ments concerned to pursue policies directed to the attainment of all
the economic objectives set forth in the Atlantic Charter. This Char-
ter, as Mr. E. R. Stettinius, former Lend-Lease Administrator, has
emphasised in discussing the post-war implications of lend-lease, "is a
Charter of unlimited opportunity". "Lend-lease operations, as we
know them now", he observes, "will some day draw to a close, but we
know already that the principle of mutual aid in mutual self-interest
that is embodied in the Lend-Lease Act must live on. Today there
is more unity of purpose and of action among freedom-loving peoples
than ever before. In that unity we can find the strength to build a
peaceful world in which freedom and opportunity will be secure for
all."1

INTERNATIONAL MACHINERY FOR CONTINUING
ECONOMIC COLLABORATION

The agencies and arrangements described in the preceding para-
graphs were designed primarily to perform a wartime function but
may have important peacetime applications or repercussions. In addi-
tion, the period since the New York Conference of the International
Labour Organisation has seen the beginnings of new international
machinery for continuing economic collaboration. One United Na-
tions organisation, the United Nations Relief and Rehabilitation
Administration, has been set up. Another, a permanent organisation
for food and agriculture, is in process of formation. Others, to be
concerned with currency stabilisation, international capital move-
ments and other matters, have been proposed and are under discus-
sion. In addition, there are the wheat agreements concluded in
1942 by a group of five countries and there are a number of arrange-
ments for economic co-operation in particular regions. These include
the Anglo-Caribbean Commission, the Middle East Supply Centre, to
which reference has already been made, the recent exchange agree-
ments between Belgium and the Netherlands and between Great Brit-
ain and the French National Committee and the Australia-New
Zealand Agreement, 1944.

The United Nations Relief and Rehabilitation Administration was
created by an Agreement signed on 9 November 1943 by the repre-

1 Edward R. Stettinius, Jr.: Lend-Lease: Weapon for Victory (New York,
sentatives of the 44 nations united and associated in the war. Its purpose is to give effect to the determination of the nations concerned "that immediately upon the liberation of any area by the armed forces of the United Nations or as a consequence of retreat of the enemy the population thereof shall receive aid and relief from their sufferings, food, clothing and shelter, aid in the prevention of pestilence and in the recovery of the health of the people, and that preparation and arrangements shall be made for the return of prisoners and exiles to their homes and for assistance in the resumption of urgently needed agricultural and industrial production and the restoration of essential services". 1 The policies of the Administration are determined by its Council, on which all the member States are represented, and which has appointed permanent Committees on Supplies and on Financial Control, Committees on various technical matters, and regional Committees for Europe and the Far East; and by a Central Committee, which consists of representatives of the United States, China, the Soviet Union and the United Kingdom. Executive authority is vested in a Director-General.

The Council held its first meeting in November and December 1943 and adopted resolutions defining the policies of the Administration and providing for collaboration with existing international bodies, including the International Labour Organisation. 2 A second meeting is to be held in Montreal in June 1944.

The proposal for a permanent international organisation for food and agriculture was put forward by the first conference to be held by the United Nations, the Conference on Food and Agriculture at Hot Springs, Virginia, in May 1943; and a detailed plan for the organisation has been prepared for the consideration of the governments by an Interim Commission set up for that purpose by the Conference.

In its Final Act 3 the Conference declared that the goal of freedom from want of food, suitable and adequate for the health and strength of all peoples, can be achieved. We now have, it noted, knowledge of the means by which the production of food can be greatly expanded. The primary responsibility, it declared, lies with each nation for seeing that its own people have the food needed for life

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and health; but each nation can fully achieve its goal only if all work together. The Conference therefore recommended that governments should "recognise and embody in a formal declaration or agreement the obligation to their respective peoples and to one another, henceforth to collaborate in raising levels of nutrition and standards of living of their peoples, and to report to one another on the progress achieved"; and that by this declaration each participant should recognise its obligation:

(i) to raise the levels of nutrition and standards of living of its own people;
(ii) to improve the efficiency of agricultural production and distribution;
(iii) to co-operate, so far as may be possible, with other nations for the achievement of these ends;
(iv) to undertake to submit periodically to the other participants, through the permanent organisation, reports on the action taken and the progress achieved towards these ends.

The Conference also made detailed recommendations concerning agricultural policy both for the short-term and post-war transition periods and for the longer term. The requirements of these periods differ considerably. The danger at present is one of world food shortage and the immediate need is consequently to increase the production of food wherever and as much as it is possible to do so. But for the long term the emphasis must be upon efficiency. The Conference accordingly made different recommendations for the short-term and long-term periods and for the transition between them; and it will be one of the most important and most difficult tasks of the permanent organisation, when it is established, to facilitate the process of transition and the changes in policy which will be needed from time to time.

Though the primary concern of the Conference was "to ensure an abundant supply of the right kinds of food for all mankind", it speedily found that this objective could not be achieved by measures concerned solely with agricultural policy and nutrition. Because of the widespread prevalence of malnutrition the Conference declared that "production of food must be greatly expanded". But since a condition of chronic surplus has existed for important food products, and has created chronic depression for food producers during the past two decades, mere expansion of production might prove ruinous to large groups of farmers. The Conference therefore turned to the
question of raising effective demand: "The first cause of hunger and malnutrition", it pointed out, "is poverty. It is useless to produce more food unless men and nations provide the markets to absorb it. There must be an expansion of the whole world economy to provide the purchasing power sufficient to maintain an adequate diet for all. With full employment in all countries, enlarged industrial production, the absence of exploitation, an increasing flow of trade within and between countries, an orderly management of domestic and international investment and currencies, and sustained internal and external equilibrium, the food which is produced can be made available to all people."

One of the world's main foodstuffs, wheat, had been the subject of a more limited international conference rather more than a year before the United Nations Food Conference was held. The Washington Wheat Meeting, which began in 1941 and held its final session in April 1942, consisted of representatives of the United States, Argentina, Australia, Canada and the United Kingdom. Its Memorandum of Agreement, which became effective in June 1942, provided for: (1) the immediate establishment of a pool of wheat for intergovernmental "relief in war-stricken and other necessitous areas so soon as in the view of the five countries circumstances permit"; (2) the adoption or maintenance by the four chief wheat exporting countries of measures to control production with the object of minimising the accumulation of excessive stocks during the war; (3) the establishment of an International Wheat Council to administer these international arrangements and others that may come into effect during the war and after hostilities cease; and (4) the publication of a draft of an international wheat agreement, parts of which were to be brought into operation by the five countries concerned in order to give effect to the provisions set out above, and the whole of which is to be submitted to "a conference of all the nations having a substantial interest in wheat, whether as consumers or producers" to be convened by the United States when the time is deemed propitious. The draft sets out an elaborate scheme for post-war reserve stocks, production controls, export quotas and the fixing of minimum and maximum prices for wheats moving in international trade.1

In the case of the closely connected problems of exchange stabilisation and international capital movements, though no general con-

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ference of the United Nations has yet been held, a number of specific proposals have been put forward. There have also been the two bilateral agreements to which a reference was made above. The first of these, the exchange agreement of 1943 between Belgium and the Netherlands, represents an attempt by the countries concerned to ensure stability in the rate of exchange between their two currencies, whether or not any more general scheme of stabilisation should come into operation. Each of the parties to the agreement undertakes to supply the amounts of its currency needed in exchange for the other in pursuance of their mutual trade. Any balances will be invested in the other country, and provision is made in general terms for restoring equilibrium if balances persist on one side or the other. The agreement reduces the number of independently fluctuating monetary units that any more general arrangement will have to deal with and since it will cover the Dutch and Belgian empires, and other countries are invited to join, it may be of considerable importance for the post-war period.

Of similar importance is the agreement concluded early in 1944 between the British Government and the French Committee of National Liberation. This agreement provides for the settlement of financial relations between the signatories and fixes the exchange rates between sterling and the various francs now under the Committee's control. Sterling is to be made freely available for French outlays in the sterling area and francs are to be made available for British expenditures in French territories. The agreement is in effect an extension of the Reynaud-Simon Agreement of 1939, except that no account is to be kept of mutual aid transactions. An effort is to be made to secure equilibrium in balances of payments but no limit is put upon outlays of either sterling or francs. The scheme is primarily a wartime arrangement but the link which it establishes between sterling and the franc may prove important also for the post-war period.

Proposals for international machinery to promote currency stabilisation on a more general scale have been made by United States, British, Canadian and French experts. The proposals differ in important respects they are in general agreement on the ends to be sought and on the need for eliminating the underlying causes of those disequilibria in national balances of payments which brought about the imposition of exchange control in so many countries. Each of the proposals recognises that after the war many countries will

have deficit balances of payments if their needs for goods and services are met and will have difficulty in finding means of payment acceptable to creditor countries. In the absence of special provision of means of payment the deficit countries must either default or restrict their purchases by applying controls such as those which fettered trade and international payments in the nineteen-thirties. The proposals are therefore not limited to the provision of means of payment in order to relieve the short-term difficulties of deficit countries: they suggest methods of restoring equilibrium in the balances of payments.

One such method would be a revival in international lending, which would serve at the same time to promote the expansion of world trade, the raising of productivity and living standards in the less developed countries and the maintenance of a high level of employment in those countries in which savings tend to outrun domestic investment. A proposal for an international Bank of Reconstruction and Development, to promote such a revival in the international movement of capital, has been published by the United States Treasury. The primary purpose of the proposed Bank would be to encourage private capital to go abroad for productive investment by sharing the risks of private investors in large ventures. The Bank would also be able, where private capital is unable to take the risk, to provide out of its own funds some of the capital needed for reconstruction and development. It would not, however, make loans in cases where private investors are willing to lend on reasonable terms: it would perform only that part of the task which private capital is unable to do alone.

In addition to general international machinery of this type, designed to stimulate the flow of international investment for developmental purposes, there is likely to be a need for special arrangements for the promotion of development and of improved international economic relations in particular regions. An important advance in this direction was made by the creation in March 1942 of the Anglo-Caribbean Commission "for the purpose of encouraging and strengthening social and economic co-operation between the United States of America and its possessions and bases in the area . . . and the United Kingdom and the British colonies in the same area . . .". The Commission, which is an advisory body, is concerned "primarily with matters pertaining to labour, agriculture, housing, health, education, social welfare, finance, economics and related subjects". It is not an exclusive body, since it is directed to "bear in mind the desirability of close co-operation in social and economic matters between all regions

adjacent to the Caribbean”. The Report\(^1\) on the work of the Commission during its first two years lists a wide range of activities concerned both with immediate problems of food production, transport and labour supply and with long-range problems in trade and communications, public works, health and other fields.

In the southwestern Pacific also an important beginning has been made in joint action to solve developmental and other problems common to the region. The Australia-New Zealand Agreement, 1944, establishes machinery, including a permanent secretariat, for continuous collaboration between the two countries in defence, in external policy, in the development of commerce and industry, in promoting the welfare of native peoples in the Pacific and “in achieving full employment in Australia and New Zealand and the highest standards of social security both within their borders and throughout the islands of the Pacific and other territories for which they may jointly or severally be wholly or partly responsible”. The two Governments also agree to promote the establishment of an advisory South Seas Regional Commission which would include representatives of the United Kingdom, the United States and the French National Committee as well as of Australia and New Zealand and which would have as its purpose “to secure a common policy on social and political development directed towards the advancement and well-being of the native peoples”\(^2\).

From the foregoing account it can be seen that, while the full pattern of the machinery which is being developed for international economic collaboration in the post-war period is not yet clear, it already includes a variety of forms and covers a wide range of subjects. In addition to the intergovernmental organisations and arrangements already in existence, one new functional organisation with a wide membership has been established and another has been agreed to in principle and is now being organised. In addition, a variety of others, also functional in character but with membership limited, at least for the present, to certain regions or groups of countries, have already begun to operate. Finally, proposals have been made for organisations with a wide membership to deal with such matters as exchange stabilisation, international lending and commercial policy, with the problems of particular commodities or industries, and with the coordination of the whole range of policies affecting international economic relations; and some of these proposals are at present the subject of intergovernmental discussions.

\(^1\)Report of the Anglo-Caribbean Commission to the Governments of the United States and Great Britain for the Years 1942-1943 (Washington, 1943).
CHAPTER II
SOCIAL DEVELOPMENTS

It is customary for the Director's Report to contain a general survey of social developments during the period under review, and, if the time available for the preparation of the present Session of the Conference had allowed, the present Report would have conformed to precedent and contained appraisals of current trends in all the main fields of social policy in which the Conference is interested. In the circumstances in which the Conference is now meeting it has been necessary to be content with a more modest survey of the social scene. The present chapter is therefore selective rather than comprehensive and aims at bringing out some of the characteristic repercussions of the war and its concomitant economic changes on social developments rather than at a complete survey of such developments during the period covered. The topics selected for treatment are employment and social insurance, two questions with which the present Session of the Conference will be specially concerned, and wage policy, housing and the welfare of children and young persons, three further questions which may well call for consideration by the Conference at an early Session. An adequate survey of such subjects as hours of work and rest periods, the status of trade unions, collective bargaining, industrial arbitration and conciliation, industrial health, safety and welfare, inspection, co-operation, and migration, must be postponed to a later Director's Report. So must also a review of the important developments which have been occurring in the various specialised sectors of the world's economy, such as shipping and agriculture, and a picture of the impact of the war on regions which it has affected with particular intensity, such as occupied Europe and Asia, whose whole position in the world's economy is being fundamentally transformed by rapidly increasing industrialisation.

EMPLOYMENT

The sweeping economic changes necessitated by the war have far-reaching repercussions on the employment situation. As more and more of the world's resources have been thrown into the conflict,
manpower mobilisation has been pressed forward steadily in all countries actively engaged in war. Today, the dominant problem is no longer to increase the manpower pool for war purposes, but, within the frame of the mobilisation which has been achieved, to attain sufficient flexibility to make the best use of the services of the available workers and to carry out the shifts in manpower policy necessary to correspond to shifts in the war production programme.

The level of total employment has continued to move upward in all parts of the world, though the pace has slackened with the steady draining of the various sources of additional labour supply. During the three years from January 1941 to January 1944, for example, the total United States labour force (including those unemployed but seeking work and those in the armed forces) increased by 14,000,000. In 1943, however, the rate of expansion was markedly slower. The growth of the armed forces has sometimes caused slight declines in industrial employment in the active belligerent countries, but employment in the war sector of each nation’s economy has continued to expand. In Great Britain, at the beginning of 1944, about 23,000,000 of the 33,000,000 men and women between the ages of 14 and 64 years were either in the armed forces or civil defence services, munitions factories or other essential war work. In the Soviet Union, the general supply of workers for the war has been more than equal to the heavy demands made upon it in the course of the country’s all-out mobilisation to drive out the invader. A Decree of 13 February 1942 provided for the industrial mobilisation of able-bodied men from 16 to 55 years of age and women from 16 to 45 years belonging to the urban population. Further, 1,500,000 young people from 14 to 17 years of age have passed through training schools and been transferred to industry since 1940. The labour drawn into the German war effort has continued to increase, partly as a result of more intensive mobilisation within the frontiers of the Reich and partly as a result of more ruthless inroads on the labour force of occupied territories.

Neutral countries in Europe have not been left unscathed by the changes wrought by the war. At first, they too faced complex problems of employment adjustment. Certain industries had to be expanded owing to the cutting off of imported supplies, and others were forced to curtail their operations as a result of material shortages. After the first shock of war had been overcome, the employment situation began to improve. In both Sweden and Switzerland, for example, unemployment has been reduced appreciably from the level during the first year of war. In Sweden, the average percentage of unemployment among trade unionists during 1942 was 7.5, the
lowest since 1920, as compared with 11.3 per cent. in 1941. In Switzerland, the number of registered unemployed fell from 41,080 at the end of January 1940 to 9,038 at the end of June 1940, rose again to 22,853 at the end of January 1941, but fell below 5,000 in the summer of 1943. The reduction was spread over nearly all branches of economic activity but was particularly marked in building, metal working, watchmaking, commerce and agriculture. At the same time, the improved employment situation in these countries must be attributed to some extent to the mobilisation of men for the army and labour service detachments.

In the countries less affected by the war—the Central and South American countries in particular—employment has followed a more obscure and fluctuating course. The initial impact of the war, with trade dislocations, shipping complications and material shortages, caused considerable unemployment among large groups of workers in these countries—dockers, tin, textile and oil workers and many others. Gradually, however, the necessary economic adjustments have taken place and positive steps have been taken to stabilise the employment situation and to divert workers into the alternative forms of employment that began to develop because of or despite war difficulties.

In practically all countries wartime needs have caused far-reaching changes in the industrial distribution of the employed population. The development of new industries to meet urgent war requirements and the expansion of war industries, on the one side, and, on the other, the contraction of wartime non-essential industries have involved large-scale transference of employed workers from one occupation and industry to another. Equally significant changes have occurred in the geographic location of the industrial population. Vast internal migrations have taken place to meet the changed distribution of wartime industrial activity. Some 100 million people have been shifted from their homes. German-directed transfers of workers have reached mass proportions. Germans are working in almost all European countries, and people from the occupied countries have been transferred to Germany and elsewhere. In Australia, Canada, Great Britain and the United States, internal migrations of industrial workers have been a steady and distinctive feature of the war effort. In the Soviet Union, the mobility of military warfare has been rivalled by a high degree of geographic mobility among many of the industrial workers of the nation, and particularly among key skilled workers and technicians.

Military mobilisation and the absorption of unemployment have made striking changes in the composition of the employed population. Women have been drawn into industrial employment of all kinds,
including the most skilled work, in large numbers. In the United States, for example, the number of women at work increased by 25 per cent. between December 1941 and December 1943. In Great Britain, total women’s employment in industry has expanded by more than 1,500,000 since the outbreak of war. In the engineering industry, the proportion of women employed rose from 16.3 per cent. in 1940 to 34.6 per cent. in 1943. In Australia, Canada and New Zealand there has been a great expansion in the quantity and quality of women’s employment. In Germany, although foreign workers have constituted a vast source of labour supply, the recruitment of German womanpower has gone forward systematically. The number of German women employed as wage earners was 9,200,000 in January 1943 as compared with 7,094,000 at the end of June 1939, and during 1943 further and more intensive campaigns of compulsory recruitment have taken place. Young workers have entered employment in large numbers as a result of war conditions. Their entry has been on a large scale in countries like the Soviet Union, Great Britain and Germany, where their services have been needed to supplement limited labour resources; but it has also been vast in the United States, where the over-all manpower shortage has not been so acute. Older workers at or over the retiring age have stayed on at their work or have re-entered employment. Minority groups of all kinds have found and taken advantage of greatly enlarged employment opportunities.

Looking back over the last two and one half years of manpower mobilisation for war by the active belligerents in all parts of the world, it is possible to distinguish a common pattern in the problems that have arisen. The solutions found for these problems have differed according to the stage of war mobilisation, national traditions, the availability of effective machinery, and the dominating political philosophy of the country in question. Despite paper similarities in measures taken, a sharp contrast can be drawn between the objective, content and technique of manpower programmes in Axis territories and those of the United Nations. The pattern of mobilisation imposed on the peoples of Axis-dominated areas is characterised by a ruthless efficiency achieved by exploitation and a complete disregard for individuals. The pattern in democratic countries has been worked out in co-operation with the freely chosen representatives of employers’ and workers’ organisations, with a careful system of checks and balances, and in an atmosphere where any compulsion agreed upon has had the support of the great mass of the people and has therefore had to be used most infrequently.

The general pattern of manpower mobilisation for war purposes
was established at a relatively early stage of the war effort in all the active belligerent countries. At first, efforts were concentrated on drawing as extensively as possible on all the available sources of labour supply, and, more recently, emphasis has been placed on an intensive utilisation of the labour force already made available through the earlier measures. The main employment problems which had had to be met during the recent intensive stage of mobilisation have been connected largely with the redistribution of war workers to meet changing production emphases. Their solution has been sought in part by the extension and reinforcement of supervision and control over engagement and labour turnover and in part by improvements in the machinery for shifting employed workers from one occupation and area to another.

In many of the United Nations, the redistribution of skills has been greatly facilitated by the development and improvement of controls of employment. Restrictions on engagement are in force in nearly all countries at war and are serving the purposes of preventing excessive and harmful labour turnover, of protecting the labour supply of essential wartime activities, and of preventing a flow of workers to jobs of little or no importance to the war effort. Controls of dismissals and resignations have also been much extended during the last years, both in order to reduce and control turnover in and among essential industries and to stabilise the supply of workers in essential undertakings. While the restrictions on hiring are useful for diverting workers into the industries and occupations given priority, the controls of dismissals and resignations help to retain workers in the jobs where their services are most needed and to enable transfers to other work to take place in an orderly manner. Both types of measures are, in other words, a unified effort to control the mobility and placement of the labour available for or engaged in war industries and activities. These measures of employment supervision constitute the frame within which the extensive redistribution of workers and skills has taken place in most countries at war.

In other countries, non-belligerent and belligerent, it has been less necessary to erect any comprehensive structure of formal supervision or control over employment; but, even so, more attention has been given to this question than ever before. Sweden, for example, has introduced a number of controls over the employment of workers in particular industries.

In all countries, the redistribution of labour has been made possible in large part by a marked development and improvement of training and retraining programmes. Among the active belligerents, these programmes have been a vital agency for facilitating the shift of workers from one occupation to another. While all kinds of training
have been expanded and developed, often by hasty improvisation, the most marked progress has been made in these countries in the development and improvement of in-plant training and upgrading. In all forms of training, emphasis has shifted from the training of juveniles to the training and retraining of adult workers. Women have been admitted to almost all types of courses. The scope of the training given has been expanded to include courses for foremen and minor supervisory personnel. During the war, the various kinds of training have been much more closely co-ordinated one with another, with guidance and placement work, and with the work and requirements of employers and trade unions. Everywhere, however, the content of the training given has been narrowed down to the bare essentials and the courses shortened and intensified. In German-dominated areas, the programmes have been reorganised or designed to meet the specific and immediate needs of the German authorities. At best, they have little relation to the longer-term needs of the occupied territories. At worst, they have resulted in a deliberate down-grading of the abilities of the working population of these areas.

In the rest of the world the wartime experience of training and retraining adult workers has provided many lessons of great value for the future, despite the sacrifices of standards which have had to be made to meet emergency conditions. The value of training and retraining programmes in a non-depression economy has been amply demonstrated. There is no indication that any country is tending to underestimate the special value of these programmes in the transition period and their enduring value in any expanding national economy. On the contrary, most countries are developing, from the basis of their wartime training programmes, extensive facilities for the training and retraining of ex-service men and women and displaced workers from all industries. The explicit purpose of these programmes is to minimise transitional unemployment by helping workers to acquire new or different skills so that they may find and retain available peacetime jobs. Training and retraining in this sense may sound like a somewhat narrow and mechanical agency for the adaptation of skill to the changing needs of economy. In fact, however, their role in economic and social life can and should be much broader. It may seem trite to insist that any country's industrial future lies essentially in the skills and abilities of its working population. Yet how little there had been any recognition of this basic truth was demonstrated by the neglect and destruction of skill during the pre-war depression years and the consequent necessity for hasty improvisation of training programmes after the outbreak of war. Assuming a high level of production, consumption, and employment after the war, training facilities can be developed into an indispensable instrument for im-
proving and expanding the level of skill of the unemployed and the employed population. The steady upgrading of the skills and abilities of a nation's workers is an essential part of any programme for raising standards of living. At the same time, the opportunity to broaden skills and abilities and to move upward in any occupational career is a right which should be denied to none.

Among the most significant developments in the whole field of employment policy and organisation, and which will have the deepest implications for the post-war period, are those connected with expanding, strengthening and improving the administrative machinery for carrying out policy—the employment service. The gradual evolution of the machinery needed for solving employment problems is one of the most positive factors in the present situation. War experience of attaining the most effective use and distribution of the available skills will be of direct value in meeting the vast problems of employment organisation in the transition from war to peace.

In the carrying out of the vast redistribution of labour needed to keep the Nazi war machine running, the German employment service, directly subordinated to the war economic authorities, has played an outstanding part. From the headquarters of the General Controller of Labour, a vast web of employment office machinery has been spun, extending far beyond the frontiers of the Greater Reich into every town and village of the occupied territories. The basis of Germany's exploitation of the workers of all the areas under its domination has been the reconstituted, expanded and closely centralised system of employment offices, built on the German model and wholly subordinated to the instructions of the German political and military authorities. As a result of direct German intervention and indirect German pressure, almost every country of continental Europe has reconstituted its employment service on a national basis, strengthened its authority to control the recruitment, use and distribution of labour, and placed its operations under the supervision of the controlling political or military officials.

This reorganisation of the machinery of employment organisation is clearly of the greatest practical importance in Germany's scheme for European manpower mobilisation to alleviate the continuous pressure of labour shortage in industry and agriculture and of increasing military requirements. It has, moreover, equally great practical implications for the future. On the one hand, the employment offices, run as they have been by and for the enemy, have become a symbol of oppression to the workers of most European countries. They are hated with a bitterness exemplified by the frequency with which they are the target of the underground resistance forces. On the other hand, the existence of a co-ordinated and
strengthened employment service will be an essential condition for orderly and speedy re-employment in liberated territories. The overhaul and reorientation of this machinery, starting with the complete elimination of Nazi personnel and influence and of collaborationists of all kinds, will therefore be a first urgent reconstruction task in Europe.

Great Britain entered the war with a well-developed employment service, and has reinforced it by adding an Inspectorate of Labour Supply and welfare officers, by creating district manpower offices as a further regional subdivision in organisation, and by other minor changes. The United States shifted its Employment Service from a Federal-State to a national basis early in 1942, and has expanded the machinery by developing regional and area co-ordinating manpower offices and employer-worker advisory committees. Canada has federalised its Employment Service and strengthened it in a variety of ways. New Zealand has organised a network of district manpower offices, responsible for administering wartime employment policy. Australia has developed a nation-wide system of national service offices, which apply the country's manpower regulations.

Provisional regulations were issued in China, in August 1943, governing employment services conducted by farmers' unions, trade unions, chambers of commerce and other trade associations. These services must be registered with the Ministry of Social Affairs, furnish regular returns and, in addition to placing, keep a watch over the state of employment and provide vocational guidance and vocational training facilities. In India, employment offices for skilled workers have been established in various industrial centres. Employers are not obliged to accept applicants for employment sent to them by the offices, but must give reasons for rejection. They must also notify vacancies to the offices.

The changes in the employment situation in Central and South American countries have given a new impetus to the creation of machinery for dealing with employment and unemployment. In most of these countries, there had been almost no systematic employment service machinery and very little in the way of social protection against unemployment. Several American countries have taken advantage of the war situation to build up this type of machinery and protection both with a view to assisting unemployed workers and helping them to transfer from economic activities forced to curtail during the war to other employment and to meeting anticipated post-war employment dislocations. Employment service organisation has been strengthened and improved in Chile, for example, and a national employment service has recently been organised in the Argentine Republic. Other countries are considering the introduction of em-
ployment machinery, even though no definite steps may yet have been taken.

The scope and functions of the employment service machinery have been greatly broadened in all countries. The sum total and the occupational range of placements have expanded strikingly. Obligatory use of employment service facilities by employers and workers in many countries has been accompanied by a wider voluntary use of the service, owing partly to labour shortages and partly to the greater efficiency and broader experience of the local offices of the service. The functions of the employment services have grown heavier with each month of the war. They vary considerably from one country to another, but the most distinctive war development has been the increasing integration of employment services in national economic planning and policy. As a result of the broadened functions of the services, they have been able to make a great contribution to the successful organisation of the economy for war purposes. This has been accomplished in the democratic countries without sacrificing the basic principles of democratic action and effort, thanks to the closer co-operation and more effective support given the services by employers’ and workers’ organisations.

The maintenance and steady improvement of the employment service machinery itself will necessarily be a long-term task. The carrying out of a full employment policy with a view to raising living standards calls for the existence, after the war, of a manpower policy, closely integrated with the economic policies directed towards achieving maximum production and consumption. Full employment can exist and be maintained, in fact, only if there is a clear national policy for assuring that there is useful work when and where it is needed, and that there are enough workers with suitable skills available in the right places and at the right time. The mere formulation of a manpower policy, however, is far from enough. The basic problem is to apply the policy effectively in every part of every country. This is the essential responsibility of the employment service, operating as an executive agent of agreed economic and social policy and functioning in the closest possible contact with the direct participants in economic life—employers and workers. The broader conception of the employment service engendered by war needs must continue to prevail once the war has come to an end. There is already a clear trend in this direction in the post-war employment planning of many countries. Its significance for the future will depend on the practical efforts made without delay to strengthen the employment service in every way and to equip it to play an effective part in the carrying out of national plans for the after-war period.

Thus, from the wartime experience of mobilisation and redistribu-
tion of labour supply, it is possible to distinguish a number of developments which will carry over into the post-war world. Some of these will make more difficult the task of employment organisation in the transition from war to peace. Others will greatly facilitate this vast and complicated task.

Many of the negative factors relate, as has been noted, to conditions in the occupied countries. The perversion of national economies to meet Nazi war requirements, physical destruction caused by military operations, material and machinery shortages, transport dislocations, and the war scattering of the industrial population (particularly of skilled workers) will all complicate the problem of post-war re-employment. The contraction of technical institutes and training facilities and the false orientation given those which have remained open during the war will make it difficult to readjust available skills to the urgent needs of liberated areas. The repatriation of prisoners of war, transferred civilian workers and families broken up during the war will have to be organised in a difficult employment situation. Economic and social instabilities deriving from the breakdown of Nazi political and economic controls will add to the confusion. Finally, the hatred of the peoples for the existing employment machinery will make it essential to overhaul and reorganise this machinery before it can assume an immediately constructive role in the employment readjustment.

In other countries, the negative factors in post-war employment planning are less numerous and less important. There is no reason to catalogue these factors here, but only to suggest that employment policy must take account of difficulties of military demobilisation and industrial conversion, of the ending or adjustment of wartime economic controls, of uncertainties regarding the relationship between public and private spheres of operation, of trade difficulties, and so forth. Time will be needed to reorganise economic activities and training facilities of all kinds for peace purposes.

The sheer magnitude of the employment change-over that must be made during the transition period indicates the difficulties to be faced. In Europe, for example, it is probable that between 30 and 50 per cent. of the pre-war labour force of liberated countries will have to be found new employment as quickly as possible. In Great Britain, the Minister of Reconstruction estimates that 10,000,000 people will have to shift from one occupation to another. In the United States, some 30,000,000 men and women will be seeking new jobs. In Australia, half of the working population will have to change their employment after the war.

Most countries have begun seriously to analyse the employment problems which they expect to have to face in the transition period
and to develop the main principles and procedures for meeting them. While the practicability of detailed advance planning varies from one country to another, much can be done everywhere to anticipate the problems, and thus to facilitate their solutions. This is the vital task to which attention has been directed in the Report prepared for Item III on the Conference Agenda.

**Wage Policy**

In practically all of the countries engaged in or directly affected by the war, measures have been taken to control rates of wages; and during the past three years these controls have been progressively stiffened and extended. The controls at present in operation range all the way from the indirect and informal methods adopted in Great Britain to the comprehensive and detailed regulations applied in Canada, Australia, New Zealand and the United States, and the rigid stability long since enforced in Germany. In most cases, however, adjustments are allowed in certain circumstances, notably to offset rising costs of living, and wage rates have in fact crept gradually upward. The controls, moreover, are concerned with rates of pay and not with earnings, and, even where rates have remained relatively stable, earnings have frequently risen substantially as a result of overtime work at premium rates, the adoption of piece-work systems and transfers to higher paying jobs. The structure of wage rates, and still more that of earnings, has consequently been much modified since 1939.

Wage controls have, of course, been linked closely to measures for stabilising the cost of living and prices in general. In some countries, such as Canada, Australia and New Zealand, the general policy of stabilisation has achieved considerable success and a vigorous effort is being made to avoid any further necessity for wage increases on account of rising costs of living. In both Canada and Australia, wartime wage controls have involved the temporary assumption by the federal Government of powers formerly possessed only by the State or provincial authorities, a development which may have widespread repercussions in the post-war period.

A distinctive feature of the Australian scheme is a wage subsidy. Before the Government's decision to stabilise prices at the level of 12 April 1943 the Prices Commissioner had allowed wage increases awarded by Arbitration Courts or other wage tribunals to be passed on by employers in the form of higher prices. With the introduction of more rigid price stabilisation this became impossible. When the cost-of-living index, to which wages have long been linked in Australia, showed a rise for the quarter ending June 1943, the Gov-
ernment accordingly announced that it would reimburse employers for the resulting increased wage costs. The wage subsidy is expected to be temporary since the Government at the same time announced measures to reduce to the April 1943 level the prices of items entering into the cost of living.

In Canada, wages and salaries have been stabilised at levels prevailing in November 1941, but a cost-of-living bonus amounting generally to 25 cents a week for each rise of one point in the cost-of-living index over the level at that date was payable until December 1943. By this date, in spite of comprehensive price controls, the index had advanced several points and the bonus had increased correspondingly. The resulting increase in wage costs created difficulties for employers subject to strict price control and in December 1943 the Government therefore recast its wage policy. The bonus, which had been a temporary addition to wages, was merged with existing wage rates, thereby forming a new basic wage. No further bonus is to be paid, but if the cost of living rises more than 3 per cent. and stays at that level for two consecutive months the whole economic stabilisation policy is to be reviewed.

In New Zealand also, after a period during which two general wage increases were granted, basic rates of remuneration were stabilised at the levels of November 1942. These rates are to be increased by general order of the Arbitration Court if a special wartime price index rises 2½ per cent. over its December 1942 level, and are to be increased or reduced in the event of any further rise or fall of 5 per cent. in the index. The Government, however, announced its intention of holding the index stable and has, in fact, succeeded in doing so.

In Sweden, again, sliding scale allowances in respect of rising costs of living have remained unchanged since the end of 1942 when a price stop was introduced and the cost-of-living index was virtually stabilised. Basic wages on the whole have not increased during the war in Sweden except in agriculture and forestry, where they had been relatively low, and in the case of a few relatively poorly paid workers. Real wages of industrial workers consequently declined 7 per cent. from 1939 to 1943, while those of farm workers fell only 1 per cent.²

Wage control was introduced in the United States by an Executive Order of October 1942 which provided that in general wages could not be increased above the level of 15 September 1942 or decreased below the highest amount paid between 1 January 1942 and 15 September 1942, except with the approval of the War Labor Board. Per-

missible increases in salaries and wages were further restricted by an Order of April 1943, but there still remains a substantial degree of flexibility in wage determination. Five main criteria for wage adjustments are recognised by the National War Labor Board: (1) General wage increases related to the cost of living are limited to the amount due under the “Little Steel” formula, so called because the Board in a decision affecting steel workers permitted increases of 15 per cent. above the January 1941 level in order to compensate for the rise in the cost of living between that date and May 1942. The “Little Steel” formula remains a major yardstick for determining wage adjustments, although there is at present a vigorous campaign to overthrow it and to obtain further increases to offset the rise in the cost of living which has occurred since May 1942. (2) Wage inequalities within plants may be corrected within the general level of wages. The Board may make use of job analyses and of comparisons with rates paid for similar jobs in the area. (3) Substandard of living may be corrected. (4) Gross inequalities between plants may be corrected to the minimum of “sound and tested going rates” being paid for the job in the same labour market area. (5) This level may, however, be exceeded in “rare and unusual cases where critical war production cannot otherwise be obtained”. In addition wages have been adjusted as a result of the adoption of an increasing number of wage incentive plans, whose introduction in all cases must be approved by the War Labor Board.

As in other countries, earnings in the United States have shown a marked advance since the beginning of the war, largely as a consequence of fuller employment, overtime and holiday work, and transfers to higher paying jobs. By December 1943 hourly earnings in manufacturing industries had risen 57 per cent. above the 1939 average and weekly earnings about 89 per cent. Owing to rising costs of living, the increases in real earnings were less: 26 per cent. in the case of hourly earnings and 49 per cent. for weekly earnings.¹

No attempt has been made in Great Britain to stabilise wages by regulation: the Government’s policy has been to entrust the responsibility for wage fixing to the ordinary machinery of collective bargaining, together with the statutory machinery which exists in certain trades and industries, subject only to the Conditions of Employment and National Arbitration Order, which provides for the reference of unsettled claims to arbitration.² The cost-of-living index has, how-

ever, been successfully stabilised at approximately 28 per cent. above the pre-war level. At the end of 1943 wage rates had risen to approximately 39 per cent. above the pre-war level. Earnings, however, have advanced much more, owing to fuller employment, shifts to higher paying jobs, overtime work and the extension of the system of payment by results.

Difficulties have, of course, arisen in practice in reconciling the general policy of stabilisation with the requirements of equity and adequate incentive. An outstanding case has been the coal-mining industry. To stimulate the output of coal and to improve the earnings of the miners, an output bonus was adopted in 1942. Throughout 1943 there was no general change in rates in the industry. There was, however, considerable dissatisfaction with existing arrangements and the output of coal was disappointing. In October 1943 a Board of Investigation recommended that the output bonus, which was on a district basis, be altered to a pit basis, but lack of agreement among the parties concerned has prevented adoption of this recommendation. In the meantime, at the beginning of 1944 and as a temporary expedient pending an overhaul of the general wage structure of the industry, the National Reference Tribunal for the coal-mining industry increased minimum wages from £4 9s. to £5 weekly for underground workers, and from £3 18s. to £4 10s. for surface workers. This measure resulted in widespread dissatisfaction culminating in serious strikes, as miners protested that the flat rate increase did not provide enough incentive for skilled workers to increase their earnings through greater output.

According to a statement on the Chinese Government’s labour policy, prepared by the Ministry of Social Affairs and embodied in a resolution adopted by the first National Social Administrative Conference held at Chungking in October 1942, the competent authorities were to be required to fix minimum wages, with particular reference to the cost of living in the locality. In wartime wages were to be regulated and controlled by the Government, which would also be responsible for the distribution of essential commodities. In December 1942 the Government promulgated Orders for the control of

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2 According to a study by Professor A. L. Bowley, the rise in average earnings in all industries from October 1938 to January 1943 was 65 per cent., as compared with an increase of 26.5 per cent. in wage rates. The 30 per cent. greater increase in earnings (165 as compared with 126.5) was attributable to the following factors: unequal growth of industries, i.e., shifts to higher paying industries, 8 per cent.; increased employment of women, 2 per cent. decrease; and overtime, bonuses and upgrading within industry, 24 per cent. increase (A. L. Bowley: “Prices, Wages and Earnings”, in Royal Economic Society: Memorandum No. 95, London and Cambridge Economic Service’s Report on Current Economic Conditions, July 1943, pp. 53-55).
prices, transportation rates and wages. These Orders provided for the establishment of wage boards, composed of representatives of local party organisations, chambers of commerce, trade associations, trade unions and other local bodies, as well as of the police authorities. Wages, which were to be determined by the competent authorities, might not be raised beyond the rates in force on 30 November 1942. They were to be controlled in all areas to which the provincial governments might have decided to apply price control measures, and wage control measures would apply to industrial workers and workers in certain well-defined trades.

Measures taken to offset increased costs of living in other countries have varied. In addition to general increases in wages, cost-of-living bonuses have been introduced for certain groups of workers in Argentina, Colombia, Brazil, Egypt and South Africa. In other countries wage scales have been raised by government decree, minimum wages increased or existing wage supplements raised. Thus in Hungary, where substantial special supplements had been awarded in December 1941, a series of orders in July 1943 raised the general level of wages and salaries and stabilised them at the new level. The effects of these increases were reduced, however, by simultaneous increases in the prices of all foodstuffs and in taxes and duties. Although prices and wages in Rumania were stabilised at 1 September 1941 levels, increases in minimum wages for all classes of workers have since been authorised, the increases being limited to 30 per cent. of the rates in force on 1 April 1941. A new minimum wage system was also introduced in France in June 1943, in order to improve the lot of the lowest paid workers. Minimum wages in Cuba, which had been increased by 20 per cent. in November 1941, were raised again in April 1942. Adjustments of wages in Switzerland have generally been by means of a cost-of-living bonus either at a flat rate or proportionate to wages; the adjustments, averaging half the rise in the cost of living, usually vary according to the workers' age, sex wage level and family responsibilities, and sometimes take account of variations in living costs in different parts of the country and as between town and country. The French Committee of National Liberation has authorised upward revisions in wages to a limit of 25 per cent. in Algeria and 50 per cent. in Corsica.

In addition to the far-reaching wage controls applied in belligerent countries and the adjustments necessitated there and elsewhere by rising costs of living, the past three years have witnessed a continuation of the long-term trend towards the introduction or extension of minimum wage-fixing machinery of more or less general application. Thus in Bolivia a Decree of January 1944 provides for the
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fixing of minimum wages for wage earners and salaried employees by a series of regional wages boards. The principle of the minimum wage was also introduced in Guatemala by a Decree of July 1943 which empowers the Government to fix minimum rates. In Paraguay a comprehensive system of minimum wage regulation was provided for by a Decree of October 1943. In Uruguay an Act of 1943, designed to give effect to the International Labour Convention concerning minimum wage-fixing machinery, provides for the fixing of minimum wages by a series of wages boards. In Portugal, a Decree of April 1943, replacing a more limited measure of August 1935, authorises the Under-Secretary for Corporations to fix compulsory limits for wages and salaries when economic interests or social justice so require. And in Costa Rica the scope of existing minimum wage laws has been extended. There has also been a steady development of wage-fixing machinery in British colonial territories.

The substantial section of Europe's working population which is under German control has been subjected to a deliberate and systematic reduction in living standards. In Norway, enforced reductions in the cost-of-living bonus have reduced money wages to the level of August 1939, and it has been estimated that real income has declined by 40 to 50 per cent. Agricultural wages, however, and the lowest wages in the mining industry have been raised slightly; in some cases workers have been able to improve their position, within the limits set by inadequate nutrition, by changing from time to piece work and by overtime work. In Denmark, the wage tax was repealed in April 1942, but this and an increase in March 1942 in the cost-of-living supplement, equivalent to a wage increase of 2.5 per cent., for workers over 23 years of age, have been quite insufficient to offset the rise in the cost of living. In Belgium, an Order of May 1941 introduced a new system of minimum wages modelled on the German system.

In Germany, where hourly rates have been held stable, the trend of earnings has nevertheless been upward, chiefly owing to longer working hours; from September 1939 to September 1942 weekly earnings in all industries are reported to have increased by 13 per cent. The wages of unskilled workers have not, however, risen to the same extent as those for skilled and semi-skilled workers, since the former group includes a large proportion of inexperienced and drafted foreign labour. In an effort to increase output, new systems of "efficiency wages" have been introduced in the building, steel and clothing industries and piece rates have been cut.1 In spite of strict regulations, the

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effectiveness of the agricultural wages stop is doubtful, and wage costs in agriculture are said to have gone up sharply.\footnote{H. W. Singer: "The German War Economy, X" in Economic Journal, Dec. 1943, p. 377.}

German workers in countries outside Germany are subject to the same working conditions and rates of wages as in Germany and are given bonuses to cover the higher cost of living in occupied countries. In France such workers are allowed wage increases of up to 25 per cent. over the rates paid to other employees of German undertakings, which rates may not be increased without special authorisation.

Jews working in occupied countries are not entitled to dismissal allowances when undertakings are closed by the occupation authority, and they are frequently displaced by non-Jewish workers. In a much worse position than workers in occupied countries, however, are the workers recruited from conquered countries for employment in Germany; these workers are the victims of severe discriminatory measures. Payments to French workers in Germany were scaled downwards in 1943; wages of Soviet workers are for the most part between 40 and 75 per cent. of the normal German wage; Polish workers and Jews receive no welfare benefits of any kind and get no additional pay for overtime, Sunday or holiday work. Piece rates are used wherever possible in order to force maximum output.

As was indicated at the outset of these notes on wage policy, the period of the war has seen considerable changes in the structure of wage rates and earnings. Some of these changes, like the 1914-18 rise in the ratios of unskilled to skilled workers' wages, may well prove permanent. The great increase in the number of skilled workers, and in the variety of their skills, which has taken place in many countries as a part of the process of industrial development outlined in Chapter II of the present Report, has brought a corresponding increase in the complexity of the wage structure and may be expected to exert an upward influence on the lower ranges of wage rates. Again, where anomalies in the pre-war wage structure have been corrected as a part of a general system of wartime wage regulation there is a good chance that the improvements thus made will persist. Others of the changes which have taken place in wage structures as a consequence of wartime pressures on the labour market are likely to be reversed when these pressures subside; and the process of reversal will involve hardships for many of the workers affected. It may well prove desirable, as a means of minimising such hardship, particularly in the case of workers who have no adequate trade union organisa-
tion, to continue in the post-war period certain of the mechanisms of minimum wage fixing which have been developed for war purposes.

Wartime increases in costs of living, by imposing heavy burdens on large families, have emphasised the utility of family allowances and have led to their extension in several countries and their introduction in others. Thus in Australia, where the only general family endowment scheme formerly in operation was confined to the State of New South Wales, a Commonwealth scheme enacted in 1941 now provides allowances of 5s. a week for over 900,000 children; every child under 16 years, except for the first in each family, is entitled to benefit, and the cost is financed out of the proceeds of a pay-roll tax supplemented from the general revenue of the State. State schemes with a more limited coverage have been introduced in Brazil, Ireland, Finland and Germany, and proposals for schemes of this type are under consideration in Canada and Great Britain. Schemes financed by employers have been introduced since 1939 in Bulgaria, Japan and Portugal and in certain industries in Rumania and Uruguay. Rates of benefit under schemes already in existence have been increased, largely in order to offset rising costs of living, in Belgium, France, Hungary, New Zealand and Spain. In a number of countries also there have been extensions in the coverage of existing schemes, both as regards the industries or groups of persons included and as regards the proportion of children in each family entitled to benefit.

The past few years have thus witnessed a considerable development in the number and extent of family allowance systems. As experience has accumulated the trend has been in general towards more complete coverage, more substantial benefits and simpler financial structure and administrative organisation. Opinion in favour of the introduction of family allowances is clearly gaining ground in certain of the countries in which no scheme as yet exists, and family allowances in some form are widely regarded as a necessary element in any comprehensive programme to assure a decent “national minimum”.

Social Insurance

The past two or three years have been full of promise of great advances in social security to be accomplished in the near future. Continental Europe, the birthplace of social insurance, is not, for reasons all too sufficient, the leader of the movement at this time. The torch, as it were, is now borne by the overseas countries. The English-speaking countries are keenly planning ahead for a post-war social order. These countries might be thought to be too busy with the war to carry through actual measures of social security, but
Australia, for one, is not hesitating to put its plans into force piece by piece even now, while in other countries the fundamental measures may be placed on the statute books before the war ends.

The aspiration towards social security is not less strong in Latin America. Here immediate measures are perhaps easier to carry through because industry is prosperous and there are no great armies in the field to support. On the other hand, the foundation of existing administrative and social services is often less well prepared for the construction of such universal social security systems as are contemplated in the English-speaking countries. Instead we find that the Latin American countries are adopting basic social insurance laws which they proceed to apply by degrees, extending the scope and content of these measures as experience and resources are accumulated.

Not less impressive is the determination of China and India to catch up by forced marches with the Western world, as soon as possible. This intention demands a social strategy directed against the prime causes of insecurity. There can be no question of uncritical adoption of older Western patterns, destined perhaps themselves to be modernised at an early date. The process of slow learning by trial and error is too costly of time and resources both human and material, and must be avoided as far as possible by seeking from the outset the utmost economy and efficacy that medical and administrative science can devise. It seems indeed that this is the policy which China with its Social Assistance Act, and India with its Health Survey and Development Commission, have already decided upon.

The countries comprising the British Commonwealth of Nations have been quick to set about planning for social security, even in the midst of war. Their social security planning is characterised by several significant features: the universality of the scope of the plans, the inclusion of children's allowances, the separate organisation of cash and medical benefits, and the centralised administration of the former.

The New Zealand Social Security Act of 1938 showed that a social security system comprising cash benefits for every social risk and a medical care service could be devised and actually operated for a whole population, and its achievement has aroused the emulation of the other nations of the Commonwealth.

The cash benefit proposals of the various countries have emanated from the Beveridge Committee in Great Britain, the Parliamentary Joint Committee on Social Security in Australia, the Advisory Committee on Reconstruction (Marsh Report) in Canada, and the Social Security Committee in South Africa. The contingencies in which benefits would be payable include, under all the schemes, unemploy-
ment, sickness, maternity, invalidity, old age and death. The provisions of the British plan and the Canadian plan (which is still in a preliminary form) are based on a fairly strict contribution-benefit principle; under the former plan, benefit is in all cases payable at subsistence rates without a means test, but under the latter, sickness and unemployment benefits vary with wages. The South African plan resembles the New Zealand Act in that the cost is met by a special income tax, and that the benefits are in all cases payable at subsistence rates and are subject to a means test. Under the Australian plan, as at present drafted and as already in part enforced, the entire cost is charged to general income tax, and the benefits are all on a subsistence basis, some being subject to a means test, others not.

The principles underlying all the proposals for medical care services may be formulated as follows:

1. All necessary forms of medical care should be available to all members of the community without any economic barrier.
2. Care should be preventive as well as curative, and should aim at maintaining and improving health.
3. The unit for the purpose of health services should be the family and each family should have its regular doctor.
4. General practitioners should work in close co-operation with specialists and hospitals.
5. Medical care services should be closely co-ordinated with general health services.

These principles are fairly generally accepted by the organised medical profession in the various countries, but agreement has not yet been reached on the methods by which these principles are to be applied. Except in South Africa where the majority of the organised doctors are in favour of a salaried medical care service, the question of the terms on which doctors are to serve, and that of the field to be reserved for private practice, still await definite answers. In the interest of rational administration, some of the plans have proposed that doctors, at least in some circumstances, should conduct their practice from fully equipped health centres, but there is still a considerable body of opinion in the medical profession which prefers the traditional individualism of medical practice. Both in Great Britain and in Australia it seems likely that some compromise solution may be found whereby doctors may have opportunities to participate in the service either as individuals or as members of a group. As regards finance, the plans of Great Britain and Canada again rely, though to a more limited extent, on contributions from insured persons, whereas those of Australia and South Africa presuppose a service which is financed wholly out of taxation.
The magnitude of the social security plans in the British Commonwealth overshadows the positive measures of a relatively minor character which have been carried through pending the application of the plans. Great Britain, for example, has introduced a national scheme of vocational rehabilitation for handicapped workers and a national scheme for tuberculosis treatment, both of which are completed by provision for maintenance allowances on a comparatively generous scale. Australia has established a national scheme of family allowances payable without means test for all children except the first in the family, and maternity allowances for all women, whether workers or not; two Australian States moreover have provided special retirement pensions for miners. In Canada a national scheme of unemployment insurance for workers in industry and commerce went into operation in 1941.

In general, the effect of the war on the Latin American countries has been to stimulate production and to increase both the numbers and the contributive capacity of the workers. In consequence an opportunity favourable to the introduction of large-scale programmes of social insurance has been created. This opportunity many of them have taken, and the record of achievement in this field during the past two years is without parallel in the past.

Mexico, Panama and Costa Rica have passed legislation creating general schemes of social insurance, which they are now in the process of applying. The Mexican Social Insurance Act, which became law at the end of 1942, introduces compulsory insurance covering the risks of industrial accidents and disease, sickness, maternity, invalidity, old age and premature death. It applies, in principle, to all employed persons and is administered by a national institution, in which provision is made for tripartite representation. The scheme is being put into operation as from the beginning of 1944 in the Federal District, where a large proportion of the industrial population is concentrated. Panama adopted a social insurance law in 1941 which covers the various physical risks and applies to all workers in the districts of Colón and Panama. The scheme, which went into operation in 1942, was amended in 1943, when the pension insurance provisions were placed on a sound actuarial basis. A compulsory insurance scheme providing sickness, maternity, invalidity and old-age pensions was established in Costa Rica by a law of November 1941. It applies to wage earners in all occupations, and is administered by an institution in which the Government, manual and non-manual workers and employers are represented. In 1943 the workmen's compensation law was extensively amended, and accident insurance was made compulsory in certain industries.

In Venezuela the Compulsory Social Insurance Act of 1940, which
provided for compulsory sickness and accident insurance on behalf
of workers in industry and commerce, is now about to be put into
force in the district surrounding Caracas.

During 1942 and 1943, Ecuador carried through a complete reform
of its social insurance system of 1935, and the regulations for the
application of the reform system went into effect in 1944. The new
system embraces accident insurance, as well as sickness, maternity,
invalidity, old-age and survivors' insurance, there being separate
funds for manual and non-manual workers. In the reform of the
system, particular care has been taken to secure long-term financial
stability, as well as social adequacy.

In other Latin American countries the legislative improvements
have been less far-reaching, but in many cases have been important.
For example, in Argentina accident insurance has been extended to
agricultural workers, and a special scheme of social insurance
for seamen has been established. In Bolivia, accident insu-
rance has been made compulsory. In Brazil, allowances at public ex-
 pense have been introduced for children in large families, while the
social insurance institutions have executed extensive housing projects
and set up workers' restaurants. In Peru the scope of application of
social insurance has continued to expand as fresh areas have been
endowed with the necessary medical facilities. In Uruguay a special
scheme of pension and unemployment insurance has been established
for rural workers and employers.

In a number of Latin American countries in which the social insu-
rance schemes are limited in scope or content or lack of co-ordination
with one another, plans are being made for extension, unification or
co-ordination. In Bolivia, for example, a bill embodying a very com-
plete social insurance programme was about to be discussed when
the recent change of Government occurred. A thorough-going reform
of the wage-earners' insurance scheme and the creation of a national
health service are under consideration in the Chilean Congress. In
Cuba, a committee has been appointed by the Government to draft a
comprehensive social security plan. Haiti has taken the initial steps
to establish compulsory sickness and accident insurance for certain
groups of workers. Paraguay in April 1943 replaced its compul-
sory savings scheme by one of compulsory insurance, the details of
which remain to be worked out. In Peru, a special scheme of social
insurance for non-manual workers is being prepared.

Far-reaching proposals for the creation of social security in the
widest sense of the expression were published in the United States
at the end of 1942 by the National Resources Planning Board. So
far as social insurance proper is concerned, these proposals have
been formulated in detail in the Wagner-Murray-Dingell Bill, which was introduced in the Senate and the House of Representatives in June 1943. This Bill has the support of the entire trade union movement.

The purposes of the Bill are to add medical, sickness, maternity and permanent disability benefits to the old-age and survivors' benefits already provided under the Social Security Act, to convert the State unemployment compensation schemes into a Federal unemployment insurance scheme, and to extend the scope of compulsory insurance to all gainfully occupied persons, thereby bringing in agricultural workers and all self-employed persons. Federal and regional advisory bodies representing employers, workers and the general public will assist the Social Security Board in the administration of the above benefits. The Bill calls for a joint contribution of 12 per cent. of earnings, equally shared by the employers and workers. Under the Bill the Federal Government would grant subsidies to all approved State schemes of public assistance, and not only to those concerned with the aged, the blind, and dependent children; the subsidies would be inversely proportional to the per capita income of the several States. Another important feature of the Bill is a special scheme of unemployment allowances for demobilised service men and women.

The medical benefits provided under the Bill are granted to all insured persons and to their wives and children. They include general and specialist medical care, the supply of surgical appliances and hospitalisation, the duration of which is limited at the outset to 30 days in the year. The same range of benefits may be provided for non-insured persons in virtue of payments made on their behalf by public assistance agencies. The service is to be organised by the Surgeon-General of the United States, who is empowered to enter into agreements or working arrangements with the States independently, with hospitals and with medical associations. He is to be assisted by an advisory council representative of the medical and allied professions and hospitals. A vigorous campaign against the medical provisions of the Bill is being conducted by the American Medical Association, which is opposed to Government intervention in the practice of medicine, and by the pharmaceutical industry.

The Congress has decided to postpone during 1944 the operation of a provision of the existing Social Security Act whereby the joint contribution should be raised from 2 per cent. to 4 per cent. of earnings.

Despite difficulties of every kind, the Chinese National Government has succeeded in carrying through an important measure of social security. The Social Assistance Act, promulgated in September
1943, is a national code of social assistance on modern and constructive lines. Five principal categories of beneficiaries are enumerated: victims of floods or drought, the aged, children under twelve, pregnant women and the disabled. The assistance is to be given as far as possible by way of education, rehabilitation and employment, together with cheap food and housing. Moreover the Ministry of Social Affairs has issued regulations for the establishment of a workers’ provident fund, while the Ministry of Finance has provided greatly increased facilities for workers’ savings.

In India the first plenary session of the Conference of the tripartite labour organisation which was held in September 1943, adopted a resolution urging all governments to proceed with the preparation of social security plans. About the same time the Central Government decided to set up a Health Survey and Development Commission, the terms of reference of which include the development of preventive and curative services and their extension to rural areas. Meanwhile, at the instance of the Central Government, a plan of sickness insurance for industrial workers is being prepared and has already reached an advanced stage. In September 1943 an Act was passed imposing on industrial employers the liability to pay compensation in respect of war injuries to their workers and requiring employers to insure against this liability with agencies of the Central Government.

In continental Europe a certain number of important structural amendments have been made in the social insurance systems of Germany and its allies, and in those of Portugal and Spain. Apart from these changes, all of which increase the degree or range of social insurance protection, increases in benefit rates more or less corresponding to rising living costs have been made in most European countries.

In Germany the replacement of the old established social insurance system by one of national assistance, which was promised in 1940, seems to have made no headway. Meanwhile the basic components of invalidity, old-age and survivors’ pensions have been restored to their pre-1932 level, medical care has been introduced for pensioners and accident insurance has been extended to the entire employed population. The complicated system whereby contributions for the various social insurance schemes are deducted from wages has been simplified. Social insurance benefits for miners, and especially long-service pensions, have been increased.

The German social insurance system has replaced the Polish system in the parts of Poland incorporated in Germany; it has also been substituted for the pre-war systems of Luxemburg and Alsace-Lor-
In the General Government of Poland, the Polish system remains in force so far as contributions are concerned, though assistance allowances have taken the place of insurance benefits.

In France, the Vichy Government has effected a simplification of the procedure for collecting contributions and has eased the qualifying conditions for benefits. In the Netherlands, the compulsory sickness insurance scheme, which formerly provided cash benefits only, has been completed by the addition of medical benefit. Family allowances for all persons covered by the general scheme of social insurance have been introduced in Bulgaria. The benefits of the Hungarian social insurance system have been modified in favour of insured persons with families. Family allowances have been introduced in Portugal for all workers in industry and commerce. The allowances are to be administered by occupational corporations and financed by joint contributions.

Compulsory sickness insurance has been introduced in Spain. The scheme applies to all occupied persons, and medical and cash benefits are provided for 26 weeks, the former being granted to the dependants of insured persons. A special scheme of silicosis insurance has been established. The rates of family allowances have been increased, especially for the larger families, and the organisation of family allowances and old-age pensions in rural areas has been improved.

Improvements have also been made in the Belgian and Norwegian schemes of seamen's accident insurance which are being administered by the Belgian and Norwegian Governments from Great Britain.

CHILDREN AND YOUNG PERSONS

The problems of youth have been very seriously aggravated by the war. The situation is tragic beyond description in the countries which have been turned into battlefields or which are dominated by a brutal and ruthless enemy. Subject to physical privations of all kinds, under-nourished and badly clothed, their health undermined, their education frustrated or even arrested by the disorganisation of the schools, the persecution of teachers faithful to democratic ideals, the destruction of school books, the enforced teaching of Nazi doctrines, and the imposition of forced labour, the children of the occupied countries present problems of the gravest import for the future.

But it is not only in the devastated and occupied countries that the war is seriously prejudicing the future of today's children and adolescents. In all the belligerent countries, the manpower shortage has led to the increased employment of young persons, with harmful results to their general and vocational education. Figures published in the United States show that, whereas in 1940 hardly one million
boys and girls between 14 and 17 years of age were in employment, some three million were employed in September 1943; in occupations covered by social insurance schemes the number of boys under 16 years of age employed had increased nearly five times in 1942, and the number of girls nearly eight times. It has even been estimated that one quarter of the exceptional increase in the employed population was made up of young persons belonging to the age group for 14 to 17 years. Comparable figures have not been published for other countries, but one other fact may be cited. In a Canadian province, where war industries have been developed on a considerable scale, the number of children of from 14 to 15 years of age employed increased from an average of 500 before the war to 22,000 in 1942-1943. To the increased full-time employment of young persons must be added the part-time employment of school children, which has been shown by sample investigations to have increased considerably. Moreover, the number of hours of part-time employment is in some cases so great that it is unlikely that the children concerned have the necessary energy to benefit by their school work.

While there is generally a full system of legal protection for the young worker, the provisions have in many cases been relaxed during the war; authorisation has been given for the employment of young persons at night, for increasing their hours of work, or for shortening the breaks between working periods.

On the other hand, there have been developments of an encouraging nature in regard to juvenile employment. Public opinion has shown a much greater awareness of the dangers of the abusive employment of children than during the first world war. The question has been raised in legislative assemblies and often with good results. Such movements as the "back to the school" campaign in the United States have been supported by the trade unions as well as by societies for the protection of childhood. Governments have been more watchful than in 1914-1918, and some have established or strengthened the administrative machinery for dealing with youth problems. Thus Australia formed a children's welfare section in the new Federal Department of Labour and National Service; Great Britain set up a Youth Service Committee in the Board of Education; the United States has had a Children's Bureau since the last war, and this office has both issued warning signals and served as a centre for the coordination of resistance to the lowering of standards of social policy in respect of the protection of children and young persons.

This strengthening of governmental action reinforces the growing tendency to deal with problems of the protection of childhood as a whole requiring the centralisation of protective services and the
codification of protective legislation. This tendency has been most strongly marked on the continent where it first developed, i.e., in America. Stimulated by the Pan-American Children's Congresses, the movement has made most progress in Latin America. Before the war, children's codes and central administrations for their application existed in Ecuador, Uruguay, and Venezuela; at present such codes are being prepared in Bolivia, Mexico and Peru. Chile has considerably reinforced the protective services and the relevant legal provisions. In Brazil, the whole system of protection for working youth and for vocational education has been reorganised during the last two years, in relation more particularly with the elimination to the greatest possible extent of the premature employment of children in itinerant trades.

The resolutions adopted in 1942 by the eighth Pan-American Children's Congress form a guide for the unification of measures of social policy relating to children. At the New York Conference of the International Labour Organisation (1941), the Government delegates of the United States submitted a resolution calling attention to the responsibility of governments "for assuring, on their own initiative and through appropriate channels of international co-operation, full protection to all children, regardless of the income of their parents, as the best means of developing to the fullest extent the vigour of the workers of the future". The measures recommended included freedom from oppressive child labour, full access to educational opportunity and vocational preparation, health supervision, and assistance in conserving home life or providing special protection or care as the children's needs might require. In succinct form, the resolution proposed a programme of social policy for children, which it would be desirable to develop as soon as possible. The suggestion is therefore made in Chapter III of Report I that the question should be placed on the Agenda of an early Session of the International Labour Conference with a view to the adoption of a Recommendation defining the measures that should be taken for the protection of children and young persons.

Meanwhile, on the instructions of the Emergency Committee of the Governing Body, the resolution submitted to the New York Conference was communicated to all the States Members. The replies received by the Office show the interest shown in the resolution, which appears to have afforded some countries an opportunity of taking stock of their systems of childhood protection.

Many post-war planning schemes contain measures for the better protection of childhood. Educational reform proposals are numerous. Some are for immediate or early application (New Zealand and
Great Britain): others are to be spread over a number of years (Colombia and Mexico) or over a generation (India). Depending on the present state of development of educational institutions, these plans for the future aim at the reduction of illiteracy, or the raising of the general standard of education by raising the school-leaving age or facilitating access to secondary and higher education. Some of the plans also contain welfare provisions such as the institution of school canteens, school medical services, etc. Proposals are also made for the indispensable increase of appropriations for education.

In countries devastated by the war, priority must be given to health measures, but reconstruction plans must also provide in the earliest phase for moral reconstruction measures. In particular, the reorganisation of the means of general education and of vocational training must be undertaken without delay, for on education depends to no small degree economic reconstruction. Local resources will no doubt be insufficient for this task in many cases, and concerted international assistance will be necessary.

**Housing**

Housing shortages which were common to most countries before the war have been intensified by wartime conditions. Post-war housing policy is therefore under study by many governments as well as by interested groups and individuals, and may be expected to play a significant part in reconstruction. Large-scale housing programmes are being designed with the double objective of improving living conditions and furnishing employment for large numbers of demobilised men.

Few, if any, countries had adequate housing facilities before the war. Over-crowding was common, particularly in towns and cities; in Germany, for example, despite the efforts of the Government to overcome the housing shortage, it was estimated that some 20 per cent. of the flats in towns were overcrowded before the war.\(^1\) In most countries slum areas were an urgent social problem and little progress had been made towards comprehensive action to secure their elimination as part of a general housing policy.

During the war housing policy has been concerned principally with the protection of tenants from rising rents and little new housing or rehousing has been undertaken. Residential housing construction has for the most part been confined to the building, by government agencies, of temporary wartime dwellings to accommodate war workers, and to necessary repairs of bombed houses in such countries as...

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\(^1\) *The Economist*, 15 Jan. 1944, p. 76.
Great Britain. In Australia, the Commonwealth War Workers' Housing Trust, in the United States, the National Housing Agency, and in Canada, Wartime Housing Limited, a Government company, have built large numbers of temporary dwellings for war workers. Most wartime building of this kind is, however, of doubtful post-war value and the desirability of keeping it to a minimum has been frequently stressed. Apart from such temporary housing projects, building has been so limited by wartime shortages of materials and manpower and by consequent priorities and controls that residential construction has not been sufficient to cover replacements and provide for the normal growth in population. This has been the case not only in countries which have been the scene of actual military operations but in many others as well. In New Zealand, for example, the number of new private dwellings for which construction permits were issued in the larger centres fell from 6,540 in the year 1939-40 to 600 in 1942-43, and contracts for State houses fell from 4,165 to 277.¹

The shortage of dwellings consequent on this decline in construction has of course been accentuated by normal wastage due to such causes as fire and depreciation; and in Britain, Russia and large parts of continental Europe millions of houses have been damaged or destroyed by bombing and land warfare.² As a result very large-scale housing programmes will be urgently required in virtually all countries after the war.

Several obstacles will have to be removed if adequate housing programmes, particularly for low-income groups, are to be completed successfully. Building costs are high, partly as a consequence of wartime conditions, partly because of the traditional conservatism of the building industry, with its reluctance to adopt new materials, mass production methods and new forms of organisation³, and partly because of such factors as the multiplicity of local building codes and the inherent difficulty of introducing standardised methods in the production of a commodity which must be adapted to the special needs of different sites and different tastes. As one approach to the problem of reducing construction costs an Australian Commonwealth Housing Commission has recently recommended Govern-

² In Great Britain, for example, about 1,000,000 houses had been destroyed or damaged by enemy action up to Mar. 1944. (Broadcast by the Prime Minister, 26 Mar. 1944.)
ment subsidies and Government participation in the housing programme with a view to introducing bulk purchasing and simplification. Other major obstacles in the way of adequate low-cost housing include the high cost of building sites, the lack in certain countries of suitable long-term credit facilities, the limited borrowing powers of local authorities and, in federal States, the division of authority between central and state or provincial governments. Recommendations for overcoming these obstacles have, however, been made in a number of recent official reports and there is a widespread recognition of the need for such action as a basis for post-war housing policy.

In Great Britain, considerable attention has been given in particular to problems of regional planning, and to land values and ownership in their relation to housing. Three official committees, the Barlow Commission on the Distribution of the Industrial Population, the Uthwatt Committee on Compensation and Betterment and the Scott Committee on Land Utilisation in Rural Areas, have made recommendations, some of which have been adopted by the Government. All three reports emphasised the need for national planning and a national planning authority with compulsory powers. In order to check land speculation and encourage and facilitate development and redevelopment projects, the Uthwatt report recommended that compensation for future public acquisition of land should not exceed the values of 31 March 1939. This principle has been accepted by the Government. In line with another recommendation of the committees, a Ministry of Town and Country Planning has been set up to supervise national planning. The Government has announced plans for the rebuilding of houses damaged by enemy action, for the construction of half a million prefabricated emergency houses to meet the immediate needs of the people in the four or five years after the war, and for a programme of permanent rebuilding covering a period of 12 years. The amount which may be spent for rebuilding any bombed house has recently been increased from £250 to £500 and it is expected that the greater part of war damage, other than total losses, will be repaired by the end of 1944. Preparations for the construction of the emergency houses are being made on a nationwide scale: factories are being assigned, materials are being earmarked, convenient sites are to be chosen and "the whole business is being treated as a military matter handled by the Government". Demonstration houses are being erected for the purpose of exploring the possibilities of, and the reaction of the public to, new materials and new forms of construction. The 12-year post-war housing programme will involve the building of between 3,000,000 and 4,000,000
houses; between 1,500,000 to 2,000,000 of these will be required for the replacement of slum dwellings and houses in poor condition or grossly deficient in modern amenities, and 1,500,000 will be needed to provide each family with a separate dwelling. The programme is expected to require a labour force of 1,250,000 and in carrying it out every effort is to be made to ensure steady employment in the building trades.¹

In Russia, which is faced with a rebuilding problem of unprecedented dimensions, a Committee on Architecture was appointed in 1943 to co-ordinate and plan the reconstruction of cities and towns destroyed by the invading armies; and regional and municipal administrations for architectural matters, attached to the Committee, are to be set up throughout the U.S.S.R.

Other European countries in which estimates of post-war housing needs or plans for post-war building have been made include Germany, in which the post-war shortage of houses was estimated in 1940 at over 6,000,000 units and will presumably, as a result of the intense bombing of the past year, be in fact much greater; Finland, where post-war needs were estimated after the armistice of 1940 at 125,000 houses, and legislation was adopted providing for rent subsidies for large families, for the construction of small single-family dwellings, and larger multiple dwellings, and for the provision of credit for certain low-cost dwellings built by co-operative joint-stock companies; Denmark, where a Parliamentary Commission in 1943 estimated requirements for new dwellings and replacements and made detailed proposals concerning urban land policy, the housing of large families, and assistance for repairs and modernisation of dwellings; and Bulgaria, where an Act of 1941 made the Social Insurance Institution responsible for the construction, financing, sale and renting of low-cost dwellings.

South Africa, Australia and New Zealand have announced plans for post-war building on a large scale. The South African Government has drawn up a five-year plan involving the construction of 100,000 houses of various types and expects to have 30,000 of these completed in 1944. In Australia, where there is expected to be a shortage of 300,000 houses by 1945, a Commonwealth Housing Commission appointed in April 1943 has recommended three distinct housing programmes designed to overcome the shortage and eliminate slums within 10 years after the war. The first, an Immediate

Relief Programme, would depend upon the building resources immediately available. The second, an Immediate Post-War Housing Programme, would involve 50,000 dwellings to be completed or under construction in the first post-war year. The Government has approved this programme and has announced that 30,000 of these dwellings will be reserved for low-income families. The third programme, a Long Term and Permanent Housing Plan, would increase the number of houses built to 80,000 a year within three years after the end of the war, and then reduce it gradually to the number required for the normal increase in demand and the replacement of obsolete dwellings. The Commission also recommended Commonwealth financial assistance, subsidies, and a system of rent rebates for the lowest income groups. In New Zealand, 3,600 State houses are to be built for rental during the year ending June 1944 and the Housing Construction Department has proposed plans for 8,000, 10,000 and 12,000 such houses in the first three post-war years.

Several of the Latin American countries are taking measures to provide cheap homes for low-income groups which suffer severely from overcrowding. In Chile, the Housing Act of 20 October 1943 is designed to stimulate the construction of low-cost houses and to overcome a shortage estimated at 250,000 to 300,000 units. In Argentina, an Advisory Commission for Cheap Housing, established in the summer of 1943, has advocated an expenditure of 50,000,000 pesos on houses for workers. In El Salvador, a Social Improvement Company was established by an Act of December 1942 to build cheap houses and to deal with related matters of housing policy with a view to improving social conditions. Recent developments in Brazil, Colombia and Uruguay include municipal projects for low-cost housing and various community facilities.

While the United States Government has not announced an official post-war housing programme, it is commonly assumed that housing construction will be undertaken on a large scale at the end of the war. Estimates of post-war annual housing needs range from 900,000 to 2,000,000 and the Administrator of the National Housing Agency has expressed the view that a programme of 1,000,000 to 1,500,000 homes a year over a 10 to 20-year period, employing up to 4 or 5 million workers, is an attainable goal. Various cities in the United States are studying housing policy and some of them have adopted specific post-war plans. Chicago, for example, is planning the construction after the war of 35,000 to 40,000 homes per year, to provide for the natural demand for new homes and to house families displaced by the clearance of slums now housing 241,000 families. In Canada, a federal subcommittee on housing and com-
Community planning has estimated that at least 731,000 housing units will be required in the first post-war decade and has recommended that a comprehensive low-rental housing programme should be undertaken by the Dominion Government.
CHAPTER III

THE WORK OF THE I.L.O.

The development of the work of the I.L.O. during the period under review has been conditioned at every stage by the changing fortunes of war recapitulated in the introduction to this Report. The resulting difficulty of holding regular meetings of the Conference and the Governing Body has been a severe handicap. As during the period preceding the New York Conference, the Office has been deprived of the constant contact with the representative bodies of the Organisation which is so essential to make its work fully effective, but, fortified and supported by the resolutions of the New York Conference and by the decisions of the London session of the Emergency Committee of April 1942, it has been able to make substantial progress in the discharge of the tasks committed to it. The crisis is by no means over—indeed it may well be that the most critical days are still ahead—but, during the thirty months that have passed since the New York Conference further meetings have been possible in spite of the difficulties of transportation, the Acting Director and other members of the staff have been able to pay a number of visits to London and thus keep in contact with the British Government and with the other Governments established in London, and the regular relationship between the Office's activities and the Governing Body has been partially restored.

The Organisation has continued to maintain its membership despite the acute political difficulties of total war. The occupation of North Africa by United Nations forces was followed by German occupation of the whole of France and the disappearance of such precarious independence as the Vichy Government had succeeded in maintaining till that time. It will be remembered that the notice of withdrawal from the League of Nations given by the then Minister of Foreign Affairs on behalf of France, which expired on 19 April 1943, contained the following reservation in regard to the International Labour Organisation: "The French Government reserves the right to decide later whether it will continue its participation in the International Labour Organisation. . . ." No communication concerning this reservation was received by the Office while there continued to
be in France a Government enjoying the independence necessary to entitle it to give valid notice of withdrawal from the Organisation. Consequently, when submitting estimates of the receipts and expenditure of the Organisation for the year 1944 to members of the Governing Body by telegram in July 1943, the following proposal was made to the Governing Body: "Am of the opinion French I.L.O. membership should not be regarded as lapsed and it is desirable to take no action interpretable as breaking the continuity of French membership. Therefore propose to include French units in receipts side of Budget." This proposal was approved by the Governing Body and the status of France as a member of the Organisation was accordingly maintained. On the convocation of the Ninety-first Session of the Governing Body the Acting Director addressed to Mr. Adrien Tixier, Commissioner for Labour in the French Committee of National Liberation, a communication intimating that though the great majority of the French people were still in a position which prevented them from exercising their free will in the choice of their government, the Governing Body had taken the view that France had not ceased to be a Member of the International Labour Organisation and that he was confident that the Governing Body would welcome the designation of a French representative by the Committee. When the Ninety-first Session was held in London, Mr. Tixier was particularly warmly welcomed, as was the attendance of the French workers' representatives. As regards the Twenty-sixth Session of the International Labour Conference, the same considerations apply and the Office has been informed of the appointment, by the French Committee of National Liberation, of a complete delegation headed by Mr. Tixier.

The Conference will no doubt also welcome the readmission to membership in the Organisation of Costa Rica. This country was represented by observers at the regional conferences in Santiago de Chile and Havana, and at the New York Conference. The Costa Rican observer at the latter Conference, Mr. Héctor Beeche, told the Conference of his hope that his country would soon become again a Member of the Organisation, and this declaration was very warmly received by the Conference. At the Inter-American Conference on Social Security, held in Santiago de Chile in September 1942, the first delegate of Costa Rica, Mr. Padilla Castro, formally announced the wish of the Costa Rican Government to re-enter the Organisation. Consulted by cable, the members of the Governing Body agreed to the Office's proposal that Costa Rica should be entitled to full rights of membership pending formal confirmation of its readmission by the next Session of the International Labour Conference. Costa
Rica, therefore, assumed the rights and duties of a Member of the International Labour Organisation as from 12 November 1942, subject to confirmation by the present Session of the Conference. The relevant documents are contained in the Appendix to this Report which contains a draft of a proposed Conference resolution to confirm the readmission of Costa Rica to membership of the Organisation.

The notice of withdrawal from the League of Nations of Haiti will expire on 8 April 1944. The Conference will certainly applaud the declaration made by His Excellency Mr. Elie Lescot, President of the Republic of Haiti, during his visit to Montreal on 11 October 1943, that “Haiti will continue to be a Member of the International Labour Organisation, with the same rights and obligations as the other Members”. The text of this declaration, and of the reply thereto made by the Acting Director of the International Labour Office is contained in the Appendix to this Report.

Finally, it should be recalled that notice of the withdrawal from the League of Nations was given by Rumania on 11 July 1940 as the Rumanian Government did not indicate its intention to remain a Member of the Organisation. The notice given to the League of Nations expired on 11 July 1942.

Normally, the progress of ratifications of Conventions would be one of the most important aspects of the Director’s Report to the Conference. In time of war, when the application of the provisions of some Conventions has had to be partially suspended for reasons of force majeure, it was not to be expected that many ratifications would be registered. Therefore, it is of considerable interest to note that the number of ratifications has increased from 882 to 887. It is even more valuable to note the nature of the ratifications registered.

Of outstanding importance is the ratification by Great Britain of the two 1939 Conventions concerning contracts of employment of indigenous workers and penal sanctions for breaches of contract by such workers. These Conventions have not yet come into force pending ratification by other countries, but the British Government has not waited for the official coming into force in order to implement the provisions of the Conventions in most of the territories dependent upon Great Britain.

Another significant ratification is that of the Forced Labour Convention (1930) by Belgium, for application in the Belgian Congo and the Mandated Territory of Ruanda Urundi. Though subject, as the Constitution of the Organisation and the text of the Convention permit, to adaptations in line with traditional Belgian colonial policy, the ratification by Belgium of this Convention marks an important step in the evolution of social policy in dependent territories.
The ratification by Mexico of the Conventions on holidays with pay (sea) and on statistics of wages and hours of work, is also of noteworthy interest.

It has not been possible to follow in all its steps the normal procedure for the supervision of the application of Conventions during the war. The Office, though with a proper regard for the circumstances of the time, has reminded Governments of the obligation to submit annual reports on the application of Conventions which they have ratified. It is gratifying to note that many such reports have been received, even from countries which are most concerned with, and affected by, the war. On the other hand, it has not been possible for the Committee of Experts on the application of Conventions to meet, and as no regular Session of the Conference has been held there has been no over-all discussion of the problems of application. The question of the application of Conventions has however been duly included among the subjects to be brought before the present Session of the Conference, and a report summarising the available information will be submitted.

The term of office of the present Governing Body, which was elected in 1937, should have expired in 1940 but it was impossible to proceed to new elections owing to the postponement of the Twenty-sixth Session of the Conference. The Governing Body elected in 1937 therefore continued to function, since it could hardly be argued that the provision of the Constitution intended to permit of the revision of its membership from time to time and thereby make it more effectively representative should be construed as meaning that in circumstances which made such revision impossible it could not function at all. In 1941, the Office consulted the members by cable regarding the holding of a Session at the time of the New York Conference, and the members, by 19 votes to 2, approved the proposal to hold the Session. At the opening of the Session after discussion of the position they agreed unanimously "to proceed with the Agenda of the 90th Session" and, foreseeing the impossibility of holding the regular quarterly sessions and in order that decisions might be taken whenever necessary, the Governing Body authorised the Director "to proceed to consultations by cable as an emergency measure when circumstances so required". Further, in order to enable the Director to consult full panels of employer and worker members (eight each), the employers' and workers' groups subsequently nominated members to replace provisionally those members who could not be reached owing to the war.

It is unnecessary to comment in detail on the proceedings of the New York Conference, nor on the application of the decisions of that Conference. The official record has been published and a sum-
mary account of the principal discussions given in "Towards Our True Inheritance".¹ The Governing Body, at its 90th Session in New York, authorised the immediate communication to the Governments of the important resolution regarding post-war emergency and reconstruction measures which the New York Conference adopted. This was done at the beginning of December 1941, and the machinery for carrying out the resolution was thus set in motion. Then came Pearl Harbour with all its consequences. However, it was possible to hold a meeting of the Emergency Committee of the Governing Body in London from 20 to 24 April 1942. This meeting dealt with a large number of important questions of policy and administration, including the budget for 1943 and the action to be taken on the resolutions of the New York Conference, in particular the resolution regarding post-war emergency and reconstruction measures.

The arrangements contemplated for the carrying out of this resolution which resulted from the decisions of the Emergency Committee can be summarised as follows:

While it was recognised that the I.L.O. had its own special competence as regards social problems, it was also recognised that the social could not be divorced from the economic, and that therefore the I.L.O. had a direct interest in the plans and policies that might be elaborated or decided on in the economic field and should be entitled to express its views on them. In order that it should be able to do so effectively, the following arrangements were contemplated:

(a) The I.L.O. was to be kept informed of plans drawn up by Governments or other international agencies.

(b) The I.L.O. was to be: (1) represented at any peace or reconstruction conference, and (2) associated with reconstruction planning—in other words, appropriate liaison was to be established between the I.L.O. and any official bodies dealing with reconstruction problems.

(c) In scrutinising any plans communicated to it under (a) or in making any representations to the official bodies mentioned under (b), the Governing Body was to be assisted by an Advisory Committee.

(d) The Governing Body or the International Labour Conference was to give authoritative expression to the I.L.O.'s views or suggestions as occasion might require.

It will be noted that this constitutes a coherent system leading up to the formulation of policy by the representative bodies of the I.L.O. It ensures that the I.L.O. in formulating its policy, will be

¹ Conference of the International Labour Organisation, 1941, New York and Washington, D. C., Record of Proceedings, Montreal, 1941; Towards Our True Inheritance, Montreal, 1942.
able to do so in the light of full information. Under (a) the I.L.O. receives official communication of whatever plans are prepared. Where these plans are drawn up by an international conference or committee, an appropriate system of liaison ensures that the Governing Body before expressing its views may know why and how decisions were arrived at. Since many of the subjects dealt with may be in fields which have not been continuously and intensively studied by the I.L.O., the Advisory Committee was intended to afford a further guarantee that the Governing Body before coming to decisions should have at its disposal not only full information but also the best possible advice on what might, in actual practice, be the repercussion of economic proposals on the possibility of achieving social objectives. Difficulties which could not have been foreseen when the Emergency Committee met in London in April 1942 have prevented the setting up of an Advisory Committee, and the Governing Body, at its London session in December 1943, agreed that further action concerning the Advisory Committee should be suspended pending the holding of the present Session of the Conference. The essential parts of the system are, however, (a), (b) and (d). It can and should function pending the constitution of an Advisory Committee, and is being put into operation progressively, particularly as regards the official communication of information to the I.L.O.

It could not be anticipated that the system should function instantaneously, automatically and completely in virtue of the decisions of the New York-Washington Conference and the Emergency Committee. Because of the wider scope of the subjects covered, the cooperation of Government departments with which the I.L.O. has had hitherto little or no relation is necessary. Such departments cannot be expected to respond immediately to the I.L.O.'s requests as rapidly or as completely as Ministers or Departments of Labour and Social Affairs with whom a long tradition of collaboration has been built up. Effective collaboration is a slow growth and not something which can be secured by a stroke of the pen. It will take time before the dual objectives of the system are generally understood, namely, first to equip the I.L.O. with a solid basis on which to ground its policy, and, secondly, to enable the influence of the I.L.O., and particularly of the organised employers and workers associated with it, to be placed behind the economic policies which it may approve and thereby greatly enhance their chances of success.

In assessing the progress achieved thus far, it should be borne in mind that the setback of Pearl Harbour and of all that followed prior to the entry of United Nations forces in North Africa completely altered the political conditions under which the New York resolution was adopted, and that reconstruction, like peace itself, of
which it is the first phase, is a continuous process. It will not be accomplished by a set of decisions, however wise and comprehensive and authoritative, but only by their continued application with such adaptations and modifications as changing circumstances may require. The I.L.O.'s part in reconstruction is therefore not to be measured by any successes or setbacks it may have experienced up to the present. Setbacks indeed may be expected. But they can never constitute permanent checks because there is no finality in the treatment of any reconstruction problem, and so long as the I.L.O. maintains its strength and vitality, it is certain to secure its due place and influence in the ordering of world affairs.

The London session of the Governing Body was, in spite of all difficulties of attendance, one of the most noteworthy that the Governing Body has ever held. It was characterised by singleness of purpose, broad vision and courage of decision. Its importance was emphasised by speeches by the Rt. Hon. Ernest Bevin and the Rt. Hon. Anthony Eden, which received wide publicity and the full text of which has been reproduced in the *International Labour Review*. This session of the Governing Body decided to convene the present Session of the Conference, and fixed for it an agenda of unprecedented scope and importance in virtue of which it takes its place among the series of international conferences to which has been entrusted the task of laying the foundations of the post-war world.

The maritime work of the Organisation has been resumed with considerable success since the adoption by the New York Conference of a resolution which, *inter alia*, authorised the Office "to consult all interested organisations, institutions and individuals in order that at the end of the war plans will be available for the immediate regulation of economic and social conditions in the mercantile marine". The Twelfth Session of the Joint Maritime Commission was held in London from 26 to 30 June 1942.

The Commission adopted resolutions dealing with the ratification of maritime Conventions, safety measures in wartime, welfare and equality of treatment of seafarers irrespective of nationality, etc., and outlined a programme of work for the Office in regard to the compilation of a survey of conditions of service, the possibility of preparing an international maritime charter, and the study of the organisation of merchant fleets and of international agreements on the utilisation of merchant shipping. The Commission's resolution on safety measures, supplemented by a statement specially prepared by the Office at the request of the Commission\(^1\), has undoubtedly proved of value to Governments in enabling them to revise their

\(^2\) *Life-Saving Measures for Merchant Seamen in Time of War* (Studies and Reports, Series P, No. 5).
safety appliance regulations in the light of the combined experience of the principal maritime countries. The Acting Commandant of the United States Coast Guard, Admiral Gorman, expressed his appreciation of the results achieved, stating that he had "followed closely the activities of the International Labour Office with regard to lifesaving measures for merchant seamen in times of war" and felt "that through this interchange of ideas, much is being done to further the safety of the merchant seamen".

The Welfare Recommendation of 1936 has provided a solid basis for the rapid extension of welfare work during the war, which has been chronicled by the Office in the *International Labour Review*. A comparative study of rates of pay, working hours and holidays for four countries (Belgium, Great Britain, Netherlands, Norway) has been published in the *Review*, and the Office is compiling and keeping up to date a comprehensive survey of rates of pay and working conditions generally in over a score of maritime countries. Information is also being collected on other aspects of seafaring employment, and a substantial volume of material will therefore be available as a basis for the formulation of international policies.

The Commission also adopted a resolution, proposed by the shipowners' representatives, urging "that the shipping industry as a whole, both shipowners and seafarers, should be represented at the Peace Conference and any preparations for it or for carrying out the principles of the Atlantic Charter". This resolution was emphatically reaffirmed at a meeting in London in May 1943 of a Consultative Sub-Committee set up by the Commission.

It is, of course, the established practice of the Organisation that maritime questions should be discussed, not at the ordinary sessions of the Conference, but by special maritime sessions, after preliminary examination by the Joint Maritime Commission. The Governing Body authorised, at its London meeting in December 1943, the convening of another session of the Joint Maritime Commission. At a meeting held in February 1944 the Sub-Committee of the Joint Maritime Commission, after hearing an informal report on the progress made with the execution of the decisions of the Twelfth Session of the Commission, unanimously decided that it was desirable that a full meeting of the Commission should be held as soon as possible.

It is therefore contemplated that this session should be held in or about September of this year, with an agenda which will enable it to make a general survey of the present and future position of maritime
employment. This will doubtless be followed at a later date by a wider consultation either through a technical maritime Conference or a special maritime session of the General Conference or perhaps through both. The 26th Session of the Conference, while it is not called upon to devote specific attention to maritime problems, cannot however ignore some of their more general aspects. In view of the vital contribution of the shipping industry to the democratic cause during the war, and the essential part which it must play during the critical period of reconstruction after hostilities have ceased and in the days to come when peace shall have been re-established on a sure foundation, it would have been improper not to call the attention of the Conference to the gravity, magnitude and complexity of the problems with which the industry is faced, and remind it of the necessity for effective international regulation worked out with the full collaboration of the industry itself.

In addition to the meetings of the Governing Body, of its Emergency Committee, and of the Joint Maritime Commission, a number of meetings have been held with which the International Labour Office has been associated in different ways.

The first such meeting to which, in view of its importance, it seems desirable to refer, is the first session of the Inter-American Conference on Social Security.

The rapid extension of social insurance in the Americas since the Santiago Conference of American States Members had created among the administrators of the new systems a need to establish contact with one another for the purpose of exchanging ideas and co-operating practically in various ways. This need has been met by the founding of the Inter-American Conference on Social Security, the first session of which was held in September 1942, most appropriately in Santiago de Chile, at the invitation of the Chilean Government and under the auspices of the International Labour Office. The Conference was attended by delegates from 21 American countries, including Canada, and by a tripartite delegation from the Governing Body and delegation from the Pan American Sanitary Bureau.

In order to give solemn expression to its convictions, the Conference adopted the Declaration of Santiago de Chile, which affirms the continental solidarity of the Americas in the pursuit of social security, and contains the significant proposition that "the health, capacity and welfare of the workers of any one American nation is a concern of all American nations". The Conference also passed a series of 14 resolutions dealing with such matters as the unification and extension of social insurance, and the rationalisation of medical care services.
The Conference adopted the Statute of a permanent agency of inter-American co-operation called the Inter-American Conference on Social Security, to act in concert with the International Labour Office in the promotion of social security in the Americas. On the Permanent Committee of the Conference seats are reserved for a tripartite delegation from the Governing Body and for the Director of the Office, the Director-General of the Pan American Union, and the Director of the Pan American Sanitary Bureau; all these seats have been duly accepted. Ecuador, Peru, Mexico, Costa Rica, Cuba, Panama and Venezuela have already formally adhered to the Statute of the new Conference, and other accessions are expected shortly. The Office is publishing on behalf of the Permanent Committee a quarterly bulletin, and a co-operative study on the problems of the organisation of medical care services has already been initiated.

An informal meeting was held in July 1943 in Montreal, when a number of experts came together for an exchange of views on new trends in social security policy. Given the nature of the meeting, the participants could express their personal judgment without engaging the responsibility of the administrations to which they belonged. The Chairman of the meeting was the Hon. Ian A. Mackenzie, Canadian Minister of Pensions and National Health. Besides Sir William Beveridge, the participants included the leading administrators of the social security systems of Cuba, Ecuador, Mexico, Peru and the United States, and other high officials from Canada, Chile and the United States. The consultation proved to be of great value to the Office when it came to draw up its social security proposals for the present Session of the Conference.

The series of Canadian-American meetings organised by the Office at the request of the American and Canadian Governments, and comprising representatives of the Governments, employers and workers of the two countries, was continued during the first part of the period under review. These meetings were called to enable the participants to discuss various labour and manpower questions arising out of the organisation of war economy. The interest taken in the four further meetings held was shown by the increase in the number of the participants. The seventh meeting, held in New York on 13 and 14 February 1943, was attended by 53 persons, including, in addition to 21 Canadian and 26 American members, visitors from Great Britain, Australia, New Zealand and India, who gave the meeting an account of the experience of their countries in the solution of the problems under discussion. As on the previous occasions, the Office was requested to prepare the documentary information on the subjects on the agenda. This documentary material, after being revised
in the light of the discussions at the Canadian-American meetings and of enquiries on the spot, was used as the basis of the studies published by the Office on *Labour Conditions in War Contracts*, *Wartime Transference of Labour in Great Britain*, and *British Joint Production Machinery*.

Technical assistance has been afforded to numerous Governments during the period under review. The following paragraphs mention only the more important measures undertaken for this purpose and are not designed to be an exhaustive summary.

Technical assistance in connection with the planning or reform of social security schemes has been afforded to a number of Governments including those of Bolivia, Canada, Chile, Costa Rica, Ecuador, Great Britain, Haiti, Mexico and Venezuela.

In the spring of 1942, in response to a request from Sir William Beveridge, the Chairman of the British Interdepartmental Committee on Social Insurance and Allied Services, the Office put at the disposal of the Committee, for consultation on social insurance legislation and administration in other countries, the services of the late Mr. Osvald Stein and of Mr. Maurice Stack, who spent several weeks in London giving evidence before the Committee and presenting international documentation, which was in part incorporated in the appendices of the Report signed by Sir William Beveridge. The latter has expressed in warm terms his appreciation of the services rendered to the Committee by these two officials. The Office has also been associated, through Mr. Maurice Stack, in the preparation of the Report on Social Security for Canada prepared for the Prime Minister's Advisory Committee on Reconstruction by Dr. Leonard Marsh. Another important report which has been submitted to the Canadian House of Commons is that prepared by the Advisory Committee on Health Insurance, which contains numerous references to the publications of the Office.

A number of Latin American Governments have requested the assistance of the Office, particularly in connection with actuarial problems. The Office has been able to place at the disposal of several Governments the services of its actuarial consultant, Mr. E. Shoenbaum, Professor of Actuarial Science at the Charles University in Prague, who had belonged for many years to the Office's Correspondence Committee for Social Insurance. This expert, after directing the actuarial work which led to the reform of social insurance in Ecuador, sanctioned by the Act of 26 July 1942, was called upon to assist the Commission charged by the Bolivian Government with preparing a Social Insurance Bill. From La Paz Mr. Shoenbaum proceeded to Chile on the invitation of the Minister of Health and Social
Insurance and Assistance, and thence to Costa Rica at the request of the Social Insurance Fund. Mr. Shoenbaum made the actuarial estimates for the Mexican Social Insurance Bill in the autumn of 1942 and he revisited Mexico a year later in order to complete his work in connection with this measure which has now come into force. High authorities of these countries, as well as those previously visited, have assured the Office of the usefulness and technical value of the services rendered by Mr. Shoenbaum.

In November 1943, at the request of the Venezuelan Government, a joint mission was sent by the Office and the Social Security Board of the United States in order to assist in the working out of the administrative procedure to be used in the application of the Venezuelan Social Insurance Act. The Mission consisted of the late Mr. Stein and of Mr. Oscar M. Powell, Executive Director of the Board. The Office has just been informed that the necessary regulations have now been issued.

In February 1944, Mr. Henri Reymond and Mr. Alejandro Flores were sent by the Office to Haiti, at the invitation of the Government, in order to consult with the authorities on the development of a social insurance system. As the result of the consultation, a plan for the establishment of sickness and accident insurance was drawn up.

An interesting case of international economic and social collaboration, in which the Office was glad to be associated, occurred early in 1943. At the request of the Bolivian Government, the Government of the United States agreed to participate in a joint commission of enquiry into conditions of life and work in Bolivia, where various essential strategic materials, especially tin, are produced, with a view to making recommendations for their improvement. The Acting Director was informed by Mr. Cordell Hull, United States Secretary of State, and Mr. Guachalla, Bolivian Ambassador in Washington, on behalf of their respective Governments, that they would welcome the appointment of a member of the staff of the International Labour Office as adviser to the Commission as a whole. The Acting Director placed at the disposal of the Commission the services of Mr. Blelloch, whose services had previously been loaned by the Office to the Bolivian Government in 1940 as consultant on the drafting of labour legislation and the organisation of the appropriate administrative services.

The Report of the Commission, which was signed at La Paz on 14 March 1943, contains detailed proposals for the improvement of conditions of life and labour in Bolivia, and puts forward the following interesting suggestion:

The execution of a far-reaching programme in the labour field will be greatly strengthened by the constant utilisation of the facilities of the Inter-
national Labour Office. Particularly in the matter of administrative and legislative implementation, the experience of that agency will be most helpful. If the recommendations made in this report are acceptable, we suggest that the Bolivian Government request the International Labour Office, after the lapse of a year or two, to make a survey with a view to reporting on the progress that has been made and suggesting points where the programme should be modified or strengthened as indicated by experience. Bolivia has already received much benefit from membership in the International Labour Organisation, and we recommend an expanded use of its facilities, both currently and in the consideration of the inevitable post-war problems.

It goes without saying that, should the Office in due course receive such a request, it would be glad to lend all the assistance in its power.

In the course of the industrial relations enquiry undertaken in 1943 by the National Labour Board of Canada, the Office was invited to submit information on the experience of other countries in regard to the legal regulation of collective agreements, conciliation in industrial disputes, and the right to strike, and Mr. Waeldbroeck and Mr. Bessling attended hearings for this purpose in Ottawa. The Office was also asked by the Department of Labour in Ottawa to provide the assistance of experts to confer with a Departmental Committee set up to examine the majority and minority reports of the National Labour Council on this enquiry.

The Office was represented by Mr. Waeldbroeck at the First Inter-American Population Congress, held in Mexico in October 1943. The object of the Congress was mainly to examine the views of the American countries on the problem of post-war migration movements.

At the request of the Commissioner for Social Affairs of the French Committee of National Liberation, the Office has sent Mr. Bessling to Algiers to co-operate with the Commissioner in the framing of social measures.

On the eve of the 26th Session of the Conference the Office received from the Belgian Government an invitation to co-operate in the framing of measures concerning pension insurance to be applied in the Belgian Congo.

Another particularly interesting development during the period under review has been the requests for technical assistance received by the Office from new international bodies in process of being established, such as the United Nations Relief and Rehabilitation Administration and the United Nations Interim Commission on Food and Agriculture. The services of a number of officials of the Office, and more particularly those of the Legal Adviser, have been made available to these bodies in an advisory capacity.

Publications

Despite the difficulties attendant upon printing and communications in wartime, the Office has been able to maintain and even to
increase its publications programme since 1941 and to distribute its output, at least to some extent, to all Member countries. The volumes issued in Montreal in English now fill a 5-foot bookshelf, and about half as much has been printed in French and in Spanish. Two studies in Portuguese have been printed in Rio de Janeiro.

There have been some changes in the character of the publications. In the past the programme was determined largely by the Agenda of the Conference. During the war, in the absence of regular meetings of the Conference and the Governing Body, the subjects of studies and the contents of the periodicals have had to be chosen with reference to the most urgent needs.

Thus, during the first years of the war and until recently, the publications dealt mainly with problems arising out of the war, by which all countries were directly or indirectly affected. As examples of studies of this character, mention may be made of Studies in War Economics, Labour Conditions in War Contracts, Labour Supply and National Defence, and Life-Saving Measures for Merchant Seamen in Time of War. Three other wartime studies were devoted to the experience of Great Britain, relating respectively to Food Control, Wartime Transference of Labour and Joint Production Committees.

As post-war problems and issues began to crystallise, especially during the past year, attention was turned to those aspects of reconstruction which appeared to fall within the scope of the International Labour Organisation in the light of the resolutions of the 1941 Conference and the decisions of the Emergency Committee. A transitional study was The Displacement of Population in Europe, which, though mainly an analysis of wartime changes, was directed towards facilitating the solution of the immediate post-war problems involved in the settlement and redistribution of the scattered populations. This has been followed by volumes such as Intergovernmental Commodity Control Agreements, Co-operative Organisations and Post-War Relief, World Economic Development, and the collection of Constitutional Provisions concerning Social and Economic Policy, which are wholly devoted to matters connected with the peace.

A similar transition has taken place in the contents of the International Labour Review, which, during the first years of hostilities, gave prominence to the effects of war and mobilisation, but has for some time assigned more and more space to articles and information on subjects related to post-war reconstruction.

The necessities of war and the exigencies of the coming peace have caused some dislocation of the well-established series in which the publications of the Office were classified. Some series—the Official Bulletin, the I.L.O. Year Book, the Bibliography of Industrial Hygiene, among others—have had to be interrupted or suspended,
while at the same time various new types of publications have been evolved in anticipation of the imminent tasks of reconstruction. On the one hand, the *International Labour Code*, in which the sum and substance of the work of the Organisation down to the outbreak of war was brought together for convenient reference, has been followed by two other basic volumes already mentioned, the *Constitutional Provisions concerning Social and Economic Policy* and *Intergovernmental Commodity Control Agreements*. On the other hand, a beginning has been made with the issue of short studies dealing with post-war questions and intended to make available to the general public, in easily understandable form, some of the vast resources of information which the Office possesses. The reception accorded by the press of many countries to the first two of these brochures, *The Health of Children in Occupied Europe* and *Man-Power Mobilisation for Peace*, shows that they meet a real need. There has been a demand for quantities of copies on the part of Government departments, employers’ and workers’ organisations and other associations, and also, it is interesting to note, from education officers in the armed forces.

In the field of industrial safety the Office maintained its activity. The *Industrial Safety Survey* was published quarterly in English; beginning with 1944, it will also appear in Spanish. The preparation of further monographs on safety problems was also continued; the monograph on “Safety in the Installation and Use of Abrasive Wheels” is now being printed; the draft monograph on “Safety in Dock Work” was discussed at a meeting of Canadian and United States members of the Correspondence Committee on Accident Prevention held in New York on 15-16 December 1942, and is now being studied by the extra-American members of the Committee; it is hoped to have it ready for publication during 1944.

The preparation of a Model Safety Code for Factories was begun towards the end of 1942; and in 1943 the preparation of a Draft Model Safety Code for Civil Engineering Construction was also begun. Both these draft Codes are now well under way and the Office expects to submit the former to the Correspondence Committee on Accident Prevention for preliminary discussion in the early autumn of 1944 and to have it discussed at a special Preparatory Technical Conference later in the year. Material is also being collected for a Model Safety Code for Electrical Installations, the preparation of which will be begun as soon as a suitable expert can be found to undertake it.

The extent to which the Office’s publications have been reproduced or cited in all sections of the press and in all parts of the world dur-
ing the last two years seems to indicate that the present difficulties of communication have greatly enhanced the value of the information published by the Office. Articles on India, for example, are reproduced in South American publications, and notes on conditions in the occupied countries of Europe are widely utilised by North American newspapers and other periodicals. Thus the Office's function of collecting and distributing information is perhaps more highly appreciated in the present circumstances than ever before.

In order to reach certain countries with which air mail offers the only reliable method of communication, such as Sweden and China, air mail editions of the Review and of certain reports have been produced, and these have also been sent in limited numbers to other countries with which communications are slow or uncertain.

Additional evidence of the value of the Office's publications may be found in the fact that sales, which had fallen to a low level as a result of the breach of continuity consequent on the removal of the working centre to Montreal, have doubled in the last two years. Though the pre-war level has not yet been regained, the increase is continuing steadily, and at the present rate the 1944 figure will exceed that of 1939. Since the output of publications is only about half of the pre-war programme, and prices have not been increased, it will be seen that the distribution of individual documents is considerably more extensive than before the war.

* * *

During the period under review the International Labour Organisation has sustained a severe loss by the tragic death, by accident, of Osvald Stein on 28 December 1943. Members of the Conference were familiar with Stein as an incomparable worker and outstanding personality, distinguished for his intellectual capacity and sound judgment and for his tireless energy and capacity for hard work.

Osvald Stein, who was born at Litomysl, Bohemia, on 20 July 1895, was of Czechoslovak nationality. He joined the staff of the International Labour Office in 1922 to serve as an expert on social insurance under Mr. Adrien Tixier, today the Commissioner for Social Affairs in the French Committee of National Liberation, and at that time Chief of the Social Insurance Section. In 1937, when Mr. Tixier became an Assistant Director, Stein succeeded him as Chief of the Section.

For more than twenty years Stein was to devote his remarkable energies to the building of an international social insurance code and to the national development of social insurance legislation throughout the world. Before the outbreak of the present war that code, to
which no one had made a greater contribution than Stein, was virtually complete. Much of the preparatory work was Stein's, and the successful adoption, at the Conferences in 1925, 1927, and 1933, of the Social Insurance Conventions was very largely due to his technical guidance in committee and to his abilities as a negotiator. When the Conference of 1936 added the Sickness Insurance (Sea) Convention to the code, it stood complete and Stein might have truthfully claimed to be, with Mr. Tixier, its chief architect.

During these years he performed many missions on behalf of the Office. Probably the most remarkable of his missions in this period was his successful handling of a delicate question—the miners' pension settlement when the Saar Territory reverted to Germany. He also fulfilled missions to Turkey and to Great Britain, where in 1939 he gave evidence, with his colleague, Mr. Maurice Stack, before the Royal Commission on Workmen's Compensation.

When war broke out in 1939, Stein had completed the first great task of his career. In the few years that remained to him he was to achieve a second and greater task.

On the removal of the working centre of the I.L.O. to Montreal in 1940 he rendered valuable service in the arrangements for the transfer of staff to Canada. In the three years that followed he showed the full measure of his stature, and his outstanding abilities were recognised by his appointment as Assistant Director in 1942.

A detailed account of his untiring journeys and unremitting work since 1940 would fill many pages, but an outline will be enough to show the remarkable achievement that this one man's energies realised, particularly in the promotion of social insurance in Latin America.

Stein had attended the first regional conference of American States Members of the International Labour Organisation at Santiago de Chile in 1936, and there strengthened the bonds—already formed at Conferences in Geneva—with the representatives of Latin American States, and particularly with those Ministers and Government officials especially concerned with social insurance. For this Conference Stein drew up, on the basis of the existing international regulations, the draft of a social insurance code for the Americas. This able document was unanimously adopted, and marked, especially in Latin America, a new epoch in the evolution of social insurance. The resolution in which the draft code was embodied was considered afresh at a second regional conference at Havana in 1939. In the meantime the American countries had been active in planning social insurance schemes. Consequently, the Havana Conference, while confirming the Santiago programme, was able to agree upon a num-
ber of supplementary principles and to expand the original principles with new emphasis and detail.

But this was by no means all. An important development, in which Stein played a leading part, soon followed—the foundation of the Inter-American Committee on Social Security. An original Committee was formed at Lima in 1940 on the initiative of the Government of Peru and with the co-operation of the I.L.O., which was represented at Lima by its then Director, Mr. John G. Winant, and by Stein. Under the auspices of this Committee, and on the invitation of the Chilean Government, the First Inter-American Conference on Social Security was held in 1942 in Santiago de Chile.

That Conference, in addition to the "Declaration of Santiago de Chile", a general declaration outlining a continental programme of social security, and to a number of other important resolutions adopted the Statute of a permanent agency for technical co-operation, the Inter-American Conference on Social Security, to operate in concert with the I.L.O. The Statute also established the Permanent Inter-American Committee on Social Security, to give effect to the decisions of the Conference, prepare its sessions, and contribute by every other means to the attainment of its purposes. At the request of the Committee, the Acting Director of the I.L.O. appointed Stein to be its Secretary-General.

By 1942 the machinery for inter-American co-operation had thus been set up, but Stein had in fact been working since 1940 to promote the progress of social insurance in the Americas. In 1940 he drew up in Bolivia plans for the development of a co-ordinated system. In 1941 he visited Colombia and Chile, where the Chilean Government consulted him on the reorganisation of its social insurance scheme. In 1942, in addition to attending the Santiago Conference, he visited Peru, Bolivia, Argentina, and Uruguay. Early in 1943 he went to Mexico, where he was consulted upon regulations for the enforcement of the new Social Insurance Act, and late in the year, only a month before his death, he visited Venezuela, where he advised upon administrative technique for the application of sickness and accident insurance legislation, which had been planned with the help of the I.L.O. At the time of his death he was preparing for a visit to Haiti. Nor were his activities confined to the Americas. In the spring of 1942 he had visited London, to give evidence on behalf of the Office, together with Mr. Stack, before Sir William Beveridge's Interdepartmental Committee on Social Services.

"I have done the State some service" was a claim that Osvald Stein could have made in many countries. He rendered service not
to one, but to many States, and to the International Labour Organisation as a whole. His untimely death ends the career of one of the most eminent of the first generation of international civil servants. Like his first chief, Albert Thomas, he has been suddenly taken from his task when the I.L.O. stands at the threshold of big events and when his great talents would have been needed more than ever. Though his work will go forward, no one man can fill his place, for it is given to few to unite his qualities of technical experience, wisdom, tact, and unsparing devotion to duty.

APPENDIX

Documents relating to Membership of the Organisation

I

Correspondence concerning the Readmission of Costa Rica to the International Labour Organisation


(Translation)

Santiago de Chile,
17 September 1942.

On the occasion of the Inter-American Conference on Social Security, convened under the auspices of the Inter-American Committee, the International Labour Office and the Chilean Government, Mr. Guillermo Padilla Castro, Delegate of the Government of Costa Rica, being thereto duly empowered, has come to an agreement with Mr. Osvald Stein on the following points relating to the admission of Costa Rica to the International Labour Organisation:

(1) The Government of Costa Rica expresses formally its desire to become again a Member of the International Labour Organisation:

(2) Mr. Osvald Stein, Assistant Director of the International Labour Office, in taking note of this decision, declares that measures to ensure the readmission of Costa Rica will be immediately taken.

(3) The representative of Costa Rica declares that his country will, of its own initiative, fulfil the financial obligations of a State
Member of the International Labour Organisation; at the same time, he expresses his desire that, having regard to the resources of Costa Rica, these obligations should be fixed at the minimum contribution of a Member; Mr. Stein expresses his agreement.

It is understood that the further formalities concerning the admission of Costa Rica to the International Labour Organisation will be carried out as quickly as possible.

It is placed on record that Mr. Poblete Troncoso, who countersigns the present statement, done in three copies, acted as intermediary in the negotiations for the readmission of Costa Rica to the International Labour Organisation.

(Signed) Guillermo Padilla Castro,
Delegate of Costa Rica.
(Signed) Osvald Stein,
Assistant Director of the International Labour Office
(Signed) Moisés Poblete Troncoso.

2. Telegram from the Secretary to the Presidency of the Republic of Costa Rica to the International Labour Office.
San José de Costa Rica,
17 October 1942.

Government wholly confirms agreements made by Social Security Delegate Dr. Padilla Castro concerning Costa Rica re-entry International Labour Organisation.

(Signed) Edgar Odio,
Secretary, Presidency Republic.

3. Telegram from the Acting Director of the International Labour Office to Regular Members of the Governing Body.

Montreal, 20 October 1942.

Costa Rican Government has applied for immediate readmission Organisation and undertaken discharge duties membership including payment contribution basis one unit. Recalling welcome Conference New York to declaration made by Costa Rican representative propose regarding Costa Rica entitled full rights membership pending formal confirmation readmission next session Conference. Please cable your approval. This cable despatched all members Governing Body.

4. Telegram from the Acting Director of the International Labour Office to Mr. Edgar Odio, Secretary to the Presidency of the Republic, San José de Costa Rica.

(Translation)

Montreal, 12 November 1942.

Am very glad to be able to inform your Government that Governing Body has unanimously approved proposal mentioned in my telegram of 22 October regarding readmission of Costa Rica to Inter-
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national Labour Organisation. Consequently your Government is entitled immediately to all rights of Member of Organisation and will henceforth receive all communications and documents addressed to Member States. I am informing Governments of all Members of International Labour Organisation of the result of the consultation of the Governing Body. Letter follows.

5. Letter from the Acting Director of the International Labour Office to Regular Members of the Governing Body.

Montreal, 21 November 1942.

With reference to my letter of 20 October concerning the readmission of Costa Rica to the International Labour Organisation, I have the honour to communicate to you the text of the following message which is being sent by telegram to regular members of the Governing Body of the International Labour Office who cannot be reached easily by mail:

Twenty-nine affirmative votes Costa Rica admission received none negative no abstentions.

6. Letter from the Acting Director of the International Labour Office to Governments of States Members of the Organisation.

Montreal, 31 December 1942.

During the Conference of the International Labour Organisation held in New York and Washington from 27 October to 6 November 1941, Dr. Héctor Beeche, observer from the Republic of Costa Rica, expressed the hope that his country might before long become a Member of the International Labour Organisation and would then be able to take a more active part in its work.

This statement was warmly welcomed by the Conference, and the President, Miss Frances Perkins, Secretary of Labor of the United States of America, voiced as follows the unanimous feeling of the delegates from the 34 States Members of the Organisation represented at the Conference:

We are all delighted to know of Costa Rica's determination to make application for membership, and we shall hope to greet you later, next year perhaps, in that capacity.

I now have the honour to inform you that the Government of Costa Rica, giving effect to the intention communicated by its representative to the Conference of the International Labour Organisation, recently confirmed officially its desire that Costa Rica should resume full participation in the International Labour Organisation, at the same time indicating that it undertook to discharge the duties resulting from membership, including the obligation to make a regular contribution to the budget of the Organisation.

Confirming the welcome extended by the New York Conference to the above statement of the representative of Costa Rica, the Governing Body of the International Labour Office, the members of which were informed by telegram of the desire expressed by the
Costa Rican Government, unanimously decided that Costa Rica would be entitled immediately (that is to say, from 12 November 1942) to the full rights resulting from membership of the Organisation, it being understood that the International Labour Conference would have, at its next session, to give formal confirmation to the readmission of Costa Rica to the Organisation.

I am confident that Members of the Organisation, remembering the participation of Costa Rica in the Conferences of American States Members of the International Labour Organisation (Santiago de Chile, 1936, and Havana, 1939) and in the recent Inter-American Conference on Social Security (Santiago de Chile, September 1942), will welcome the decision taken by the Costa Rican Government and the direct resumption of international collaboration in the social field by a State which has always shown such a keen and active interest in social problems.

7. Letter from the Acting Director of the International Labour Office to Mr. Edgar Odio, Secretary to the Presidency of the Republic, San José de Costa Rica.

(Translation)

Montreal, 15 January 1943.

I have the honour to refer to my telegram of 12 November 1942 regarding the readmission of Costa Rica to the International Labour Organisation, the text of which was as follows:

Am very glad to be able to inform your Government that Governing Body has unanimously approved proposal mentioned in my telegram of 22 October regarding readmission of Costa Rica to International Labour Organisation. Consequently your Government is entitled immediately to all rights of Member of Organisation and will henceforth receive all communications and documents addressed to Member States. I am informing Governments of all Members of International Labour Organisation of the result of the consultation of the Governing Body. Letter follows.

In accordance with the statement contained in this telegram, I have informed the Governments of the States Members of the Organisation that Costa Rica has resumed its place in the Organisation. This communication was made by a letter of 31 December 1942, a copy of which I have the honour to enclose.

In confirming that, from 12 November 1942, Costa Rica is entitled to all the rights of a Member of the International Labour Organisation, I beg to express to the Government of Costa Rica, on behalf of the International Labour Office, my lively satisfaction that Costa Rica should again be directly associated with the work of the Organisation and my conviction that this association will greatly contribute to the advancement of the world tasks of the Organisation. I would add that it is my firm hope that this decision will also contribute to social progress in Costa Rica, by facilitating the carrying out of the great reform scheme initiated by Mr. R. A. Calderón Guardia, President of the Republic, and his Government.

I have the honour to enclose herewith the text of the Constitution
of the International Labour Organisation. In a separate communication, I propose to forward to you certain information and various publications regarding the work of the Organisation, and at the same time to make several practical suggestions relating to the collaboration of your Government with the International Labour Office.

II

Proposed Resolution to Confirm the Readmission of Costa Rica to the International Labour Organisation

The General Conference of the International Labour Organisation, Taking note of the decision of the Governing Body of the International Labour Office that the Republic of Costa Rica should be entitled to the full rights of membership of the Organisation from 12 November 1942 pending formal confirmation of her readmission to the Organisation by the Conference, Hereby confirms the readmission of Costa Rica to the International Labour Organisation with the same rights and obligations as the other Members of the Organisation.

III

Declarations concerning the Membership of Haiti in the International Labour Organisation

1. Declaration of Mr. Elie Lescot, President of the Republic of Haiti, to the Acting Director of the International Labour Office.

   1. The Republic of Haiti will continue to be a Member of the International Labour Organisation, with the same rights and obligations as the other Members.
   2. The share of the Republic of Haiti in the budget of the International Labour Organisation will be fixed by agreement between the Government of the Republic and the Governing Body of the International Labour Office.
   3. The arrangements described in the preceding paragraphs may be terminated only by the communication to the Director of the International Labour Office of the denunciation of the present declaration, with two years' notice.

   (Declaration made at the International Labour Office, Montreal, in the presence of Mr. Maurice Dartigue, Secretary of State for Education, Agriculture and Labour, and Mr. Abel Lacroix, Secretary of State for Finance, Commerce and Economic Affairs.)
2. Reply of the Acting Director of the International Labour Office to the Declaration of the President of the Republic of Haiti.

Mr. President,

In the name of the International Labour Office, I take note with the keenest satisfaction of the declaration which you have just made.

It follows, in accordance with the constitutional practice of the International Labour Organisation, that the Republic of Haiti, which is a Member of the Organisation, will continue to be a Member with the same rights and obligations as the other Members; that the share of the Republic of Haiti in the budget of the Organisation will be fixed by agreement between the Government of the Republic and the Governing Body of the Office; and that these arrangements may be terminated only by a denunciation communicated to me with two years' notice.

It is with great pleasure, Mr. President, that I take note of these arrangements, in which I am pleased to see the beginning, already marked by your decision personally to honour the International Labour Office with your visit, of still closer collaboration between the Republic of Haiti and the Office, tending to further social progress in your country.

In execution of its constitutional functions, the International Labour Office will be happy to give your Government all the assistance within its power in order to help the authorities of Haiti to carry out the noble task which they have undertaken of ensuring the increasing prosperity of the people of Haiti, raising the standard of living and encouraging intellectual and material development, in accordance with the spirit of social justice and within the framework of universal peace.

Montreal, 11 October 1943.
CONCLUSION

It now rests with the Conference to determine the future policy of the International Labour Organisation and give concrete and detailed expression to the demand which has been voiced in so many quarters that the people’s war shall be followed by a people’s peace.

The Office has endeavoured to furnish the Conference with bases of discussion which will enable it to take the necessary decisions and with the fullest documentation which the time allowed for its preparation by the decision of the Governing Body permitted. Necessarily this documentation has been incomplete and wartime conditions have made it difficult to envisage the problems of some areas, and especially of Continental Europe, in other than tentative and preliminary terms, but it is hoped that it will serve the purpose of raising clearly many of the issues on which the Conference will wish to focus its attention without in any way excluding the consideration of any other proposals which delegates with special knowledge of the far-reaching issues at stake may wish to put forward under the various Items on the Agenda.

In accordance with the decisions of the Governing Body in regard to the Agenda of the Session the Conference has before it a wide range of proposals. It will be called upon to restate the aims and purposes of the Organisation, to define the programme of work to be undertaken during the critical reconstruction years, and to re-equip the Organisation to discharge more effectively the tasks which lie ahead. It has been invited to make recommendations to the United Nations concerning the economic policies necessary for the attainment of the social objectives to which the United Nations are pledged, concerning the social guarantees which should be embodied in the series of agreements and understandings which, taken together, will constitute the post-war settlement and concerning the social policies which should be adopted in Axis territories when they are occupied by United Nations’ forces. In the fields of employment organisation, social security, and social policy in dependent territories, the Conference will be called upon to take the first international steps towards the practical realisation of the social objectives which have come into sharper focus during the war years, steps which will have to be followed by complementary measures in succeeding years.

No heavier or more responsible task has ever been entrusted to
the International Labour Conference but the circumstances are as unique as the range of issues which the Conference will be called on to consider. The nature of the peace settlement following this war will determine the whole future of civilisation, and the present Conference has been convened to prepare the social foundations of this far-reaching settlement.

If the responsibilities which now devolve upon the Conference are courageously accepted, if, conscious as it will unquestionably be of the critical nature of the times and the immensity of the problems awaiting solution, the Conference shoulders with pride the heavy burden which an unprecedented world situation has placed upon it, it will justify the confidence with which its deliberations are being awaited by the millions of men and women throughout the world who have never lost faith in the victory of right and freedom.

EDWARD J. PHELAN,

16 April 1944.