REPORT I

International Labour Conference

THIRTY-THIRD SESSION
GENEVA 1950

REPORT
OF THE DIRECTOR-GENERAL

First Item on the Agenda

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INTRODUCTION

This is my second Report to the International Labour Conference. It seems hardly yesterday that we were debating issues which I framed for discussion in 1949. The Conference endorsed my view that the I.L.O. embark upon operational programmes, gave support to an intensification of technical training and assistance activities, re-examined the traditional approach to the formulation of Conventions, and insisted that we advance with greater vigour to attack the social ills of our day.

Within the limits of these chapters the reader will find that the Governing Body and the International Labour Office grasped the will of the Conference, and that steps have already been taken to put in motion the larger elements which emerged from the discussion. However, I find that this must be a never-ending process. Issues are not resolved at one Conference. Social policy is never fixed. Discussion, resolution of issues, steps to implement, examination of subsidiary problems—each in turn discloses new problems and often larger issues which must be analysed and which again compel re-examination of points previously considered settled.

As we survey the field in order to lay the basis for operational programmes, as we look again at our system of Conventions to ensure that they are practical and susceptible of ratification, as we analyse the types of demands for advice and assistance that are received from Governments, and as we travel throughout the world in the furtherance of our work, we quite naturally and inevitably discover the fundamental obstructions to international social progress and world peace. It shall be my endeavour at each Conference to disclose these obstructions, emphasising the one which at the time and from a long-term point of view seems of particular significance and importance. It shall then be my purpose to focus the attention of the Conference upon this single issue for debate, with the hope that this will give Governments, labour and employers an objective picture of the main difficulties of our time and, through the inspiration of their full and provocative debate, give the Office guidance for continued effective action.
In doing so I am conscious that I shall be replying to the desire, frequently expressed in the Conference itself, that this debate on my Report should be used as an occasion to discuss frankly and openly, and in the light of the wide and varied convictions and experience of delegates, a single broad international social question.

It is for this reason that I have included in the present Report the chapter on "The Productivity of Labour". The chapter is not intended to be the gospel on the subject. It is presented as a forthright reflection of what appears to me to be one of the most important and challenging issues in the world today—an issue which must be considered with equal attention and seriousness by every country, whether large or small, industrial or agricultural, advanced or underdeveloped. From the world point of view the real need in almost every sector is for increased production. I know that measures aimed merely at increasing production may mean little to those who labour throughout the world, and may even in some countries arouse their active and legitimate suspicions unless these measures are closely linked to efforts to ensure the fair distribution of the fruits of their labour. They must also be continually balanced and harmonised with the ultimate goal of full employment in an expanding economy. However, these considerations, fundamental as they may be, must not blind us to the basic need for increased productivity. Certainly increased production is the need of the teeming half-starved millions of people who constitute the vast majority of the people of the world. Certainly it is the problem of Asia and the Middle East, of Europe and the Americas. In each area it presents different shades and aspects of the same problem, as this Report attempts to describe; but in each area an immediate coming to grips with the problem is essential if we are to progress quickly to raise the standards of living of the people and to develop a sound and healthy social and economic national and international life.

If this discussion assists in making the world conscious of the productivity problem and of its ramifications, and provides basic guidance to the International Labour Office in its formulation of programmes so that each aspect of its work is fully realistic, then we will have contributed to the conclusion of our efforts for 1949 and to the work and undertakings which lie ahead.

I shall not repeat what the reader will find in Chapter III and elsewhere in this Report, but I would invite your attention to the report entitled Action Against Unemployment which I have also presented to this Conference in a separate publication and
which, as I have said, is of the greatest relevance to and should be considered as part of the problem of productivity of labour. It will be recalled that the report on unemployment arises out of and is in compliance with the Resolution adopted at the last session of the International Labour Conference.

This last year has again been one of extraordinary activity for the I.L.O. We have broken new ground. We have increased our field activities. We have intensified regional action. The demands from Governments for our expert services are greater than ever before. There is recognition throughout the world that the standards of living of ordinary people must be improved as the only real alternative to chaos. No longer can the poverty, disease, ignorance and miserable conditions of life of the vast majority of the people of the world be hidden from view or from the spotlight of world public opinion. The war, the emergence of new independent countries, aviation, radio, greater international activity, have all conspired to engrave these conditions permanently upon the conscience of men and women everywhere. It is discernible even to the most unenlightened that these are the ugly facts of life and that the rapid improvement of these conditions is essential to the elimination of internal national strain, to the easing of international tension, and to the promotion of world peace. I cannot see how the leaders of nations and public opinion can be at peace with their conscience or their deepest convictions if they do not wholeheartedly accept and vigorously pursue this policy. It is on this front and this front alone that the major attack must be launched. This is the enemy! This is the impediment to peace—and I would insist again, as always, that here we have a common objective which must be the rallying point for our joint and concerted efforts regardless of race, creed, colour, caste, religion or political opinion. It is for this reason, too, that the I.L.O. must continue strong in its resolve to keep its ranks closed, its forums free of political opportunism and digression, and its eyes on its main constitutional and humanitarian mission.

The year 1950 has brought no real improvement in the world political scene. The world still lives in camps of fear and division. The cleavage between North America, Western Europe and Eastern Europe is a constant source of international apprehension and a barrier to accelerated economic and social development. New countries in Asia emerge and in some cases proceed to conflict. The Near and Middle East is still in battledress. Latin America has been the scene of large-scale political instability. Headlines
scream descriptions of the newest weapons of atomic destruction, punctuated in each instance by footnotes concerning bacteriological and biological warfare too horrible for the average human being to grasp.

The world seems to reel like a drunkard; to assume plot and counterplot; to shudder with the impact of each new and violent development. The world constituency of little people is in a state of bewilderment and apprehension and looks with fervent hope to statesmen for formulae for peace. I find that people everywhere feel that they are on a careening toboggan going downhill at breakneck speed.

To suggest that this spells trouble is understatement. To suggest that it is easy of solution is facile. But to point out the gravity of the situation in this forum is indispensable to a correct appraisal of the objectives which we must achieve and to the difficulties which stand in the way of fulfilment. It is for the International Labour Organisation, which has always inspired the best in its Member States, to make an extraordinary effort at this stage of world history so that we may continue to maintain an atmosphere conducive to building the broad new highways which will enable the world to avoid what may otherwise be a catastrophic crash. This is the unavoidable obligation and responsibility of builders of world social policy.

I paint this summary picture because it is the practical realistic background against which we must work. It is the scene which we must attempt to change. An effort to formulate constructive and workable international social policy must reckon with these facts and must be dedicated to their alteration.

It is from this point of view that I present this Report for debate—from the point of view of men who refuse to deny the gravity of this period of world history but are committed to make international organisations work as instruments which will forge positive and vigorous and decent social policy as an overwhelming substitute for fear and the forces of war.
CHAPTER I

THE ECONOMIC BACKGROUND

During the past year, the inflationary pressures and shortages of basic materials, which have hampered the recovery of production since the end of the war, have eased substantially. The vitally important problems of economic policy which stand out today are the maintenance of high levels of production and employment, the restoration of equilibrium in international trade, and the pace of economic development in underdeveloped countries.

PRODUCTION AND EMPLOYMENT

In practically all countries, the rate of increase of prices has been lower in 1949 than in recent years. In some countries, prices have even declined. Rationing and price control have been relaxed in several countries, without bringing either serious shortages of commodities or serious rises of prices. These facts are mainly the consequence of increases in aggregate production and, in several countries, of a somewhat larger share of national output being devoted to consumer goods industries. These conditions have permitted continuing high levels of demand to be more fully satisfied.

Industrial Production

It had been feared that a check to inflation would inevitably bring a falling off in production and a rise in unemployment. But fortunately there has been no "boom-bust" pattern of fluctuations in either prices or production. Industrial production in the great majority of countries has continued to increase, although at a somewhat lower rate than in previous periods. Some indication of this tendency is given by the world index of production in manufacturing and mining (excluding the United States) which has been compiled by the United Nations for quarterly periods as an approximate indication of movements in world production. On the base
of 1937=100, the index was 32 in 1946, 96 in 1947, 114 in 1948
and 131 in 1949; that is to say, production increased by 19 per
cent. during 1948 and by 13 per cent. during 1949. In the earlier
period, the progressive removal of bottlenecks in the supply of
critical raw materials released enormous potentialities for increased
production. The problem of shortages being now less serious,
further rises in industrial production will depend more on increases
in the productivity of labour, on the degree to which investment
can be made in new plants and equipment and on the maintenance
of an adequate level of demand from wage earners and other income
recipients. Progress is likely therefore to be less dramatic than
in the earlier stages of recovery.

In Germany, Austria, Greece and Japan, because of war damage
and political factors, recovery has hitherto been slower than in other
countries. In 1949, however, production in these countries
increased substantially. In Eastern Europe, particular emphasis
has been laid on the raising of the level of industrial production.

### TABLE I. INDUSTRIAL PRODUCTION INDEX NUMBERS

(Base: corresponding quarter of 1948 = 100)

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<tr>
<th>Country</th>
<th>1st quarter</th>
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*For whole year.*

*Based on two months.*
Notable increases have been achieved in many of these areas which were industrially underdeveloped before the war. More detailed information concerning the progress of industrial production in a number of the principal industrialised countries of the world is shown in table I.

It will be noted from the above table that the United States and Belgium are the only countries in which industrial production was lower in some quarters of 1949 than in the corresponding quarters of 1948. The decline in production in the United States was caused by reduced orders from manufacturers and wholesalers for goods to be held in stock. After the end of the war, the need to replenish stocks contributed greatly to the high level of demand that was maintained in the United States. Once stocks were restored to normal levels, total demand for new production was correspondingly reduced. Fortunately, this did not result in any drastic changes in long-run investment plans of producers or in the volume of spending by consumers, and the recession was short-lived.

In comparison to the severe depression of the 1930's, this "inventory depression" in the United States in 1949 was small. Its consequences had considerably more significance in many other countries than in the United States itself. Prices of several important primary products declined, notably wool, cocoa, rubber, and jute. This reduced still further the dollars available to other countries for financing their imports from the United States. Recessions arising from reductions of stocks have also occurred in other countries, notably Germany and Italy, since the end of the second world war.

Belgium has experienced declining levels of industrial production, largely because of a falling volume of exports in industries which are of great importance to the Belgian economy. In part, this decline of exports may be attributed to the increased ability of other nations to produce goods which, in earlier post-war years, they have been importing from Belgium, and to enter international trade in competition with Belgium. The decline in some Belgian exports, however, may also be attributed in part to the inability of other countries to obtain the hard currency required to pay for them.

In India, the slight fall in production in 1949 in comparison with 1948 was due almost entirely to reduced levels of output in the cotton and jute industries. In most of the other industries of India, production in 1949 was substantially higher than in 1948.
This tendency was particularly marked in the producers' goods industries.

In areas not covered by the production statistics quoted above, such as the less industrialised countries of Latin America and Asia, the general picture of continued improvement in industrial production holds true with few exceptions.

Agricultural Production

As in previous post-war years, agricultural production in many important areas continues to make less rapid recovery than industrial production. This presents a serious problem in under-developed countries where agriculture supplies such a large proportion of national income. While this tendency is more marked in Asia, agricultural production in Western Europe, although well above the levels of 1946 and 1947, continues to be less than before the war.¹ In Asia, the ability of agricultural production to meet demand has not only shown little improvement, but in some areas seems to be deteriorating because of wars, political uncertainty, and rapidly increasing population. The problems of increasing agricultural production in Asia are intimately connected with the more general problems of improving land tenure systems and of increasing capital equipment and technical knowledge. This is discussed in the last section of this chapter.

In some countries, notably the United States, agricultural production has increased rapidly since the end of the second world war to levels considerably higher than before the war. In other countries, such as those of Eastern Europe and Latin America, there has been some increase, though not so much as in the United States. Some of these countries have had difficulty in marketing their products. Prices which would be sufficiently low to permit all supplies to be sold would be too low, particularly in the United States, to ensure farmers a reasonable share of national income. Governments have resorted to commodity purchases and loan programmes which, however, do not provide any lasting solution on an international level to the problems of commodity surpluses. In some countries, again notably in the United States, stocks of agricultural commodities held by Governments have become very large. This growth of agricultural surpluses in some countries, with severe shortages of food in others, is a problem which calls

for an intensification of international action, for example by international commodity agreements, to balance supply and demand and to stabilise prices at reasonable levels. The success of policies to improve the distribution of agricultural products will depend on measures to increase productivity and purchasing power in countries with food shortages and, on the other hand, on realistic pricing policies in countries with agricultural surpluses.

**Wages and Cost of Living**

Since the end of the war, there has been in most countries a steady inflation of wages, prices and cost of living. The rate of increase continues to be high in some countries. In a few of the Latin American countries, for instance, inflationary pressures continue as a result of the large amount of money in circulation and of the difficulty of maintaining imports, particularly from the United States. Australia is experiencing increases of wages and prices at rates approaching 10 per cent. a year.

In China serious efforts have been made to check inflation by heavy taxation and public loans. In other Asian countries, such as Ceylon, India, Japan, Pakistan and the Philippines, there has been a substantial slackening of price and wage inflation. This has been achieved despite the serious difficulties facing those countries in the form of food shortages, slowness of recovery of exports, unbalanced budgets, and heavy public expenditures required to ensure internal peace, to rehabilitate refugees and to repair wartime damage to capital equipment.

In Eastern Europe, wages appear to have been rising substantially, largely in response to policies designed to increase the productivity of labour by offering incentives for harder work. There have also been substantial increases in prices and wages in Austria.

In other European countries, there has been on the whole a comparative stability of wages and prices. In a number of countries throughout the world, including the United States, prices have even fallen a little.

**Employment and Unemployment**

Regularity of employment is of even greater importance to workers than the level of real wages. For many countries, the past year brought an easing of acute post-war inflationary pressures.
However, there was no serious deterioration in the employment situation in most parts of the world. As in 1948, a manpower shortage in some countries persisted side by side with a manpower surplus in others, while some countries suffered simultaneously from a surplus of manpower and a shortage of skill. Unemployment did increase in a number of countries and areas, although in general it can be said that at the end of the year employment prospects seemed more favourable than might have been expected six months earlier.

Unemployment gave rise to concern in several European countries, notably Western Germany, Italy, Greece and Belgium. In Western Germany, despite a substantial increase in production and employment, large-scale immigration of workers into that area has resulted in an increase in the numbers of unemployed also. In the United States and Canada, levels of employment remained generally high, with a recession in the first half of 1949 and an upward trend in later months; enough unemployment persisted, however, to cause some public concern. Occupational and geographical maldistribution of labour continued in a number of Latin American countries, with unemployment in certain industries and areas. With some exceptions, no substantial improvement occurred in the employment situation in the Far East, where there continued to be more workers than jobs. There is still a refugee problem of large proportions in the Middle East, China, India and Pakistan, with chronic underemployment in many agricultural areas. There is relatively little mobility of labour from one area to another, though in China notable efforts have been made to encourage greater mobility, such as the mass movement of surplus population from Shanghai to rural areas. In Eastern Europe, Australia, New Zealand and some other countries there is a general shortage of manpower. Skilled labour remains scarce in certain industries in Western and Eastern Europe and, generally, in Latin America and in the Far and Middle East.

Since the war, however, there has been no mass unemployment due to a general decline in all sectors of effective demand, such as occurred in the 1930's. If this kind of unemployment again arises, understanding of the underlying factors will be much more adequate than it was then. There is no reason why any Government should allow mass unemployment due to lack of effective demand to persist over a long period of time. As was pointed out in the replies to the United Nations questionnaire on measures to maintain full employment, methods of increasing aggregate demand
have been worked out by most Governments. While much progress remains to be made in perfecting these remedies for unemployment, the leaders of most nations have rejected the idea that budgets should be balanced annually during severe depressions even at the cost of great human suffering. In times of mass unemployment, their proposed policy is to undertake deficit spending to restore high levels of aggregate demand.

It has, however, become increasingly recognised that this type of remedy is not appropriate for the types of unemployment which have been experienced since the end of the second world war. For instance, one source of unemployment since the end of the war has been the inventory recessions described above, in countries like the United States, Canada, Germany and Italy. Large-scale public spending is not an appropriate remedy for such depressions. It is likely instead to cause a resumption of inflation, which would only lead to further accumulation of excess stocks, and so create ultimately a still more serious problem. Governments and international organisations might, in these circumstances, give careful consideration to public stockpiling measures, designed to permit orderly disposal of excess stocks by manufacturers and wholesalers.

Measures to increase demand are equally inappropriate for removing that type of unemployment which arises not from declining aggregate demand, but from changes in the pattern of demand for different products. This so-called frictional unemployment, particularly in the process of reconversion from war to peace, has been less than was usually expected. Nevertheless, this problem is a significant one. It has been suggested by the United Nations group of experts, appointed to study the unemployment problem, that this kind of unemployment, along with seasonal unemployment, may comprise between 2 and 4 per cent. of the labour force in many countries. The solution of this problem requires an adequate organisation of the employment market. This has been stressed in the Employment Service Convention, 1948, and the Employment Service Recommendation, 1948, which lay down standards for the organisation of national employment services so as—

... to ensure, in co-operation where necessary with other public and private bodies concerned, the best possible organisation of the employ-
The two most pressing types of unemployment remain to be considered. First, there is unemployment arising from difficulties in maintaining exports. This may shortly be faced by many countries. It has already arisen in Belgium, where the pressure to reduce costs and thus to maintain export markets has resulted in decreased employment of workers, even in some periods when industrial production was rising. Workers in some industries became unemployed as a result of rationalisation of factories and the installation of labour-saving machinery to increase production.

Secondly, there is unemployment, and underemployment in the sense that employed workers are not used as productively as possible, arising from the scarcity of the complementary resources and industrial capacity which are necessary to employ workers at a socially acceptable standard of living. Because of war damage and the influx of refugees, this is to some extent the problem faced in Western Germany. It is, even more acutely, the problem of areas like Greece, southern Italy, and the Middle and Far East.

These two problems of restoring equilibrium in international trade and increasing the pace of economic development in countries lacking capital equipment and skill have become perhaps the most serious economic problems in the world today. Fortunately, the policies that are required to solve them are often complementary in character. So, although they are of enormous proportions, their solution, viewed from a world perspective, may be less difficult than if they are considered separately. The nature of these problems and the methods of attacking them are discussed in the following sections of this report.

**DISEQUILIBRIUM IN WORLD TRADE**

**Trends in World Exports**

Table II brings out some important aspects of recent movements in world trade. The volume of total exports has expanded steadily during the last few years. By the fourth quarter of 1948, it had regained its pre-war level. It remained fairly stable during the first half of 1949, but a substantial decrease occurred during the third quarter. The rate of expansion in total exports

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1 Employment Service Convention, 1948, Article 1, paragraph 2.
was still lagging far behind the rate of expansion in world production. During the second quarter of 1949, while the world index of mining and manufacturing production registered a 38 per cent. increase above the pre-war level, the quantum index of world exports showed only a 2 per cent. increase compared with before the war.

A more significant post-war trend in world exports is to be found in the enormous relative and absolute increase in the exports from North America. The share of North America in world exports rose from 16 per cent. in 1937 to 37 per cent. in 1947. Although its share has declined since, during the third quarter of 1949 North America still supplied about one fourth of world exports, and its volume of exports was 78 per cent. above the pre-war volume. Europe, which in 1937 supplied 46 per cent. of total exports, supplied, in 1948, 37 per cent. and, in the third quarter of 1949, 41 per cent. Its volume of exports was still 19 per cent. below its pre-war volume. The rest of the world, taken together, will have to expand its volume of exports substantially if it is to regain its pre-war position.

### TABLE II. WORLD EXPORTS, 1937-1949

<table>
<thead>
<tr>
<th>Year</th>
<th>Value in million U.S. dollars</th>
<th>Quantum Index (1937 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>North America</td>
<td>Europe</td>
</tr>
<tr>
<td>1937</td>
<td>4,340</td>
<td>11,980</td>
</tr>
<tr>
<td>1946</td>
<td>11,820</td>
<td>10,140</td>
</tr>
<tr>
<td>1947</td>
<td>18,060</td>
<td>15,290</td>
</tr>
<tr>
<td>1948</td>
<td>15,730</td>
<td>20,320</td>
</tr>
<tr>
<td>1949</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st qr.</td>
<td>3,930</td>
<td>5,800</td>
</tr>
<tr>
<td>2nd qr.</td>
<td>4,070</td>
<td>5,880</td>
</tr>
<tr>
<td>3rd qr.</td>
<td>3,390</td>
<td>5,660</td>
</tr>
</tbody>
</table>


This divergence in the rates of expansion between exports from North America and exports from Europe and the rest of the world, though it has been substantially reduced in the last two years, remains the central feature of disequilibrium in present world trade. The manner in which the disequilibrium is removed will be a major factor determining the ability of various countries to raise
their standards of living and to maintain full employment. It is true that disequilibrium in world trade is no new phenomenon. It persisted during the depression years of the 1930’s. The nature of the disequilibrium, however, has changed radically since the end of the war. In the 1930’s, the disequilibrium in world trade was caused mainly by the cumulative contraction of world effective demand and the varying impact of this contraction on different countries. The disequilibrium which exists today is due primarily to the failure of the majority of countries to increase their exports fast enough to meet their import requirements, particularly those to be supplied by North America. With high levels of employment and effective demand sustained in most countries by high post-war expenditures on economic reconstruction and development, imports are no longer regarded as a threat to domestic prosperity as they were in the 1930’s. They are regarded as the necessary complement to domestic resources, in the form of foodstuffs, raw materials and capital equipment, for achieving full employment and steady advances in standards of living. The role of exports has changed accordingly. For the majority of countries, exports have come to be regarded as a cost to be incurred in order to obtain essential imports, instead of being sought after as a means of generating effective domestic demand as they were during the ’thirties.

In removing the present disequilibrium in world trade, it would therefore seem desirable that certain social criteria should be observed. First, the process of correcting the disequilibrium should entail as little reduction as possible in essential imports to countries which depend upon such imports for the maintenance of living standards and full employment, and for economic reconstruction and development. Secondly, to the extent that the correction of the disequilibrium requires a substantial increase in exports from these countries, the expansion of exports should be achieved as far as possible by expanding their total national output rather than by cutting down domestic consumption and investment. Furthermore, the geographical distribution of the expanded exports should be so directed as to be most effective in correcting the disequilibrium. Thirdly, in so far as curtailment of essential imports proves necessary, means must be found to replace such imports as far as possible by home-produced goods, and to ensure that the difference in cost between imports and home-produced goods is reduced to a minimum. If the present world trade problem is to be solved according to these criteria, concerted international action and the closest possible co-ordination of national economic
policies will be required. Substantial progress has been made in these directions during the past year, although much remains to be done.

The Dollar Gap

The dominant feature of world trade since the end of the war has been the enormous trade deficit of the rest of the world in relation to the United States. The magnitude of the deficit has indeed been considerably reduced during the past two years. In part, this has followed naturally on the rapid recovery of domestic production in the war-devastated areas. But, to a considerable extent, reduction of the deficit has involved further tightening of restrictions upon imports by many of the deficit countries. These restrictions have held back the expansion of world trade, and have greatly hampered development plans in the countries affected. From 1947 to 1948, the trade deficit of Europe with the United States fell from $6,100 million to $3,400 million, and that of the Middle East and Far East together from $1,200 million to $800 million. During the same period, the trade deficit of Latin America with the United States was reduced from $1,784 million to $830 million. Despite the shrinking of the dollar gap, however, it is still very large. Serious doubts are being felt as to whether the normal forces of international trade and finance will be sufficiently effective to close the gap when the United States terminates its programmes of emergency external financing, particularly its European Recovery Programme. Current earnings in 1948, while covering 90 per cent. of Europe’s imports from other non-European countries, paid for only 43 per cent. of her imports of goods and services from the United States. Non-European countries as a group paid for 74 per cent. of their imports from the United States by current earnings. From the point of view of the United States, only 62 per cent. of her current earnings in foreign transactions was covered by imports of goods and services. During the first three quarters of 1949, the situation did not improve. United States imports for the period as a whole covered only 61 per cent. of her exports, as shown in table III.

2 UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE: Economic Survey of Europe in 1948 (Geneva, 1949), Table XVI.
**TABLE III. UNITED STATES EXPORTS AND MEANS OF FINANCING**

**THE FIRST THREE QUARTERS OF 1949**

*(in millions of dollars)*

<table>
<thead>
<tr>
<th></th>
<th>First quarter</th>
<th>Second quarter</th>
<th>Third quarter 1</th>
<th>Cumulative total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports of goods and services</td>
<td>4,266</td>
<td>4,414</td>
<td>3,631</td>
<td>12,311</td>
</tr>
<tr>
<td><strong>Means of financing:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Foreign resources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. imports of goods and services</td>
<td>2,608</td>
<td>2,422</td>
<td>2,470</td>
<td>7,500</td>
</tr>
<tr>
<td>Liquidation of gold and dollar assets</td>
<td>-28</td>
<td>330</td>
<td>106</td>
<td>408</td>
</tr>
<tr>
<td><strong>Dollar disbursements (net) by---</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>32</td>
<td>18</td>
<td>3</td>
<td>53</td>
</tr>
<tr>
<td>International Bank</td>
<td>8</td>
<td>8</td>
<td>11</td>
<td>27</td>
</tr>
<tr>
<td><strong>U.S. Government:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants (net)</td>
<td>1,273</td>
<td>1,490</td>
<td>1,215</td>
<td>3,978</td>
</tr>
<tr>
<td>Long and short term loans (net)</td>
<td>292</td>
<td>110</td>
<td>161</td>
<td>563</td>
</tr>
<tr>
<td><strong>U.S. private sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remittances (net)</td>
<td>147</td>
<td>141</td>
<td>124</td>
<td>412</td>
</tr>
<tr>
<td>Long and short term capital (net)</td>
<td>115</td>
<td>53</td>
<td>91</td>
<td>259</td>
</tr>
<tr>
<td><strong>Errors and omissions:</strong></td>
<td>-181</td>
<td>-158</td>
<td>-550</td>
<td>-889</td>
</tr>
</tbody>
</table>


1 Preliminary figures.

Table III shows that, of a world dollar deficit of some $4,800 million in the first three quarters of 1949 (representing that part of United States exports which was not paid for by goods and services sold to the United States by the rest of the world), no less than $3,978 million, or 83 per cent., was financed by the grants of the United States Government. Capital exports from private sources in the United States were relatively small, as was the part played by international monetary agencies in financing the deficit. The means employed in recent years to finance the deficit, however, differ appreciably among different dollar-deficit areas. For countries which are recipients of the United States external financial aid programmes, such as Western European countries and the Philippines, dollar deficits have been covered primarily by the grants and loans of the United States Government. Among countries which are not recipients of United States aid, some, particularly in Latin America, have drawn heavily on their gold and dollar reserves accumulated during the war. Others have financed their dollar deficits through the limited conversion into
dollars of their excessive balances of other currencies, particularly sterling, acquired either during or after the war. For countries with no means of financing dollar deficits, there has been no alternative but to cut down their imports from the dollar area to amounts commensurate with their current dollar earnings.

During the second quarter of 1949, the external financial position of the United Kingdom deteriorated far more seriously than that of most other countries. As a result both of the rapid increase of her own trade deficit with the United States, and the increased dollar payments to other areas, the United Kingdom's gold and dollar reserve (which serves as a reserve for the whole sterling area) dropped by about $260 million. The reserves were then almost $400 million below the $2,000 million which had been regarded as the lowest safety limit. A major factor precipitating the sterling crisis was the business recession in the United States referred to earlier in this chapter. The consequential decline in the United States' demand for imports heavily reduced the value of her imports both from the United Kingdom and from other members of the sterling area. Between the first and second quarters of the year, the United States' imports of goods and services from the sterling area declined from $534 million to $441 million. During the same period, the United States' exports of goods and services to the sterling area, on the other hand, expanded from $658 million to $743 million. For the sterling area as a whole, its net adverse balance on current account with the United States rose from $124 million to $302 million. As an emergency measure to reduce the dollar gap, the United Kingdom Government announced on 14 July that imports from the United States and Canada were to be cut by 25 per cent. in the fiscal year 1949-1950. Similar action was taken immediately afterwards by other sterling area countries.

The whole range of problems pertaining to the trading and financial relations between the dollar area and the sterling area was surveyed at the Washington Conference of the Finance Ministers of Canada, the United Kingdom and the United States early in September. As a result of this Conference, a ten-point programme was negotiated. Under the programme the Government of the United States agreed to open to natural rubber a substantial area of competition, including a modification of the Government

1 See the statement of the Chancellor of the Exchequer to the House of Commons, 26 July 1949, and also John H. Williams, "The British Crisis" in Foreign Affairs, Oct. 1949, p. 3.
2 Figures in this paragraph are from Survey of Current Business, loc. cit.
Order relating to the consumption of synthetic rubber; to review its stockpiling programme with particular reference to rubber and tin; to simplify its customs procedure; to effect further tariff reductions; and to explore possible lines of action to encourage the flow abroad of United States productive investment.¹ The desirable effects of such policies upon the trade relations between these currency areas will, however, take considerable time to achieve. Effective action has, therefore, still to be sought to improve the immediate situation.

The dollar gap for the world as a whole was narrowed considerably during the third quarter of 1949. The percentage² of United States' exports of goods and services covered by imports rose to 68 per cent. compared with 55 per cent. in the preceding quarter. The reduction of the dollar gap was, however, due entirely to the 20 per cent. drop in United States' exports to the outside world, the value of her total imports remaining unchanged. This quick process of downward adjustments in the world struggle towards trade balance deserves special notice for, as already indicated, such a process, though by far the easiest course to take from the point or view of expediency, is definitely socially undesirable in so far as it curtails the imports of essential supplies. In the case of the sterling area, total imports from the United States during the third quarter were reduced to $573 million, $170 million less than the preceding quarter. Its exports to the United States during the same period fell by another $64 million. In the meantime, the transfer of dollar funds from the sterling area to other areas continued unabated. This was caused in part by the growing apprehension all over the world about the future external value of the pound. Thus, despite the tightening of import restrictions, the external financial position of the sterling area was little improved during the third quarter of the year.²

Measures to Restore Equilibrium

Currency Devaluation.

On 18 September 1949, the United Kingdom, in a effort to stop the deterioration of its external financial position, devalued the pound by 30.5 per cent. This was immediately followed by devaluation of the currencies of other sterling countries and of

¹ See Department of State Bulletin, 26 Sept. 1949, pp. 473-475.
² Figures in this paragraph are from Survey of Current Business, loc. cit.
most Western European countries. The percentage reductions in par values of currencies as on 28 September 1949 are given in table IV.\footnote{Since 28 September 1949, the currencies of Argentina, Austria, Indonesia, Italy, Paraguay and Uruguay have been devalued.}

\begin{center}
\textbf{TABLE IV. PERCENTAGE REDUCTIONS IN PAR VALUES OF CURRENCIES SINCE 18 SEPTEMBER 1949 (as on 28 September 1949)}
\end{center}

<table>
<thead>
<tr>
<th>Countries with par values of currencies reduced by 30.5 per cent.</th>
<th>Other countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Greece :</td>
</tr>
<tr>
<td>Burma</td>
<td>Without certificate</td>
</tr>
<tr>
<td>Ceylon</td>
<td>With &quot;</td>
</tr>
<tr>
<td>Denmark</td>
<td>France :</td>
</tr>
<tr>
<td>Egypt</td>
<td>Official</td>
</tr>
<tr>
<td>Iceland</td>
<td>Free</td>
</tr>
<tr>
<td>India</td>
<td>Finland</td>
</tr>
<tr>
<td>Iraq</td>
<td>Netherlands</td>
</tr>
<tr>
<td>Ireland</td>
<td>New Zealand</td>
</tr>
<tr>
<td>Israel</td>
<td>Thailand</td>
</tr>
<tr>
<td>Norway</td>
<td>Belgium</td>
</tr>
<tr>
<td>Sweden</td>
<td>Luxembourg</td>
</tr>
<tr>
<td>Union of South Africa</td>
<td>Canada</td>
</tr>
<tr>
<td>United Kingdom</td>
<td></td>
</tr>
</tbody>
</table>

\textit{Source: International Monetary Fund: International Financial News Survey.}

A large number of countries have devalued their currencies to the same extent as the British pound. Consequently their competitive positions in relation to the United Kingdom and to each other have remained unchanged. Other countries adopted different degrees of devaluation. At the time of writing, trade statistics are not available to show the extent to which the world’s dollar deficit has been reduced as a result of currency devaluation.

Before the devaluation, the currencies of many of the deficit countries had been over-valued relatively to the dollar, as a result of the policies adopted by those countries of maintaining exchange stability in the face of continuing increases in internal prices. In May 1949, the indexes of export prices in dollars of the principal Western European countries exporting manufactured goods ranged around 210 (1937 = 100), while in the United States, wholesale price indexes for manufactures were about 175.\footnote{INTERNATIONAL MONETARY FUND: Annual Report, 1949 (Washington, D.C., 1949), p. 14.} This
disparity in prices, which made it difficult for the deficit countries to export to the dollar countries, has now been substantially reduced or eliminated by devaluation. For instance, during the months immediately following devaluation, the average export prices of manufactured goods in the United Kingdom in terms of dollars declined by 20 to 25 per cent.¹ Exports from deficit countries can now compete more effectively with the products of dollar countries both in dollar markets and in the markets of other countries. Furthermore, by raising the prices of imports from the dollar countries, devaluation provides deficit countries with an incentive to replace imports from the dollar countries by imports from the non-dollar countries and by home-produced goods, as far as such shifts in sources of supply are economically possible. In these ways, devaluation can be expected to improve the trade position of the deficit countries with the dollar countries.

While devaluation can therefore help towards the restoration of equilibrium in world trade, the extent to which it will in fact reduce the dollar gap will, however, depend upon several other factors. A major factor is the condition of demand in the dollar markets. Devaluation can bring an increase in dollar receipts for the deficit countries only in the case of commodities for which the demand of dollar countries increases more than proportionately to the fall in prices resulting from devaluation. For other exports which do not enjoy this particular condition of demand, dollar receipts will not increase and may even fall. For instance, the demand of the dollar countries for imported primary products is unlikely to increase as a result of devaluation, as it is determined chiefly by the level of industrial activity and disposable incomes within the dollar countries. In view of the high degree of self-sufficiency which characterises the United States economy, it is far from certain that reduced dollar prices of foreign goods will cause that country’s demand to increase sufficiently to enable the dollar gap to be greatly reduced. Moreover, to expand exports into dollar countries, reduction in prices will not be sufficient. Great efforts will have to be made to improve the methods and organisation of export marketing.²

The favourable effects of devaluation may also be partly offset

by increases in costs of production in the deficit countries as a result of rises in the price of imported foodstuffs and raw materials and, possibly, of consequential demands for higher wages. The success of the devaluation policy will, therefore, depend in part upon whether internal price stability can be maintained.

Even if the demand of the dollar countries for the products of the deficit countries rises greatly, the extent to which the increased demand can be met will depend on supply conditions in the deficit countries. Unless productivity in these countries makes rapid advances, expanded exports to the dollar countries can be secured only by further diversion of home production to exports and by shifting exports from non-dollar to dollar countries. Further diversion of home production to export would entail curtailment of domestic consumption and investment, and the curtailment of the latter would in turn retard the advance in productivity.

Deficit countries may also seek to meet increased demand from dollar countries by diverting exports going at present to non-dollar countries. The scope for such diversion is, however, restricted by several considerations. In the first place, many of the deficit countries recognise a definite obligation on themselves to supply goods to non-dollar countries to increase the pace of their economic development. This obligation is felt particularly strongly where there is a political or traditional connection with the countries concerned. Secondly, particularly in the case of the United Kingdom, many of the non-dollar countries hold substantial sterling balances, part of which they are entitled to spend. Unless it is possible to make other arrangements to cover these withdrawals, exports financed by these capital transfers cannot be diverted. Finally, from a world point of view, a diversion of goods from underdeveloped non-dollar countries to dollar countries with high standards of living would not be conducive to the promotion of maximum social and economic welfare.

Devaluation is unlikely to reduce significantly the dollar imports of deficit countries, since these imports consist mostly of foodstuffs and raw materials and are in many cases already restricted to minimum levels by their Governments. Devaluation may lead to a reduction of dollar expenditure only if it brings about shifts in sources of imports, by altering the relative prices of imports in favour of those from non-dollar sources. A mere change in relative prices, however, will probably not be sufficient to bring about the change in the structure and amount of production
in non-dollar countries, which will be needed if they are to increase their exports adequately.

The magnitude of the dollar gap is almost certainly too great to be met by devaluation alone. Other possible measures to restore equilibrium are discussed below.

*Restoration of Intra-regional Trade.*

Since the end of the war, intra-regional trade, although it has expanded in Latin America compared with the pre-war period, has declined drastically in Europe and Asia. This has been a major cause of the increased dependence of these two trading areas on imports from hard-currency areas. To restore this intra-regional trade is therefore an essential condition of a permanent reduction in the world's dollar deficit.

In Europe, the total volume of intra-European trade in 1948 was still 31 per cent. below 1938. This was due mostly to the low level of trade with Germany and between Eastern and Western Europe. Compared with 1938, the volume of trade in 1948 between Germany and other European countries was only about 25 per cent. and that between Eastern and Western Europe, slightly over 40 per cent.\(^1\) The restoration of intra-European trade in both directions could do much to reduce Europe's dependence upon overseas imports. For the revival of German exports, it will be necessary to speed up the recovery of its industrial production. Since the monetary reform, industrial production in Western Germany has been increasing rapidly. The volume of its total exports has also been advancing steadily, those from Western Germany reaching 44 per cent. of the 1938 level during August 1949.\(^2\) For further expansion of its industrial production, an increased supply of capital will be needed for the reconstruction of Germany's post-war economy.

Some progress has also been made in reviving trade between Eastern and Western Europe, chiefly through the negotiation of trade agreements. These agreements provide for increased food deliveries from Eastern Europe and larger exports of capital equipment from Western Europe. The recent agreement between the United Kingdom and Poland may be cited as a leading example. "It covers a period of five years ending in 1953, and provides for

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exchanges of $524 million each way during the period, compared
with Polish exports of $35 million to the United Kingdom and
Polish imports of $27 million from the United Kingdom in 1948.”¹
Among other trade agreements, mention may be made of those
concluded by Switzerland with Czechoslovakia, with Hungary
and with Yugoslavia, and the Polish-French and the Polish-
Belgian agreements. Despite the progress made, much economic
co-operation will be required to bring the volume of trade between
Eastern and Western Europe back to its pre-war level. By closer
co-ordination of their economic plans, there could be a wide scope
for increased exchange of foodstuffs and raw materials from the
east against capital equipment from the west, to the benefit
of both regions.

Trade between Western European countries, excluding Germany,
had already regained its pre-war volume by 1948. Further ex­
pansion of trade among these countries, however, has been hampered
by the present practice of bilateral trading due to the lack of
convertibility between different European currencies. The removal
of such difficulties has been a major objective of the recent activities
of the Organisation for European Economic Co-operation. The
Organisation has made continuous efforts to improve its scheme
for intra-European payments. Following the expiration of the
Intra-European Payments and Compensation Agreement concluded
in October 1948, a new agreement was reached on 1 July 1949,
which permits the transfer of 25 per cent. of the drawing rights
of debtor countries from one creditor country to another, and thus
provides for some degree of convertibility into dollars of unused
European credits. At the close of 1949, a proposal for a more
comprehensive scheme was announced. This proposal, which
comprises a currency pool administered through a central bank
formed by the central banks of the O.E.E.C. countries, was studied
by the Council of the Organisation at its meeting in January and
February 1950.

Far-reaching action has also been taken by the Organisation
to promote freer trade among its member countries. At the
Council meeting of the Organisation held in October and November
1949, a resolution was adopted to the effect that—

Member countries adopt the objective of removing quantitative
restrictions before 15 December next on at least 50 per cent. of their
total imports on private account from other member countries as a

group in each of three categories into which their trade is divided—namely, food and feeding-stuffs, raw materials, and manufactured goods.¹

At the Council meeting in January and February 1950, the initial target for the removal of quantitative import restrictions on goods as described above was raised to at least 60 per cent., with a view to attaining 75 per cent., as soon as a new and more satisfactory payments scheme, permitting the multilateral transfer of currencies of member countries, comes into force.

Besides these activities, the members of the Organisation are faced with the more arduous and long-term task of achieving a closer economic integration of Europe. This would enable Europe to increase its productive efficiency to a maximum through regional specialisation and thereby to lessen its dependence on imports and, more important still, to strengthen its competitive position in the export markets. Because of transitional difficulties involved in the process of integration, any such programme will necessarily proceed cautiously by stages. The regional activities undertaken during the past year to explore the possibilities of economic union of the Scandinavian countries, of these countries with the United Kingdom, and of France, Italy and the Benelux countries, mark the beginning of the first stage. It is also worth noting that early in 1950 an agreement was reached between the United Kingdom on the one hand and Sweden, Denmark and Norway on the other hand, for closer economic co-operation between these countries.

In Asia and the Far East the need for expansion of intra-regional trade is no less urgent. In 1938, intra-regional trade accounted for 46 per cent. of the total imports and 43 per cent. of the total exports of the region.² Since the war, trade within the region has declined markedly, for two main reasons. The first is the virtual disappearance of Japan as a principal supplier and buyer in the area. The second is the reduction in rice exports from South-East Asia to the food deficit countries of the region. The volume of trade between Japan and the region in 1948 was little more than one tenth of the trade in 1934.³ During the first half of 1949, the monthly average value of exports from Japan rose to

The volume of trade with the region is, however, still far below the pre-war level. As regards intra-regional trade in rice, it is significant that during the first half of 1949 the monthly rate of rice export from Burma, Indo-China and Thailand combined, amounting to 249,000 tons, was still only about half its pre-war volume. On the other hand, the demand for food for the region as a whole has continued to increase with the growth of population. Consequently, the region has now become a large net importer of both bread and coarse grains, imports of which amounted to 2.8 million tons in 1948.

In view of the large volume of imports needed for reconstruction and development, this shrinkage of intra-regional trade has been a major factor aggravating the shortage of dollars in Asia and the Far East. With the restoration of the export capacity of both Japan and the rice-producing countries of South-East Asia, the import requirements of the region for food and manufactured goods could be met to a considerable extent from within the region. The need for imports from the dollar countries would be correspondingly reduced.

If intra-regional trade in Europe and Asia can be restored, the world demand for imports from the dollar countries will be greatly reduced. Inter-regional trade outside the dollar countries also needs to be expanded. More specifically, Europe as a whole will need to increase its overseas imports of foodstuffs and raw materials from non-dollar countries. This will require the development of resources in the latter countries. Similarly, underdeveloped countries will also need to shift their sources of imports, particularly capital equipment for purposes of economic development, from the dollar countries to the advanced industrial countries of Europe.

**Long-term Investment to Facilitate Inter-regional Trade Outside Dollar Countries.**

Even with substantial diversion of sources of imports from dollar to non-dollar countries, it is unlikely that Europe's dollar deficit can be eliminated. A considerable deficit is still expected

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to remain when Europe’s over-all balance of payments is brought back to equilibrium. According to the latest estimate of the Organisation for European Economic Co-operation, by mid-1952, when financial aid from the United States comes to an end, Western Europe’s dollar deficit will amount to $2,250 million under favourable assumptions, including a 50 per cent. increase in the exports of the participating countries to the dollar countries. The problem is, therefore, to develop an effective mechanism through which a European export surplus with other parts of the world can be used to finance its dollar deficits.

Before the war, Europe had regularly incurred deficits with the dollar countries, though of a much smaller magnitude. These deficits had been settled in part by its surplus with the underdeveloped countries, particularly with the tropical belt, which in turn maintained a surplus with dollar countries. This system of multilateral clearing of international balances has almost completely broken down since the war. The underdeveloped countries, instead of being suppliers of dollars to Europe, have become a drain upon the dollar reserves of Europe. This showed itself most clearly during last year’s dollar crisis.

In the case of sterling countries, a particularly significant factor responsible for the changed position is the fact that the export surplus which the United Kingdom now maintains with the rest of the sterling countries is being paid for largely by a reduction of sterling balances, and therefore does not yield receipts available for conversion into dollars for financing the United Kingdom’s dollar deficit. Moreover there has been a further drain on the United Kingdom’s dollar reserves in the form of withdrawal of sterling balances, either accumulated during and since the war or earned currently.

So long as underdeveloped countries continue to depend, as they have done since the end of the war, primarily on dollar countries for the bulk of their imports of goods essential to maintain their living standards and to expand their capital equipment, they will not return to their pre-war role of supplying to Europe the dollar resources needed for financing the latter’s dollar deficit. If something similar to this pre-war mechanism fails to re-establish itself, Europe’s remaining dollar deficit might be removed by further restriction of imports from the dollar countries or by continuous financial aid from the dollar countries. The first

course would be unsatisfactory, as it would tend to lower Europe's standard of living. The second course would be neither desirable nor likely to be accessible. Or again, Europe's remaining dollar deficit might be financed by long-term lending from the dollar countries. However, from the point of view both of raising world productivity and income, and of the relative prospective returns from investment, it would seem preferable that the long-term foreign lending of dollar countries should be directed towards the underdeveloped countries of the world. Indeed, the availability of foreign capital would be a major determinant of the speed of economic development in these countries.

If the dollar countries were to undertake long-term lending to the underdeveloped countries on a large scale over a considerable period of time, a system of multilateral clearing of trade balances could be re-established on pre-war lines. The underdeveloped countries should be as free to use these loans to purchase materials and capital equipment from Europe as from the dollar countries, their choice depending on the relative prices and quality of goods available. Through such a process, Europe would have an opportunity once again to obtain the needed dollar resources from the underdeveloped countries for financing its own dollar deficit. This approach should also work to the advantage of the dollar countries themselves. Though perhaps less favourable to the export of capital goods from the dollar countries than a system of loans to be spent in the dollar countries would be, this approach, on the other hand, would lessen Europe's need for restricting its imports from, and expanding its exports to the dollar countries. Also, the rate of return the dollar countries would earn from investment in the underdeveloped countries might well be substantially higher than if the same capital were invested in Europe.

For such an approach to be effective, there is obviously a need for Europe to secure a competitive advantage over the dollar countries with respect to those export goods which are most needed by the underdeveloped countries for carrying out their programmes of economic development. Although their competitive position has now been strengthened as a result of devaluation, in the long run it is the difference in productivity which most deeply affects their competitive position relative to the dollar countries. For this reason, industries producing such export goods deserve special priority in Europe's post-war plans for capital investment and for modernisation of industries. It would be much easier for Europe to take vigorous action in this direction if it could be
confident that sustained long-term lending to the underdeveloped countries would be forthcoming on a large scale from the dollar countries. Without co-ordination between the flow of capital from one area and the flow of goods from the other, attempts of Europe to expand those branches of production might quickly result in overinvestment and excess capacity. This possibility has been demonstrated by the current prospect of an embarrassing surplus of steel.

Finally, in addition to the financing of world economic development, other moves by the dollar countries will be needed in order to restore the equilibrium of world trade. First, a reduction of their trade barriers is essential if an inflow of goods from dollar deficit countries is to be encouraged. In this connection, the further tariff reductions agreed on at the Annecy Trade Conference held in 1949 represent an important advance. Under the new tariff agreements negotiated at this Conference, further concessions were made by the United States, affecting imports amounting to $143 million, or 37 per cent. of her total imports in 1948, from countries acceding to the General Agreement on Tariffs and Trade. Secondly, the dollar countries have a special responsibility for maintaining full production and employment, for even a minor recession, as experienced by the United States in 1949, may induce a serious widening of the dollar gap by reducing the United States demand for imports and the prices of imported primary products. On the other hand, it is important to appreciate that if European dollar reserves could be restored to adequate levels, a mild recession such as occurred in the United States early in 1949 would not have nearly so severe an impact on the European economy as it had on that occasion.

**Progress in Economic Development**

In the underdeveloped countries, great emphasis has been laid on measures to promote economic development, to expand production and to utilise fully the available productive resources. Two outstanding developments of the past year have been President Truman’s call in his inaugural address on 20 January 1949 for “a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas”, and the expanded programme for technical assistance for economic development now being worked out by the United Nations and the specialised agencies.
Post-war economic developments in underdeveloped countries have brought into sharp relief the practical difficulties in planning economic development. Such planning must above all be related not only to the needs of the areas but also to the available resources, human and material. There is no quick and easy way to raise living standards. In most underdeveloped areas, basic data on mineral and land resources, on net income and consumption and on the capacity to save and invest are lacking. Resources of capital and skilled labour are strictly limited. In view of the wide range of needs for capital investment, the determination of priorities between different objectives is extremely difficult. Among the difficulties are the task of striking a balance between consumption and saving, between investment and social services, between investment directly in production and indirectly in ancillary services such as transport and communications, between exports and home use, between agriculture and manufacturing, and between heavy and light industries. Again, the pace of economic development has to be adjusted to the capacity of the community to absorb additional investment without giving rise to inflation, and to the ability of the available administrative machinery and financial institutions to cope successfully with the extra responsibilities thrown on them by co-ordinated economic development.

Furthermore, rapid economic development necessitates a number of corresponding social adjustments in the relatively rigid agrarian societies of the underdeveloped areas.

The aftermath of war—malnutrition, physical destruction of productive equipment, deterioration caused by excessive wear and tear and lack of adequate replacements in basic services, inflationary pressures, acute exchange difficulties, changing patterns of world demand and supply including the new dependence of many countries on imports from hard currency areas—has forced a number of underdeveloped countries to recast the targets and the cost estimates of their plans for economic development, and to reduce the scale and pace originally aimed at.

**Advances in Various Countries**

Considerable progress has nevertheless been made. In Asia and the Far East, Ceylon, India, Pakistan and the Philippines have all taken in hand schemes to increase agricultural production, by the construction of irrigation works in combination
where possible with hydro-electric power projects, and by the application of modern production techniques. In Burma, India, Japan and Pakistan, steps have been taken to reform inefficient and oppressive systems of land tenure and to give the actual cultivator an incentive for improvement by ensuring for him a fair rent and fixity of tenure. In a number of countries plans have also been worked out for the development of large-scale industry and for parallel improvements in transport. In India and Pakistan official announcements have been made clarifying the Governments' industrial policy, particularly in reference to the respective spheres of the State and private enterprise and to the objectives and machinery of governmental control measures. In both countries, Central Advisory Councils, including representatives of private enterprise and labour, have been set up to advise the Governments on industrial policy and to assist in determining targets for various industries and in implementing plans for expansion. A particularly promising development in this sphere is the recent decision of the Standing Committee of the Central Advisory Council of Industries in India to set up working parties, which would include two representatives of the industry concerned and two representatives of the labour employed therein, to enquire into and report on possibilities of improving the efficiency of the cotton textile, coal, heavy engineering and sugar industries.

Three interrelated factors have helped in these regions to determine choices in respect of priorities. In countries such as Burma, China, Indonesia and the Philippines which suffered severe physical devastation during the war, the need to repair war damage has naturally received first priority. The main emphasis is on the restoration of agriculture and industry (including transport) to pre-war levels.

In other countries, such as India, the serious balance-of-payments difficulties caused by the wartime disruption of international trade have led to a clearer realisation of the close interdependence, in underdeveloped economies, of agricultural and industrial development. India is aiming at reducing and ultimately eliminating food imports by the end of 1951. She has accordingly given a high priority to agricultural development and to the manufacture of fertilisers. Ceylon has announced a similar policy of increasing internal food production, while Burma has given first priority to a revival to the pre-war level of her food and timber exports. In Ceylon, India, Indonesia and the Philippines, definite projects have been prepared for establishing
industries such as the manufacture of fertilisers, chemicals, iron and steel.

Finally, the acute shortage of investment capital, both domestic and foreign, has helped to bring about in all Asian countries a clearer perception of the need to adjust the pace of the development programme to the volume of domestic saving available for investment and the net inflow of capital from abroad. Any attempt to hasten further the pace of development, as experience in India and Japan has shown, means only the emergence of inflation, a rise in costs, and a fall in the earnings of foreign exchange so vital for the purchase of capital equipment abroad.

Among the countries of the Middle East, apart from Turkey, governmental co-operation in plans for economic development was confined until the early post-war years to piecemeal development schemes. In Turkey, there had been planning of economic development as early as 1934. Wartime experience, however, has brought a new interest in the need for such planning. This has been expressed in formal plans announced by Egypt, Iran, Israel and Turkey. Among other countries in the Middle East, Afghanistan, Iraq, Lebanon, Saudi Arabia and Syria are engaged in surveying their economic potentialities as a preliminary step to drawing up comprehensive plans of economic development. Major attention is being given to large-scale irrigation work, agricultural improvement and construction of roads and railways. The need to expand agriculture so as to meet the needs of the rapidly growing population is being given first consideration. In the sphere of planning for industrial development the greatest progress has been made in Egypt and Turkey. The difficulties inevitably connected with economic development have been further aggravated in the Middle East by the economic dislocation resulting from the conflict in Palestine and the emergence of large Arab refugee populations amounting in all to nearly three quarters of a million in the various countries.

In the countries of Latin America, planning for economic development would at first sight appear to be much easier. Unlike some of the countries of the Far East, they have wholly escaped wartime physical destruction of equipment and can, therefore, embark directly on development instead of carrying through an initial programme of rehabilitation; they do not have the same pressing problem of over-population and rural underemployment; and they have been able to attract a steady inflow of capital from
the United States for purposes of economic development. Nevertheless, their experience too during the last year has demonstrated clearly that fundamentally the same difficulties as were outlined above have to be faced.

The different national bodies charged with the preparation and execution of development plans have continued their work within the general outlines already established. In some countries new bodies have been created, as for instance, the Institute for the Development of Production in Ecuador for increasing agricultural production, and the National Council of Economic Co-operation in Argentina. Broadly speaking, the main emphasis in the plans of the Latin American States would appear to be on the development of hydro-electric power, the mechanisation of agriculture, increase of steel production and improvement of transport. In Argentina, in spite of certain internal economic difficulties and a mounting inflationary trend, the five-year programme of industrialisation has been continued and the national budget for 1950 allotted for the operation of the plan a sum of 1,252 million pesos. The plans comprise the construction of a capacity of nearly 600,000 KW. in hydro-electric power, and 76,000 KW. in steam and Diesel plants at a total cost of 980 million pesos. Brazil has embarked on a major programme of hydro-electric power development in the Rio de Janeiro and São Paulo areas and on the São Francisco River in north-east Brazil, partly with the help of a $75 million loan granted by the International Bank for Reconstruction and Development. New plans for increasing steel production and for the construction of a Government-owned oil refinery are among the other projects in the course of execution in 1949. In Chile, the Government has continued its programme of developing agriculture through mechanisation, building up the country's hydro-electric power potential, expanding iron and steel and copper production and exploring for petroleum. During 1949 the country received two loans from the International Bank.

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1 For instance, out of a total net direct investment abroad by the United States in 1947 amounting to $838.4 million, $407.9 million was invested in Latin America as against $57.5 million in the entire Far East, including Australia and New Zealand. A substantial part of the investment in Latin America, however, was concentrated in the exploitation of petroleum.


3 This loan was granted by the Bank on 27 January 1949 to the Brazilian Traction, Light and Power Company to finance most of the foreign exchange costs of a four- to five-year programme of expansion of hydro-electric power and telephone facilities.
THE ECONOMIC BACKGROUND

for Reconstruction and Development amounting together to $16 million for hydro-electric development and the purchase of agricultural machinery, and also financial assistance from the U.S. Export-Import Bank for the purchase in the United States of railroad equipment. In Colombia, the Industrial Development Institute has continued work on the plans to set up a steel industry and a soda plant. Considerable attention has also been devoted to the mechanisation of agriculture. Mexico applied in April 1947 to the International Bank for Reconstruction and Development for a large loan for a series of hydro-electric, irrigation, oil pipeline, railway, port and highway projects. As a result of close study it has been agreed between the Bank and the Government that power projects should be given priority. The programme of electrification involving an expenditure of about 480 million pesos is scheduled to be completed by 1952. In Peru, the development plans concentrate mainly on hydro-electric development and irrigation projects. Work has already been taken in hand in respect of two major irrigation projects designed to reclaim large tracts of waste land. Among the other Latin American States, Uruguay adopted, in 1949, a five-year plan of electric power development estimated to cost 110 million pesos, and Ecuador has under consideration a development programme comprising farm mechanisation, irrigation, etc., and cement projects. El Salvador has embarked on the construction of a hydro-electric project on the Lempa River for which she has recently obtained a loan of $12.5 million from the International Bank for Reconstruction and Development. A characteristic of Ecuador’s development plans is the attempt to reduce to a minimum expenditure involving the use of foreign exchange.

Economic planning in the countries of Eastern Europe—Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and Yugoslavia—has followed a different pattern. In all these countries, manufacturing industry, mining, transport, public utilities and wholesale distribution have been largely nationalised and measures are being taken to promote co-operative farming. Production, in the main, is controlled directly by Governments, rather than guided by the price mechanism. During 1949 most Eastern European countries have completed the short-term rehabilitation plans drawn up immediately after the war with the primary aim of

1 The two exceptions are Rumania, which introduced a one-year transitional plan only in 1949, and Yugoslavia, which began directly with a five-year development plan in 1947.
repairing the war damage, and put into operation long-term plans (five years in the case of Bulgaria, Czechoslovakia and Hungary and six years in the case of Poland) designed to promote economic development. In Hungary, for instance, industrial production in 1949 was 32 per cent. above the pre-war level and 7 per cent. above the target set in the plan. While over-all targets appear to have been largely realised or exceeded, investment plans have usually not been achieved, due apparently to the low levels of output of the building industry and the failure to import investment goods in the expected volume. During 1948, for instance, actual imports amounted to only 70 per cent. of the amounts planned in the case of Poland, and 90 per cent. in the case of Czechoslovakia.

The various long-term plans due for completion in the course of the next five or six years reproduce in an even more pronounced form the basic features of the earlier short-term plans. Despite provision for the increasing mechanisation of agriculture and a steady increase in agricultural output, the primary emphasis in all the countries is on industrialisation. Even here, first priority is given to the development not of light industry which would help to provide more employment for the surplus rural population and augment present consumption standards, but of heavy industry, and of the manufacture of machines to make machines. For instance, Poland plans a three-fold expansion of her steel output. On the completion of the plans, the combined steel output of Bulgaria, Czechoslovakia, Hungary, Yugoslavia and Poland will be more than doubled as compared with 1948. The gross output of the engineering industries will rise sevenfold in Yugoslavia, sixfold in Bulgaria, more than threefold in Czechoslovakia and Hungary and fourfold in Poland, in comparison with the pre-war output. On the other hand, on the completion of the plans, the agricultural output is expected to be only one sixth above the pre-war level in Czechoslovakia and Hungary, one third to one half above that level in Bulgaria and Yugoslavia and just around the pre-war level in Poland. The same emphasis on future as against immediate improvement in living standards is seen in the various investment plans, all of which envisage steep increases in the rate of capital formation.

2 GŁOŁNY URZĄD STATYSTYCZNY: Rocznik statystyczny, 1949, pp. 95 and 96.
3 Hospodar (Prague), 20 Jan. 1949.
Such appreciable increases in the volume of the national product are possible only on the basis of a steady rise in the productivity of labour. All the plans, therefore, assume considerable increases in productivity. This clear realisation of the intimate link between the productivity of labour and the success of the economic plans has led in all the countries to an energetic campaign against absenteeism, the gradual evolution of a system of payment by results and the initiation of systems of competition among workers.¹

In the past few years Governments have undertaken large programmes for the development of non-metropolitan areas. In the British territories two categories of development schemes are to be noted; those following from the Colonial Development and Welfare Acts of 1940 and 1945, and those following from the Overseas Resources Development Act of 1948.² Under the Colonial Development and Welfare Acts, ten-year development plans have been prepared by the territories concerned. These are to be financed partly from free grants or loans from the United Kingdom Government under the Acts, and partly from local resources. Part of the financial assistance provided under the Acts is used for central services and is not allocated to particular territories. In all, 21 long-term development plans had been drawn up for the territories by the middle of 1949. These envisaged an expenditure of over £199 million, of which £64 million would be paid by the United Kingdom taxpayer out of the funds set aside under the Colonial Development and Welfare Acts. Of this expenditure, roughly 21 per cent. is earmarked for economic development, including both agriculture and industry, 17 per cent. for basic services such as communications, and 43 per cent. for the social services, such as better health and educational facilities, which must go hand in hand with development.

The Overseas Resources Development Act of 1948 was designed more specifically to increase production levels. It established the Overseas Food Corporation and the Colonial Development Corporation. The former has borrowing powers up to £55 million and is concerned with the raising of world production of foodstuffs. The task of the Colonial Development Corporation, with borrowing powers up to £110 million, is to study, formulate and execute plans for the development of the resources of the British territories.

¹ See below, Chapter III.
In the French overseas territories, long-term economic planning has proceeded steadily within the framework provided by the Decree of 3 January 1946. It has been considerably facilitated by the financial assistance provided by the Central Fund for Overseas France. The Belgian Congo Ten-Year Development Plan was published in June 1949 and its practical implementation has already begun. The plan provides for a general outlay of 50,000 million francs during the period 1949-1959, half in the public sector and half representing developments to be undertaken by private enterprise. It is estimated that loans amounting to between 14 and 18 thousand million francs from outside the Congo will be required for financing the public sector of the plan. In the Netherlands territory of Surinam, a development fund of 40 million guilders was provided in 1947 by free grant from the Netherlands Government for expenditure over a five-year period.

The Basic Problems

Three facts emerge from the above review of developments in economic planning in underdeveloped areas. First, the pace of economic development in the various countries inevitably depends largely on their own efforts to promote capital formation, to mobilise savings, to check inflationary pressures, to obtain basic data, to remove social hindrances to economic development such as oppressive systems of land tenure, to evolve priorities and to build up an efficient administrative system. No less important is the building up of an adequate public support for economic development, which may be achieved by relating it to social development and by ensuring that its fruits are shared by the many and not monopolised by the few. Secondly, the basic problem is not just mechanical and financial but is also, and more importantly, a human problem of increasing productivity by education, by provision of better nutrition and health facilities and by the introduction of better production techniques. Thirdly, while self-help by the peoples concerned is the basic foundation of all economic development, progress can be greatly accelerated by co-operation on a regional basis among the underdeveloped countries themselves to ensure that as far as possible economic planning in the various countries proceeds on complementary rather than competitive lines. Concerted international action will also be necessary, firstly to promote the growth of world trade which will help underdeveloped countries to expand exports and to obtain capital;
and secondly, to provide the technical knowledge and skill necessary for fighting disease and increasing production.

In this matter of international collaboration to promote economic development, significant contributions are being made by various international bodies, notably by the Economic Commissions for Asia and the Far East and for Latin America, the Food and Agriculture Organisation, the World Health Organisation, the International Monetary Fund, the International Bank for Reconstruction and Development and the International Labour Organisation. In the Latin American region, measures for such international co-operation are being evolved by the Inter-American Economic and Social Council, the Caribbean Commission and the Economic Commission for Latin America. In Eastern Europe, Czechoslovakia and the U.S.S.R., the more advanced countries of the region, have given technical assistance, supplies of capital equipment, agricultural machinery and financial assistance to their less developed neighbours. The Council for Economic Mutual Assistance set up in 1949 has helped further in the coordination of the different long-term plans of Eastern European countries. Under the auspices of the Organisation for European Economic Co-operation, an Overseas Territories Working Group has been set up on which Belgium, France, the Netherlands, Portugal and the United Kingdom are represented, to promote regional economic collaboration in the non-metropolitan territories. A major development in the last year is the expanded programme of technical assistance for underdeveloped countries through the United Nations and the specialised agencies, adopted by the Economic and Social Council in August 1949, and approved by the General Assembly of the United Nations in November 1949.

A vital problem in determining the success of economic development plans will be the availability of finance. Accelerated economic development in underdeveloped areas requires a higher rate of capital formation than these countries can afford themselves with their extremely low levels of income and consumption. A substantial part of the investment must therefore be obtained from external sources. Such outside financing may be obtained from international organisations, from inter-government loans and grants, from States administering non-metropolitan territories, and from private individuals.

The International Bank for Reconstruction and Development has been set up to mobilise the funds of both Governments and private individuals to finance international investment projects.
The capital of the Bank is 10 thousand million dollars, a large proportion of which has already been subscribed. In addition, the Bank has marketed more than 250 million dollars' worth of securities. The activities of the Bank are, however, necessarily limited both by the funds available to it and the requirements which its constitution places on its loans, and by the ability of underdeveloped countries to absorb loans usefully, without giving rise to inflationary pressures. Between the date of its inception and February 1950, the Bank has made 24 loans for projects in 13 different countries, aggregating about $750 million including loans amounting to over $220 million to underdeveloped countries. This sum, while large in absolute terms, is small in relation to the investment requirements of these areas.

In addition to loans by the International Bank, economic development has been financed by inter-government loans and grants to underdeveloped areas. Since the end of the second world war, these amounted to about the equivalent of three thousand million dollars, of which more than one thousand million dollars were lent by the United States Export-Import Bank. Approximately the equivalent of 500 million dollars was lent among countries of Eastern Europe. In addition there have been grants-in-aid extended to China, and to underdeveloped countries of Southern Europe under the European Recovery Programme. While it is clear that the role of these inter-government loans and grants has been of immense importance, they cannot be relied upon as the only source of funds required to finance economic development in underdeveloped countries. Some remarks have already been made on the part played by metropolitan Governments in financing economic development in non-metropolitan territories.

Private sources are also providing part of international investment in underdeveloped areas. The F.A.O. has made a rough estimate that, between July 1945 and December 1948, more than two thousand million dollars were invested in underdeveloped areas by private individuals. This amounts to about 80 per cent. of the F.A.O.'s rough estimate of total private international investment.

1 Statement of Mr. Black, President of the Bank, before the Economic and Social Council on 16 February 1950. (Press Release No. 172 of the Bank.) Of this amount, over $524 million was lent to Western European countries for rehabilitation.


3 F.A.O., op. cit.
There are serious difficulties in the way of obtaining larger volumes of investment of private capital between nations, either in the form of financing the operations of Governments of underdeveloped countries by the purchase of their bonds, or in the form of direct private investment. First of all, there is a great lack of information for potential investors concerning opportunities for productive investment. There is also fear that assets will be confiscated or that bonds will be defaulted by Governments in these countries. Unsettled political conditions in some countries have intensified these fears. Prior to the second world war some underdeveloped countries defaulted on bonds purchased largely by foreign investors. Since the end of the second world war there have also been severe restrictions on convertibility of profits earned in foreign investments. Governments in underdeveloped countries have sometimes been loath to accept private capital from overseas because of fears that their independence might be compromised or that workers might be exploited by foreign companies.

In recent years, however, there has been a visible change in the former suspicious attitudes in underdeveloped countries to foreign private capital. Public pronouncements have been made in recent months by leaders of such countries as Brazil, Burma, Chile, India, Indonesia, Pakistan and Turkey, welcoming the co-operation of foreign private enterprise, on mutually advantageous terms, in the task of economic development. In the United States, on the other hand, it is fully recognised among private lenders that the underdeveloped countries have the right to expect that foreign enterprises will be so conducted as to benefit the area whose resources and labour are involved. In the course of the United States House Hearings on Point Four Legislation, Acting Secretary Webb stated that—

Foreign investment, like domestic investment, should be prepared to bear its fair share of local taxes, should provide adequate wages and working conditions for local labour, should not waste local resources—should, in short, maintain the same standards of conduct which enlightened business is following here at home.  

At the same time the United States Government is also taking action, through the Export-Import Bank, to guarantee United States private capital newly invested in productive enterprises

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abroad against the risks peculiar to foreign investment. The risks proposed to be thus covered are loss through non-convertibility of the returns derived from investment, loss through seizure, confiscation or expropriation without prompt, adequate and effective compensation, and loss through physical destruction incident to international war.¹

In this sphere of economic development in the underdeveloped areas, the International Labour Organisation is interested not only in the prospect of increasing national income, but also in the employment potential of investment and development activities. Some proposals which might ultimately provide for increased national income in a country may, in the short run, work out badly if they result in widespread disorganisation of the labour force and widespread unemployment. Unduly rapid mechanisation of agriculture may, for example, create unemployment for large numbers of workers without any assurance that they will be absorbed within any reasonably short period into other industries at a socially acceptable standard of living. Likewise, unduly rapid industrial development may create widespread unemployment among handicraft workers. It is therefore absolutely essential that economic development schemes be synchronised so that, as workers become displaced from one sector of the economy, they may be absorbed into other sectors of the economy. Unless this is done, the transition from chronic underdevelopment to a higher level of real national income will involve much avoidable suffering. Those workers who are displaced from employment as a result of economic development are likely to have very little bargaining power and will be in grave danger of economic exploitation. It is well known that this was often the case in the economic history of countries which are already economically developed.

Conclusions

Certain broad conclusions emerge from this discussion of the contemporary economic background. The three problems, of maintaining high levels of production and employment in advanced industrial countries, of restoring equilibrium at a high level of world trade, and of accelerating the development of underdeveloped countries, are closely interrelated. For most of the industrialised

countries, even where there is no problem of deficiency of aggregate demand, their ability to maintain full employment without sacrificing living standards depends on their ability to obtain adequate markets for their exports and so to sustain required imports. On the other hand, underdeveloped countries are in need of greatly expanded imports of capital equipment. Long-term loans to these countries from those industrialised countries which are able to maintain an export surplus would greatly ease the problems both of the industrialised countries seeking to expand exports and of the underdeveloped countries seeking to expand capital imports.

Expansion of world trade inevitably involves the countries concerned in a greater dependence on world markets. Now that countries know more about how to maintain the stability of domestic demand and employment, there is a real danger that they may be reluctant to commit themselves to this dependence on world markets, the stability of which is not under their own control. They may find it easier to maintain full employment by means of policies designed to insulate them from fluctuations in other countries. To avoid a retreat to self-sufficiency with its consequent lowering of productivity and living standards, the countries which provide the chief markets for world production will need to be sincere and convincing in their plans to maintain stable levels of employment and income within their own borders.

For a solution of these problems, a world approach is needed. The maintenance of full employment, the restoration of equilibrium in world trade and the acceleration of economic development all call for co-ordination of national economic policies, concerted international action and expanded assistance from the international agencies concerned with such problems. In this last sphere, the International Labour Organisation is anxious to make its proper contribution.

Underlying all these problems is the urgent need for a steady increase in productivity. This is most obvious in the case of underdeveloped countries, where their whole programmes for installing capital equipment, developing productive technique and improving industrial organisation are designed to raise productivity. But increasing productivity is also vital to industrially advanced countries experiencing dollar deficits. It alone will enable them to expand their exports without reducing their own consumption and investment, and to compete effectively with hard currency areas for the world's export markets. Finally,
for advanced industrial countries, it is being increasingly recognised that the policy of maintaining full employment must be considered with the objective of increasing productivity. Only those policies of full employment which do not discourage the incentive to higher productivity can win public support and social acceptance.

Recent trends in social policy, discussed in the following chapter, reflect a growing awareness of the need for greater productivity. Possible ways and means of increasing productivity are discussed in Chapter III.
CHAPTER II

TRENDS IN SOCIAL POLICY

MANPOWER PROBLEMS

Vast and complex manpower problems have continued to challenge the energies of the various countries. In the development of each part of the I.L.O. manpower programme in every region, the advisory and consultative missions and the manpower offices of the I.L.O. have reported both a growing concern with manpower problems and, as part of this, a greater attention to the human factors and human beings involved. The principle that labour is not a commodity has been vigorously reaffirmed in national practice in a number of countries.

Employment Service Organisation

Two major features in the field of employment service organisation are (a) that countries in which a national employment service does not yet exist or is in an early stage of development are taking a more practical interest in the organisation of such a service, and (b) that in countries with more highly developed employment services efforts are being made to improve and expand the activities of these services to match the scope and complexity of existing manpower problems.

Evidence of growing interest in employment service organisation in the less industrially developed countries is to be found in the Far East, in the Near and Middle East and in Latin America.

Burma and India have new national employment service legislation under consideration; the network of local offices in Pakistan has been expanded; in all three countries, and in Japan, the activities of the existing employment offices have been increasing in number and variety.

In the Middle East, Turkey requested and obtained I.L.O. assistance in this field during 1949; regulations to improve employment service organisation are now under consideration. Israel
is reorganising its facilities to meet new needs, including those of refugee placement. Iraq, Iran and Egypt are seeking to develop their services on a more solid administrative, technical and financial basis.

In Latin America several countries have taken practical steps to organise employment services and others have exhibited special interest in the development of such services. Guatemala provided for a free public employment service during the year under review; Costa Rica's office began operations; Brazil, Venezuela, Colombia and Peru indicated to the I.L.O. their interest in employment service organisation. Argentina adopted a new Act (29 September 1949) setting up a national employment service directorate, whose functions include organising all over the country a free placement service, planning immigration and generally promoting the provision of employment and the solution of manpower problems. Cuba and Mexico are likewise planning improvement and expansion of their existing services.

Steps to improve and expand employment services already more or less highly developed have been taken in Europe, North America, Australia and New Zealand.

European efforts in this direction include, _inter alia_—

(a) new attention to the organisational basis of employment service work (e.g., in Belgium, France, Italy and the Netherlands);

(b) the development of more effective occupational analysis programmes, including, in some cases, job analysis, skill relationships and efforts to develop greater standardisation of occupational nomenclature (Austria, Belgium, France, Netherlands, Poland, Sweden, Switzerland, Turkey and United Kingdom); and

(c) technical improvements in placement operations, including the use of more careful interviewing and selection techniques, closer co-operation with management and trade unions, and closer study of problems relating to labour mobility and of arrangements for promoting the geographical and occupational mobility of labour (almost every European country).

In the United States and Canada continued progress has been made in defining the role and activities of employment services. The United States employment service took special action in helping to meet the unemployment threat in mid-1949. In both countries, changes in the labour market in 1949 confronted the
employment service with new problems—problems of labour mobility and of the selective placement of workers liable to constitute a hard core of unemployment. In both countries, and also in Australia and New Zealand, employment services have become a valued source of information on the conditions and trend of employment, widely used by employers seeking workers and workers seeking jobs.

Throughout the world, in short, countries in all stages of economic and social development exhibited in 1949 great interest in employment service organisation, and remarkable progress was recorded. Reasons for this interest and this progress, it may be suggested, are not far to seek. Some of these reasons are common to all or many countries; others arose out of particular problems confronting particular countries. Common to many countries has been a growing realisation that the employment service is a necessary agency in carrying out national programmes for economic recovery and development aiming at higher levels of productivity. The employment service can be, and in many countries is, an invaluable source of data indispensable to the formulation and execution of sound employment, financial and economic policies. Moreover, by fitting the right man into the right job as quickly as possible, the employment service, both in advanced and in less developed countries, can greatly aid productivity. It can reduce the time lag between jobs and do much to ensure that the skill and aptitude of the worker match the requirements of the job and that the job gives scope and satisfaction to the worker. In many European countries the dollar gap has made the primary task of the employment service a vigorous search for increased productivity through the fuller and better utilisation of manpower; many of the steps which have been taken to improve and extend the employment service in these countries have precisely this aim in view. In some countries improvements in the employment service have become necessary as a basis for the development of training programmes, and in Latin American countries and Australia for the planning of immigration. Indeed, the I.L.O.'s experience of its manpower programme during the last year indicates that a sound employment service is the foundation of a sound manpower policy.

Other developments in the field of employment service organisation must be noted more briefly. There has been a marked trend, for example in Europe, India, Japan, Egypt and Argentina, towards more effective regulation, along the lines approved by the
International Labour Conference in 1949, of fee-charging private employment agencies. There has been a strengthening of international co-operation among employment services in the Scandinavian countries, in the Benelux countries, in all the countries which participate in the Organisation for European Economic Co-operation, and to some extent between the employment services of immigration and emigration countries. All this is evidence of a growing recognition of the practical value of international and regional co-operation in dealing with common problems of employment service organisation.

Vocational Guidance

There has been a growing realisation of the value of vocational guidance in many countries. In some countries, such as Egypt and Finland, which up till now have had no official vocational guidance services, this has resulted in the initiation of new schemes. Elsewhere, where guidance was already well established, efforts have been made to render it more systematic and to consolidate gains. For example, in the United Kingdom the schools' established practice of giving to the Youth Employment Offices particulars about their past pupils who are applying for advice has now become a legal obligation. In Luxembourg, a new service has been set up in the Education Ministry to provide for co-ordination between the preliminary guidance given in the schools and the vocational guidance given by the Labour Office. In Chile, also, new regulations have been adopted as regards vocational guidance in secondary schools. In Poland, a Vocational Guidance Council has been set up.

Increasing insistence upon the special qualifications needed for guidance officers has also become apparent. In the United States, for example, the number of States requiring the certification of counsellors has been augmented.

Developments have continued in Israel where vocational guidance is now considered a proven method for facilitating the absorption of immigrants from different countries and backgrounds.

Vocational Training

The widespread interest in training displayed in recent years was intensified in 1949. Three trends appear to be of special
significance: (a) the organisation and co-ordination of training arrangements in close relation with actual manpower requirements and the trend of employment; (b) further development of training (e.g., supervisory training) relating to actual work methods and job relations within industry, with a view to increasing individual and group productivity; and (c) greater realisation of the practical value of international co-operation (bilateral, regional or worldwide) in dealing with national training problems.

Throughout Europe there is a marked emphasis on training as a part of reconstruction and economic development. In Eastern Europe policy is largely governed by efforts to industrialise national economies. Training programmes are based on the plans for economic development which lay down the numbers and types of workers required. Czechoslovakia and Poland have both made notable strides in the expansion, co-ordination and improvement of their training facilities; under the five-year plan, the U.S.S.R. is continuing the systematic vocational training of several million young workers. In Western Europe, the problem is also one of adapting training to the need of each country for solidly-based economic reorganisation aiming at higher output through greater individual productivity and the most economical use of manpower. Throughout Europe new steps have been taken to increase the effectiveness of training provided for young and adult workers, including programmes for developing and refreshing the skills of training instructors.

The problems of Asian countries are more extensive if not more complex than those of Europe. They lack key workers and technicians for most basic development projects; their training programmes must take account of the needs of small-scale and cottage industries in the present and immediate future; facilities for general education are lacking or inadequate. Steps have been taken to create a sound basis for determining the needs for training (India, Pakistan, Ceylon and Burma); for developing an economical and effective administrative organisation (Burma and Japan); for combating illiteracy (India, Pakistan and other countries); for organising supervisory training and for expanding opportunities for training abroad (almost all Asian countries). The comprehensive resolution adopted by the Singapore Conference of Asian training experts (September 1949) illustrates the trends of action and the needs outstanding.

In the Middle East, too, practical action has been intensified almost everywhere, but many urgent needs have still to be met.
In Israel a special effort has been made to organise training centres to meet the rapidly-changing needs of the economy and the national development plans. Turkey is extending its training school network and developing in-plant training; the establishment of an apprenticeship system is under consideration.

In Latin America, for example in Argentina, Brazil, Chile and Mexico, progress has been extremely encouraging. Achievements include expansion in the scope and variety of training facilities, greater concern with instructor training (Argentina, Bolivia and Brazil), and increased regional and inter-regional co-operation in the solution of training problems—for example, through exchanges of trainees and instructors and more provision for training abroad.

The United States and Canada have devoted efforts to perfecting training programmes and extending access to training facilities. Similar action has been taken in Australia and New Zealand, which, because of the shortage of skill, have placed special emphasis on the expansion of facilities, especially for young workers, and on the more systematic training of supervisory personnel for and in industry. South Africa is engaged on a survey of the reorganisation of its system of vocational education.

There has also been a notable recognition of the practical usefulness of international co-operation in the field of training. This is shown in the demand for detailed information on the organisation and methods of training in the various countries and in the arrangements made between two or more countries (e.g., agreements concluded between Sweden and the Netherlands, France and Italy, Ireland and Switzerland) to expand opportunities for training or instruction abroad.\(^1\)

**Migration**

Migration problems continue to occupy the attention of a number of over-populated countries in Europe. The number of potential emigrants in Italy remains very large; Western Germany, too, has become a great reservoir of labour.

An unusual feature of the post-war migration has been the considerable amount of migration within Europe, but there are now indications that the demands of the European countries have been largely met. France has reduced demands for 1949-1950 to

\(^1\) For brief accounts of training developments in agriculture and in non-metropolitan territories, see pp. 69 and 73.
60,000 (including seasonal workers). Belgium has stopped recruit­
ment, except for replacement. The United Kingdom, having
taken some 200,000 foreign workers, has indicated that future
demands are likely to be small, apart from women for the textile
industry, domestic service and nursing. Switzerland has absorbed
100,000 foreign workers, but estimated her needs in 1949 at no
more than 30-40,000, including seasonal workers. It follows
that the migration currents between Europe and the New World
assume even greater significance.

Notable tendencies in the field of migration policy include
(a) a tendency among receiving countries, both in Europe and in
the New World, in their anxiety for maximum productivity, to
stress the importance of selection of individual workers from the
point of view not only of general suitability but also of the possession
of particular skills; (b) a growing recognition, particularly observed
by the Office mission which visited Argentina, Brazil, Chile,
Colombia, Mexico, Peru, Uruguay and Venezuela in 1949, of the
need for sound administrative machinery for the reception and
placement as well as the selection of immigrants; and (c) a continu­
ance of the tendency for Governments to regulate migration by
means of bilateral agreements. The Italian authorities attach
particular importance to such agreements, and have concluded
agreements with the Governments of the United Kingdom, France,
Brazil, the Netherlands and Argentina. Finally, reference should
be made to the extremely large scale of the Australian immigra­
tion policy and to the increasing number of European emigrants
of other than British origin whom Australia has recently welcomed.

The Preliminary Migration Conference convened by the Govern
ing Body of the I.L.O. in April 1950 reflected the growing import­
ance of migration both for emigration and for immigration countries,
and provided another example of international action to deal
with the problems of migration.

Conclusion

The various trends in manpower policy emphasise the possi­
bilities and needs for action in the year ahead. Each country
has many outstanding problems to meet. Most countries are
now in a position to attack these with more understanding of their
human as well as their economic implications, and in a more unified
and comprehensive spirit, reflected in further integration of the
employment, training, migration and other services directly con­
cerned with the solution of manpower problems. In Latin America and in the Far and Middle East a lack of adequate and reliable information on the scope and character of manpower problems remains a major obstacle in planning a programme of national action and international co-operation to solve these problems. The urgent need for providing more information as a basis for action appears recently to have been more generally recognised, especially in certain countries in Latin America and the Far East; India, Australia and New Zealand have recently made available more information regarding employment conditions. From the international standpoint, the year has emphasised the need for closer and more effective international co-operation in dealing with difficult manpower problems which cannot be solved nationally or whose solution can be speeded by outside assistance.

The I.L.O. manpower programme is directed towards meeting these needs—by providing opportunities for exchange of experience (meetings of experts); by advisory and consultative missions and the work of outlying manpower offices; and by efforts to disseminate technical information, in appropriate languages, to all the different countries and regions. It will be realised that a programme on a scale sufficient to deal adequately with the many manpower problems urgently requiring attention needs considerable resources. The deep interest of nations in all parts of the world in this programme indicates that there will be a ready response to the intensification of international co-operative effort in this essential task in the coming year.

FREEDOM OF ASSOCIATION AND INDUSTRIAL RELATIONS

Freedom of Association and the Protection of the Right to Organise

When it adopted the Freedom of Association and Protection of the Right to Organise Convention, 1948, and the Right to Organise and Collective Bargaining Convention, 1949, the International Labour Conference created two international instruments of capital importance for safeguarding the right to organise. The former of the two Conventions has already received a sufficient number of ratifications to enter into force on 4 July 1950; numerous other countries have taken preliminary steps towards its ratification.
Without, however, waiting until all countries shall have ratified these Conventions and thereby become subject to the enforcement procedure provided for by the Constitution of the I.L.O., the Organisation, in agreement with the United Nations, has taken steps to set up an international Fact-Finding and Conciliation Commission for the protection of the right to organise. The role of this Commission is described in Chapter IV.¹ Mention is also made in the same chapter of the I.L.O. mission which visited Venezuela in 1949 for the purpose of collecting information concerning social problems in that country, including the development and functioning of trade unions.

On the national plane, the right to organise has been further safeguarded by legislation in a number of countries. Constitutional safeguards for the free exercise of this right were enacted during 1949 in the Federal Republic of Western Germany, in the new constitutions of Argentina, Hungary and India, and in Poland under an Act of 1 July 1949.

Collective Agreements

There is general agreement regarding the fundamental importance of collective bargaining, but two points of view have become more clearly distinguished regarding the best methods of establishing collective agreements and regarding the role which they should play in national economic life. According to the first view, collective agreements should, above all, result from free negotiations—though this view does not hold that the intervention of Governments should be entirely excluded. This is the view which tends to prevail in North America and in Western Europe. In the United Kingdom, for example, the Government, despite the importance which it attaches to holding down the level of industrial costs, has abstained from resorting to anything in the nature of a compulsory “wage freeze”, and wages continue to be determined by free collective bargaining. The response of the trade union movement to the Government’s appeal to do nothing to jeopardise the economic stability of the country during the critical period following the devaluation of the pound sterling is described below.² In a number of Western European countries in which the war and post-war conditions necessitated a more or less rigid control of

¹ See p. 129.
² See p. 61.
the national economy by the Government, there has been a trend in the direction of restoring greater freedom of collective bargaining; the important and long-debated law on the return to collective bargaining for the determination of wages in France illustrates this trend. In Japan, recent legislation provides for a régime of free collective bargaining in the private sector of the economy but for compulsory arbitration in the case of public corporations.

In Central and Eastern European countries, on the other hand, with centrally planned economies, a different conception of the role of collective bargaining prevails, a conception which is relatively new and is still developing. Trade union organs participate at the highest level in the direction and control of the national economies; negotiations between the management of enterprises and the trade unions are concerned largely with the fixation of norms and standards of work and the distribution between different categories of workers of the funds provided in the plans for the payment of wages. Such negotiations take place at the national level, the industrial level, and the level of the enterprise. In Poland, for example, collective agreements are concluded between the competent organs of the public administration on the one hand and the central federations of trade unions on the other. The central planning office, charged with the duty of co-ordinating economic policy, expresses its opinion regarding collective agreements after having consulted the Central Commission of Trade Unions. In case of disagreement between these two bodies the matter is referred to the Economic Committee of the Council of Ministers. The Minister concerned approves a collective agreement only after the central planning office has pronounced favourably upon it. The trade union organisation takes care that a draft agreement is discussed at all levels of the trade union federation concerned as well as by the workers in individual establishments. In Hungary, the National Wages Commission, under the authority of the Council of the Public Economy, determines the general principles of wage policy, and approves collective agreements. For the different branches of industry agreements are concluded between the Minister concerned and the appropriate trade union federations. Within individual establishments agreements are concluded, subject to prior authorisation and subsequent approbation by the National Council of Trade Unions and the competent Minister, between the management and the works committee—a trade union organ.
Co-operation between Public Authorities, Employers and Workers

Economic conditions in many countries have promoted closer co-operation between public authorities, employers and workers, but in this field, as in that of collective bargaining, different tendencies are to be observed in different parts of the world. In some countries such co-operation rests primarily upon a basis of voluntary agreements or understandings; in other countries it takes place primarily through organs established for this purpose by legislation; in yet others it results directly from the role of trade union organisations in national planning. The United States, the United Kingdom and the Scandinavian countries are examples of countries falling principally into the first of these groups, and a number of new developments, some of which are referred to below, have been recorded. Argentina, Belgium, Italy, the Netherlands and New Zealand provide examples of countries in which joint organisations for co-operation at the national, industrial or plant level have recently been established by legislation or are contemplated, while in the countries of Eastern Europe the trade union organisations participate directly in the formulation and execution of national economic plans.

Industrial Relations and Productivity

Among the host of matters dealt with by collective bargaining or by co-operation between public authorities, employers and workers, measures to increase productivity have figured prominently during the past year, and there appears to have been a significant tendency towards a change in the conditions underlying what might be described broadly as the traditional attitude of trade unions towards measures to increase the productivity of labour, and, with this, a change in this attitude itself. Trade union organisations have always been well aware that the remuneration of workers is related to the prevailing level of productivity, but have tended in the past to concentrate their efforts rather upon increasing the share of the national income which goes to workers than upon increasing the total amount of wealth produced. The latter has been regarded as depending much more upon factors almost entirely beyond the control of the workers—such as the rate of investment and technical progress, the organisation of production and the state of trade—than upon factors within the
control of workers and their trade union representatives. Also, if they are to give their full support to policies aiming at increasing productivity, trade union organisations have always desired, and still desire, effective safeguards for the health and remuneration of workers and the stability of their employment. They desire, too, to be directly associated with the formation and administration of measures undertaken with a view to increasing productivity.

Recently there appears to have been a tendency on the part of trade unions to attach greater importance, in the national interests and in the interests of workers themselves, to measures to raise productivity, as distinct from measures to redistribute income. Coupled with this there has been a tendency towards the establishment in a growing number of countries of safeguards for the interests of workers and participation by trade unions in the administration of measures to raise productivity. Growing recognition and protection of the right to organise, the spread of collective bargaining and of participation by trade unions in the institution and supervision of systems of wage payment, and in some countries the closer association of trade union organisations with the planning and direction of the economy at the highest levels, are all significant from this point of view.

In these circumstances, a trend of the greatest significance can be discerned in a number of countries. Though it cannot be said that the deep-rooted fear which many workers have of “working themselves (or their mates) out of a job” has been overcome, nevertheless a tendency can be observed for the attitude of cautious reserve often adopted by trade unions in the past towards measures to increase the productivity of labour to give way to a new attitude of positive and vigorous support for and co-operation in such measures, provided that they are accompanied by adequate safeguards for the interests of workers. The Prime Minister of Czechoslovakia, who is also chairman of the National Council of Trade Unions, has declared that in a socialist economy the essential task of the trade unions is “to solve the problem of the productivity of labour”. In other Eastern European countries, too, an increase in the productivity of labour is regarded as a fundamental responsibility of the trade union movement; examples of steps taken to this end are quoted in the following chapter of this Report. In China, productivity is encouraged by various social and economic measures in which workers and their trade unions play an essential

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part. In the United Kingdom, the Trades Union Congress has set up a Production Committee and has given a strong lead to its affiliated unions in support of the Government's policy of increasing productivity; in November 1948 it convened a special conference on productivity for trade union executives, and in 1949 a number of productivity conferences were held with unions or federations of unions in particular industries.¹ Trade Union Council representatives participate in the work of the National Production Advisory Council on Industry, the Committee on Industrial Productivity and the Anglo-American Council on Productivity. National agreements have been reached in 30 industries, employing 5 million workers, for the establishment of joint production committees or similar bodies in factories and workshops. In Sweden, an agreement between the central organisations of employers and of workers provides for the establishment, by collective agreement in the different sectors of industry, of joint committees to undertake time and motion studies, and to deal with any disputes which may arise out of the application of such measures. In December 1949 the Danish Government appointed a Joint Production Committee with the purpose of promoting industrial efficiency.

SOCIAL SECURITY ¹

The two most significant trends in the field of social security in 1949 are not new: they are continuations of trends which have been noticed in previous reports. The first is the trend towards greater universality of scope—post-war legislation aims increasingly at protecting the entire population, or all workers and their families, in all the main contingencies which threaten their livelihood, by means of comprehensive systems of minimum income security

¹ For details see Productivity: Report of the General Council to the Conference of Trade Union Executives, November 1948; Report of the Special Conference of Trade Union Executives on Productivity; and Trades Union Congress Report, 1949; all published by the Trades Union Congress, London. The attitude of the General Council of the Trades Union Congress is well illustrated in the following passage from the last-mentioned of these reports: "The general desire of the people of this country to recover their economic independence as soon as possible, and the fact that, over a period, increased productivity provides the best guarantee of lower prices and increased real wages, have prompted the General Council to encourage and assist affiliated unions on matters of production.... The Trade Union Movement is participating in, and has everything to gain from encouraging, a national drive to increase industrial efficiency and production" (pp. 548-549).

and medical care. A second significant trend is the remarkable progress achieved in the conclusion of bilateral and even multilateral agreements on social security.

National Legislation

Unified social security systems were introduced or planned in a number of countries and territories: Bolivia, Bulgaria, Haiti, Iran, Ireland, Israel, Lebanon, Manchuria, Norway and Algeria. For Bulgaria, Ireland and Norway it is a matter of modernising extensive legislation begun twenty or thirty years ago; in the other countries the new systems have not such solid and extensive foundations. Most of the laws or plans are intended to be applied by stages, spread over several years, and the initial preoccupation is to make sure that development will take place on orderly and rational lines.

The Bolivian Act of 7 January 1949 introduces a unified system of compulsory insurance against sickness, maternity, invalidity, old age and death. The Bulgarian Act, passed at the end of 1948, unifies and improves the pre-war schemes of insurance against sickness, maternity, invalidity, old age, death, unemployment, employment injury and family responsibilities. In Haiti, the Government has introduced a Bill to establish a scheme of compulsory insurance against sickness, maternity and employment injury for civil servants and employees generally, both urban and rural; a plan on these lines was prepared some years ago by an I.L.O. mission. Provisions for the gradual development of a social security system based on establishment funds are made in the General Labour Act of Iran, which gives powers to such funds to cover a wide range of contingencies. An expert has been supplied by the Office to assist in implementing these provisions.

The Irish Department of Social Welfare published, in the autumn of 1949, the details of a contributory social security system, proposed for early adoption. The plan concerns income security in case of sickness, maternity, old age, death of breadwinner and unemployment; it is planned to unify the scope of scales of benefits and the contributions and administration of the existing schemes. In Israel, an inter-departmental commission has been set up with the task of preparing a social security plan for the country; the plan has been the subject of lengthy consultations with the Office. The Government of Lebanon has approved a Bill to establish an autonomous insurance fund which will furnish
employees with benefits in case of sickness, maternity, invalidity, old age, death, unemployment, employment injury and family responsibilities.

In April 1949 there came into operation in Manchuria a labour insurance system for employees in undertakings controlled by the Government, including mines, public utilities and textiles. This was extended in July 1949 to various other State, provincial and municipal industries and mines. An extensive range of benefits is provided at rates which are more favourable for trade union members than for other employees. Workers with outstanding production records may be granted particularly favourable benefits on the recommendation of the trade union. The Norwegian Government placed before the Storting in November 1948 a report on a plan for the development of the existing social insurance schemes and for their co-ordination in a comprehensive social security system. In Algeria, a simplified version of the French social security system has been introduced in the shape of two schemes, for urban and agricultural employees respectively.

In addition to the comprehensive measures taken or planned in the above-mentioned countries, steps have been taken in a number of other countries—for example, Argentina, Colombia, France, Guatemala, Turkey and the United States—further to implement the long-range projects of social security which had already been drawn up. It should also be recorded that in 1949 unemployment insurance received more attention from Governments than at any time since the war. New developments in this field occurred notably in Austria, Italy, the Netherlands, Puerto Rico \(^1\) and Uruguay.

In Eastern European countries there appears to be a growing tendency to utilise social security provisions as incentives to a higher output by reserving special advantages for workers in arduous occupations or occupations which are especially short of labour, or for workers with good production records.

**International Agreements**

The year 1949 was remarkable for the conclusion of three multilateral agreements on social security in Europe, as well as a number of bilateral agreements, principally affecting European countries also. The post-war movement in favour of international arrange-

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\(^1\) See below, p. 72.
ments to safeguard the social security rights of migrants owes much to the initiative of France, which in 1948 concluded a series of agreements with Belgium, Czechoslovakia, Italy, Poland and the United Kingdom. In 1949 similar agreements were entered into by France with the Saar and Switzerland. No less active in this movement has been Italy which, between 1947 and 1949, has made agreements not only with France, but also with Belgium, Czechoslovakia, Sweden, Switzerland and the United Kingdom. Other recent bilateral agreements include those of Belgium with the Netherlands and Poland, of Czechoslovakia with Bulgaria and Poland, and of Australia with New Zealand. All these agreements are of a comprehensive character covering all branches of social security which exist in both contracting countries.

Among the countries which are parties to the Brussels Treaty—Belgium, France, Luxembourg, the Netherlands and the United Kingdom—a network of ten bilateral treaties is in process of creation; several of them, as indicated above, have already been concluded. In order to complete the international arrangements among these five countries, two multilateral agreements were signed in 1949. The first of these will enable a national of any of the parties to take advantage of any of the bilateral agreements, already negotiated or in course of negotiation, between any other two parties as if he were a national of any one of these latter, and to retain his right to benefit in whichever of the five countries he may reside. The second of these multilateral agreements concerns social and medical assistance; it provides that a national of one of the parties who needs assistance when residing in the territory of another shall have the same treatment as a national of the other.

At the end of 1949 the Office convened a Tripartite Conference concerning the Social Protection of Rhine Boatmen, the results of which are described briefly in Chapter IV of this Report. Mention is also made in Chapter IV of the meeting of social security experts held in New Zealand in February 1950.

Besides the various agreements on social security in general described above, a multilateral agreement dealing only with old-age pensions was signed in 1949 by Denmark, Finland, Iceland, Norway and Sweden. A number of bilateral agreements, too, were concluded on particular branches of social security, especially among the Scandinavian countries and countries associated in the British Commonwealth of Nations.

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1 See pp. 131 and 135.
2 See p. 133.
Conditions of Work

Hours of Work

It was noted in this Report last year that the pre-war trend towards shorter hours of work, reversed by the war and post-war conditions, was reasserting itself; this trend continued in 1949. Significant examples were the extension of the 40-hour week to nearly a million railway workers in the United States, a reduction of seafarers' hours in Norway and Sweden, and a reduction in the hours of Norwegian workers engaged on continuous processes. The question of a similar reduction in Sweden has been under consideration. In Italy, the question of the 40-hour week, regarded as a means of combating unemployment, has once more been raised. Finally, the American Federation of Labor has raised the question of hours of work in general before the Economic and Social Council, with the recommendation that the Council take the necessary measures for the gradual establishment of the 40-hour week, and begin a study on the question of an agreement for a further reduction of hours, especially in the economically more advanced countries, with the goal of a 30-hour week. Both these tasks, it was suggested, should be undertaken in co-operation with the I.L.O. The question of “international reduction of working hours as a consequence of rising labour productivity” was referred to the I.L.O. by the Economic and Social Council at its 10th Session (February 1950) without preliminary debate in the Council, for such action as the I.L.O. may consider necessary. While an increase in leisure is in itself desirable, many countries have also to reckon with the requirements of reconstruction or development plans which demand the maintenance of production at the highest possible levels; reduction of hours beyond a certain point is likely to lead to some loss of output.

Workers' Recreation

The rapid development since the war of the organisation of facilities for the utilisation of workers' leisure, and especially of annual holidays with pay, continued in 1949. In the United States the expansion of community recreation facilities is most clearly indicated by the remarkable rise in recreation expenditure, which exceeded 100 million dollars in 1948 (nearly double the 1946 figures—1949 figures are not yet available). In many countries Governments and employers’ and workers’ organisations have
shown great interest in making up the leeway in the development of recreational facilities which was caused by the war. This has been the case, for example, in Belgium, Denmark, Finland, France, Italy, the Netherlands, Norway and the United Kingdom. In Eastern European countries, for example, Bulgaria, Czechoslovakia, Hungary, Poland and Rumania, substantial progress has been made in providing facilities for workers' holidays. There is a notable tendency in these countries to make the facilities primarily available to organised workers, and especially to those who have made outstanding contributions to production or to the reconstruction of the country.

Labour Administration and Inspection

In two areas of the world—Eastern Europe and the Near and Middle East—important developments have taken place in regard to the administration and enforcement of labour legislation.

There is a marked trend in the countries of Eastern Europe towards assigning to workers' organisations, such as trade union bodies and factory councils, or to workers' representatives, an increasing measure of responsibility for supervising the application of labour legislation and the functioning of workers' welfare facilities. These arrangements are designed to complement the work of the official labour administration and inspection services by enlarging the area of participation of the workers directly affected in factories, workshops and mines.

Where the workers' organisations and representatives are sufficiently mature to carry out these responsibilities, and the problems of protection of workers can be adequately dealt with under such arrangements, some positive results appear to be obtained. It appears to have been widely recognised in the countries concerned, however, that modern industrial processes are so complex and often involve such dangers to the safety and health of workers that the protection of workers cannot be ensured without the services of trained specialists such as chemical, mechanical and electrical engineers, specialists in industrial medicine and mining engineers.

The enactment in recent years of new and broadened labour legislation in the countries of the Near and Middle East—for example, in Iran, Israel and Turkey — has involved, as it necessarily must if the legislation is to have practical effect, the institution
or reorganisation of labour administrative services to supervise the application of the legal provisions. Developments along these lines have taken place or are being planned in Iran, Iraq, Lebanon, Syria and Turkey, in all of which new labour authorities have been set up where they did not previously exist or plans are being made to reorganise existing services with a view to making them more effective.

It cannot be said that these developments have as yet achieved full results. Time, patience and much effort are required to develop the necessary administrative machinery, recruit and train efficient staff and educate employers and workers in their responsibilities under the law. Nevertheless, the period of growth for newly-developing countries need not be as long, nor the trial-and-error experiments as painful, as was the case in the older industrial countries when they too were faced with the problem of how to give practical effect to social policy as embodied in labour legislation. The experience of the latter is available to be drawn upon and adapted to serve the needs of States entering a period of modernisation in the protection of their working population.

Wage Policy

During 1949 Governments and employers' and workers' organisations in many countries were concerned with some or all of three main problems in the field of wages, namely, the level of wages, the wage structure, and wage incentives.

It has been recognised in each of the countries whose currency was devalued, or which are now combating adverse trade balances, that it is as important as at any time since the end of the war to prevent any significant advance in the level of wages which is not accompanied by a commensurate increase in productivity; this harsh necessity has been explicitly accepted by many Governments in the formulation of their wage policy and recognised by many trade unions. In the United Kingdom, for example, the General Council of the Trades Union Congress recommended that trade unions should not press wage claims, and that the sliding scale arrangements relating wage rates to the cost-of-living index, which cover one and a half million workers, should be suspended, unless the interim index of retail prices varies by more than six points. At a special conference of trade union executives in January 1950 the policy of wage restraint urged by the General
Council of the T.U.C. gained acceptance by 4,300,000 against 3,600,000 votes. In China, France, Greece, India and other countries, where post-war inflationary forces were by no means abated, the problem of adjusting wage levels to rising prices continued to give cause for considerable concern. It has also, however, been widely recognised that, in the interests of distributive justice, any tendency for wages—and especially the wages of low-paid workers—to lag too far behind rises in prices must be prevented. This recognition has been one of the factors underlying a notable trend during 1949 in the direction of introducing or extending minimum wage-fixing legislation or raising minimum wages fixed under existing legislation. Developments in this direction occurred in Burma, Ceylon, France, India, New Zealand, Pakistan and the United States.

Experience during the year in many countries, notably for example in the United Kingdom, showed that problems of the wage level are interlocked with problems of the wage structure; while it was felt to be necessary to hold wage advances in rein in order to combat inflation and increase exports, a compromise had to be achieved—and was often difficult to find—whereby the lowest-paid workers could be protected without recourse to measures which, by narrowing unduly the wage differentials between workers of different degrees of skill and of different ages, would impair the incentive to undergo training and improve efficiency and would reduce the reward of experience and long service.

It became clear that all these difficulties of wage policy would be much reduced if substantial increases in productivity, which would make it possible to raise wages without adding to inflationary pressures, could be achieved. This gave rise in many countries to a new interest in the problem of wage incentives and especially in systems of payment by results. New developments in this field occurred, or a new interest was shown, in, for example, Australia, Bulgaria, Hungary, India and Poland. Emphasis upon the need for relating remuneration more closely to work done led to increasing support—as for example by the Confederation of Christian Trade Unions in Belgium—for the principle of equal pay for equal work by men and women.

In several countries, and especially in those with more developed and industrialised economies, wage policy directed towards the

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1 In China the real income of urban workers is substantially protected by systems of payment of wages calculated on the basis of units expressed in terms of basic commodities.
achievement of higher productivity has in 1949 come into conflict with a spreading fear among the workers that the harder they work the sooner production surpluses will appear and the sooner pre-war unemployment conditions will return. Some Governments have found during the past year that they have yet to win the full confidence of the workers in their policies of full employment and economic stability.

EMPLOYMENT OF WOMEN AND CHILDREN

Employment of Women

Where shortages of labour have persisted, as for example in Czechoslovakia, Poland and the United Kingdom, efforts to attract women into industry and to improve their conditions of work have continued along the lines described in previous reports. In many countries, however, a certain slackening was discernible in 1949 in the development of social measures for women workers, particularly in the field of training and placement.

Progress in the field of maternity protection continued to be made—for example in Czechoslovakia, Hungary, Iran, Japan, Poland and Yugoslavia. Progress in the application of the principle of “equal pay for equal work” was made in Hungary, Poland, Rumania, the United States and Yugoslavia. Efforts to improve the status of women workers and to regulate conditions of employment in certain occupations—notably nursing and domestic service—continued to be made. In the field of nursing new developments occurred in Austria, Egypt, Greece, Norway, Poland and Switzerland; in the field of domestic service, in the Dominican Republic, Finland, France and Norway.

Children and Young Workers

In 1949 there were a number of developments in regard to the age of admission to employment. Thus, the minimum age of admission to employment in industry and various other branches of occupations was fixed at 12 years in Iran and was raised to 15 years (18 for underground work in mines) in Sweden, and to 16 years in Tennessee and Maine (United States). In the United States, minimum age provisions in federal legislation were also strengthened. Educational qualifications required of young per-
sons before being admitted to employment have been strengthened, for example, in Poland. Provisions requiring the medical examination or periodical re-examination of young workers were extended or tightened up in Argentina, Portugal, Sweden and other countries. The extension of educational facilities both for young persons in employment and for those who are not yet of an age to work continued, for example, in Mexico, Poland and the United States.

In addition to the minimum age provisions, conditions of work of young workers have been regulated in Iran under the new comprehensive Labour Act as regards hours of work, night work and prohibition of dangerous work, and have been improved in Sweden as regards hours of work and night work.

One or two countries have considered it necessary to relax certain provisions concerning protective legislation for young workers. Thus, in France, new regulations permitted night work of young persons in establishments affected by measures adopted for economising electricity consumption, and in Poland restrictions on the employment of young persons underground in the coal mines were made more flexible in the interest of vocational training of the young workers. In both cases safeguards were provided.

**Industrial Safety**

Industrial safety activities continue to develop all over the world.

The National Safety Campaign in the United States, inaugurated by President Truman, is being organised on an impressive scale by the President's Conference on Industrial Safety. Most of the Canadian provinces have made important additions to their safety regulations. In some Latin American countries, e.g., Argentina and Cuba, new safety legislation has come into force. Increasing attention is also being paid to safety education (e.g., Argentina, Uruguay). The Dominican Republic must be added to the countries that regularly publish accident statistics.

Some of the Australian States (e.g., New South Wales and Western Australia) have been active in the legislative field. New mining codes have been put into force in Western Australia. New Zealand has issued a new code of quarry regulations.

Parts of Europe are still in the post-war reconstruction period as regards industrial safety. A general reform of industrial safety legislation has been undertaken by some of the Eastern European countries (e.g., Bulgaria and Czechoslovakia), and also by Spain.
TRENDS IN SOCIAL POLICY

and Sweden. Safety activities are reviving in Western Germany. Substantial additions to safety legislation have also been made by France, the Netherlands, Norway, the United Kingdom and other countries.

A general reform of accident prevention legislation and its administration has been undertaken by Burma, India and Japan.

Following Lebanon and Syria, which recently introduced fundamental safety provisions in their labour codes, Iran and Turkey are preparing a comprehensive development of their safety legislation and inspection services. Israel is also developing safety activities.

Additions to safety regulations have been made in the British dependent territories of Guiana, Mauritius, St. Lucia, and Trinidad and Tobago, and in the French territories of Morocco and Tunis.

Noteworthy aspects of industrial safety developments include the following:

1. There is a growing interest in the prevention of accidents in agriculture: several countries are framing or revising their agricultural safety regulations, e.g., Czechoslovakia, Finland, the Netherlands, and intensifying accident prevention work, e.g., Norway, the United States.

2. Works safety organisations have recently become compulsory in a number of countries, e.g., Belgium, France and Hungary, and are spreading rapidly in several others, e.g., Norway, Sweden, the United Kingdom. A national organisation of works safety personnel has been founded in Italy.

3. Industrial safety research is making strides in a number of countries, e.g., Belgium, Czechoslovakia, France, as regards mining, and Norway as regards industry generally.

4. Increasing contributions to safety are being made by standardising organisations in a number of countries. Safety codes are now being issued in considerable numbers by such organisations in Australia, Canada, South Africa, the United Kingdom and the United States, for example.

5. Collaboration between all parties working for industrial safety is being strengthened in a number of countries. National organisations in which the Government, employers, workers and other parties are represented have acquired considerable importance in Scandinavia, and collaboration between these national organisations is being intensified. This kind of collaboration
has also been highly developed in France and the United Kingdom, among other countries.

6. A new form of international collaboration, which originated in the Scandinavian countries and seems likely to spread to others, is directed towards the international standardisation of national safety regulations and of protective devices for industrial equipment, especially machinery.

**INDUSTRIAL HEALTH**

As a result of legislation in 1949, medical examinations (initial and periodical) have been introduced in Hungary, Italy, Rumania and Sweden and for young workers in India; the application of medical examinations has been widened in Belgium and France; health inspection services have been instituted, reorganised or enlarged in Bulgaria, Hungary and Sweden; protective measures against noxious gases, lead poisoning, X-rays and in unhealthy occupations generally have been strengthened in a number of countries; schedules of occupational diseases for which compensation is payable have been enlarged in Canada, France, the Netherlands, Sweden, the United Kingdom and the United States.

For the earlier detection of disease, mass radiography is being undertaken on a wider scale; for example, in France all employees of the national railways now undergo an annual medical radiographic examination, which involves about 2,000 examinations a day.

The year 1949 witnessed growing attention to problems of nutrition. For example, in Brazil a nation-wide survey of nutrition was carried out. In Canada, after two years of study by the Nutrition Council, a new and improved dietary standard, approved in December 1948, has replaced that of 1945 as the recognised minimum nutritional level below which it is impossible to ensure health. In India a Nutrition Advisory Committee is vigorously pursuing the twofold task of surveys and education.

In the field of study and training, new opportunities for the formation of specialists in industrial medicine continue to be created; there is, however, still a notable lack of specialists even in the highly industrialised and still more in the industrially underdeveloped countries.

Factory medical services have been improved in a number of countries.

The necessity of close collaboration between public and industrial health services is constantly urged; in the United Kingdom
a committee has been appointed to consider the relation of industrial health services to the National Health Service.

Housing

Despite the high priority which most Governments have given to housing programmes, housing remains one of the most pressing problems in the field of social policy. In Europe, of all the major industries, building alone had not, by the end of 1949, regained its pre-war level of production. Increased productivity may be said to have become the central objective of the building industry; increased productivity in housing is essential not only for its own sake but as a necessary condition for achieving greater production in other industries, such as mining, and the development of new regions.

Efforts to promote greater output in housing fall largely under three main heads which, however, often overlap—measures to promote the availability of building supplies, measures to reduce costs of construction, and measures to assist individuals or families to build their own houses.

Special measures to promote the availability of building supplies have included the development of substitutes and of alternative sources of supply, standardisation of processes and materials, allocations and controls over the use of materials, and the institution of incentive payments to secure maximum production with existing facilities. Though they lost some of their importance in 1949 as supplies of timber, steel, bricks, cement and glass began to flow more freely, such measures remained very widely necessary.

Building costs showed a tendency to drop as increased supplies became available, but the continued urgency of measures to reduce such costs was recognised by the Building, Civil Engineering and Public Works Committee of the I.L.O. at its second session in 1949. The Committee adopted a resolution suggesting specific measures to this end which might be taken by employers and by workers respectively. This Committee also reaffirmed the importance, stressed on several occasions by the International Labour Conference, of a counter-cyclical public works policy; extreme instability of employment and production in the industry leads inevitably to needlessly high costs. Most Governments in highly developed economies, replying to the United Nations questionnaire on full employment, indicated that they have made preparations to stabilise the construction industry at a high level of employment. Other measures taken in many countries with a view to lowering
costs of construction include research and experimentation with prefabrication (it has still to be demonstrated conclusively that this is substantially cheaper than traditional methods) and a new emphasis on other aspects of construction research. There appears to be room for greater international co-ordination of construction research; this problem is under consideration, so far as Europe is concerned, by the Housing Subcommittee of the Industry and Materials Committee of the Economic Commission for Europe.

A development which has recently assumed considerable importance is that Governments, private organisations and co-operatives are discovering feasible and effective ways of giving aid to families who build or improve their own homes by their own labour. Examples of such “aided self-help housing” are to be found, inter alia, in Greece, Italy, the Netherlands, Sweden, the U.S.S.R., the United States, and several British non-metropolitan territories.

Another conspicuous recent trend has been the progress made in a number of countries in the field of town and country planning. The course of such planning is leading towards greater decentralisation. The development plans for almost every big city call for lower population density in the central areas. A network of green open spaces is becoming as fundamental a part of city planning as the highway system. Protected by green zones are planned neighbourhood units and carefully developed self-sufficient communities for the city’s outlying areas. Examples are to be found under the United Kingdom Town and Country Planning Act.

Closely related to town and country planning is a growing tendency for Governments to lay down minimum housing standards. The United Nations will convene in 1950 a Meeting of Experts on Housing and Town Planning in the Humid Tropics, one of the chief purposes of which will be the formulation of recommended designs and standards for tropical housing.

**Agricultural Labour**

The past year saw a continuation of the major post-war trends in agricultural social policy. Side by side with measures to increase agricultural production—the problem of securing adequate food supplies having remained one of the world’s major social preoccupations—1949 witnessed a steady development of social legislation and the adoption of a number of measures designed to improve conditions of life and work for rural populations.
Measures to improve conditions of work for agricultural workers have been taken in, for example, the Belgian Congo and Madagascar (regulation of the conditions of indigenous workers); Czechoslovakia (paid holidays); France (holidays for young workers); Hungary (improved conditions of work in general); Norway (temporary regulation of conditions of work in general); and Rumania (determination of agricultural trades and wages corresponding thereto).

Among measures to improve conditions of life, as distinct from conditions of work, two groups of measures have received special attention from legislators—the application of systems of social security and measures to improve agricultural housing. As regards social security, in Algeria a law of 1949 extends to agricultural workers protection in the matter of invalidity, surgical risks, maternity, old age and death. In the Belgian Congo, agricultural workers have been enabled to benefit from protection against accidents at work. In Cuba, an old-age pension fund for workers on sugar plantations has been established. In Czechoslovakia, a Decree of June 1949 provides that seasonal workers in agriculture and forestry shall benefit from old-age insurance. A brief account of the new unemployment insurance scheme for workers on sugar plantations in Puerto Rico is given on page 72. In Switzerland, the validity of the family allowance scheme for agricultural employees and farmers in mountainous regions, first introduced on a temporary basis in 1944, was renewed by a Federal Order of June 1949 until the end of 1952. Notable measures to improve rural housing have been taken in, for example, Algeria, Belgium and the United States.

Rural education and technical training have also received much attention from Governments. As agriculture becomes more mechanised, new skills are required of agricultural workers, and a new level of general education is required in many rural areas. Countries which already have universal education are seeking to extend and improve their rural educational services; other countries are seeking to establish rural education. Progress in this field in 1949 was recorded in, for example, Canada, Germany, India and the United States. Argentina and Hungary may be mentioned as examples of countries which have taken new steps for the training of agricultural experts or technicians.

Reforms of systems of land tenure, reductions in agricultural rents, or other measures tending to favour the interests of those who actually cultivate the land have been adopted, for example, in Burma, China, India and Japan.
Co-operation

The past year has been characterised by notable co-operative efforts, in both agriculture and industry, to develop the means of production, to organise the marketing of products and their distribution to consumers, and to develop welfare services. Two types of co-operative societies, the marked development of which has been a feature of the post-war history of the movement, have continued to spread and expand rapidly. These are, on the one hand, consumers’ co-operatives and, on the other hand, industrial co-operatives, including co-operatives of artisans and of workers engaged in cottage industries. Agricultural producers’ and marketing co-operative societies have also shown marked growth.

It is perhaps in countries devastated by the war and in under-developed countries that consumers’ co-operative societies have made the greatest progress. They are spreading rapidly even in rural communities. In small-scale industry, co-operative societies in a number of countries—for example Bulgaria, Burma, Ceylon, China, Germany, India, Japan, Pakistan and the Philippines—have encouraged activity in new fields and have taken steps to improve the supply to their members of materials and means of production. The development of agricultural resources and their more efficient exploitation by means of mechanisation, the use of fertilisers, and careful selection of breeding stock and of seeds are spreading under the leadership of, and with the facilities provided by, the appropriate co-operative organisations in, for example, Algeria, Austria, Brazil, Czechoslovakia, Denmark, Greece and Poland. Developments in co-operative marketing—in, for example, China, Czechoslovakia, Finland, France, Greece, India, the Netherlands and Tunis—have also been important both in themselves and for the opportunities which they provide to increase output. The same is true of developments in the Belgian Congo, China, Ecuador, French West Africa, Greece, Mexico and Yugoslavia in the organisation of co-operative credit.

In a number of countries—for example, Argentina, Brazil, China, Colombia and Israel—agricultural co-operatives are playing an important part in the absorption of immigrants.

Co-operative organisations have concerned themselves with a variety of problems of welfare, and progress has been recorded in the provision of educational and other social services, in the organisation of leisure-time activities, and in the field of housing. The 17th Congress of the International Co-operative Alliance,
which met in Prague in 1948, drew attention to the establishment and steady development of housing co-operatives, aiming at providing suitable housing for families with modest incomes. It recommended further study and development in this field, and recognised a need for the elaboration of general principles and practical guides for co-operative action. Notable developments in this field were recorded in 1949 in, for example, Colombia, Egypt, Greece, India and the Netherlands.

The movement has shown a tendency to strengthen its action by concentrating its resources. The result has been the formation of a number of new central organisations presenting the form either of national co-operative councils (Belgium, Italy); of central co-operative institutes (São Paulo (Brazil), Colombia); of central co-operative unions (Colombia, France, India); or finally of co-operative federations (French Africa, India, Sweden).

There appears, finally, to have been a tendency towards greater official recognition of the importance of the co-operative movement and its capacity to serve the double purpose of increasing productivity and securing an equitable distribution of products; Governments of underdeveloped countries in particular have shown a growing disposition to recognise that the movement has a great contribution to make in the transformation of a relatively primitive economy into an economy adapted to modern requirements. Growing official interest in the co-operative movement has expressed itself in many forms. Codifying legislation or legislation giving a new orientation to the movement has been adopted in a number of countries. Agricultural co-operation has received a special impetus in, for example, Bulgaria, Czechoslovakia, Hungary, Rumania and Yugoslavia, and so also have producers' co-operatives of workers and artisans. Consumers' co-operatives and co-operatives of fishermen have been encouraged by special legislation in Japan. Elsewhere—for example, in São Paulo (Brazil), China, Colombia and Jamaica—official services charged with guiding or encouraging co-operative activities have been developed or reorganised.

Social Policy in Non-Metropolitan Territories

The last decade has seen a great volume of social and labour legislation placed on the statute books of the various non-metropolitan territories—territories in which the stage of social develop-
ment varies from that of the most primitive communities to that of communities with advanced patterns. Upon the content of this legislation the standards set by the International Labour Organisation have had a constant and often decisive influence. Large gaps still exist, many standards are still too low, enforcement is often sketchy; but with these reservations it may be said that the worst evils in the matter of forced labour, penal sanctions, and those associated with long-term contracts of work have been tackled; hours of work are being regulated, rights of association conceded and machinery provided for the settlement of disputes. At the same time social security services, other than workmen's compensation (itself fragmentary and often excluding agricultural workers) still do not exist even in their most elementary forms in the majority of territories. In particular, provision for insurance against unemployment had up till 1949 been nowhere provided for on an official basis.

Notable social developments in 1949 included some pioneering steps in the direction of establishing or extending social security provisions, and growing attention to vocational and technical training.

The first unemployment insurance scheme to be officially established in a non-metropolitan territory came into operation in Puerto Rico on 1 October 1949. The scheme, which applies to workers in the sugar industry—the largest industry in the territory—is based upon contributions from employers and workers, backed by provision for State credits if and when necessary. It covers all employees except executive, administrative and supervisory employees and those holding permanent posts. Employers covered include both growers and processors of sugar cane. In addition, a Social Security Committee has been set up to examine the practicability of applying a scheme covering the risks of unemployment, physical incapacity, old age and death to drivers employed in inland transport on privately or publicly owned vehicles.

Committees charged with the task of investigating the establishment or extension of social security provisions have been at work in Guadeloupe, Martinique and French Guiana, Trinidad and the Netherland West Indies. Though these enquiries have not yet led to practical results, they encourage the hope that, in the conditions to be found in the Caribbean area, further extensions both in coverage and scope of social security schemes, adapted as they must be to local conditions, may shortly be seen.
It is everywhere accepted that the vast development and welfare plans now being carried out are intended for the benefit of the inhabitants of the non-metropolitan territories concerned. Realisation that the peoples themselves hold the keys to the execution of these plans, and that accordingly they must be trained to do new jobs or to do old jobs in more efficient ways, has led to important developments in the field of vocational and technical training. Perhaps the most significant has been the investigation into factors affecting the efficiency of labour in East Africa.\(^1\)

The conclusion is categorically expressed that Africans should be thoroughly trained for the jobs they are required to carry out. It is stated that this training should be largely by example and that it should be "direct, detailed and right on the spot". Good supervision, proper planning of the job and the provision of adequate equipment for it are held to be further essentials for improving labour efficiency. The investigators were satisfied that a rising standard of technical efficiency could be expected of East Africans "if the handicaps from which they suffer are removed on European initiative and under European guidance". They considered that the most important handicaps were (1) absence of provision for education, both primary and technical, (2) malnutrition in malignant form, and (3) European ignorance of African attitudes and of the motives which lie behind their actions, with its corollary of lack of confidence of the African in the European.

Elsewhere, technical training problems are also being tackled. Indeed, this is a theme which recurs throughout the annual reports of most of the territories. The distinction between the more advanced and the less advanced non-metropolitan territories has particular significance in this field. In the more advanced territories, in which wage-earning employment is the normal economic activity, the problems of policy are essentially similar to those of all countries which seek to raise existing levels of skills. In the less advanced communities with a predominantly subsistence economy, the task of training at the most elementary level is also involved.

The scope of activity of the newly established School of Industrial Arts at the University of Puerto Rico, for example, indicates the needs of a very advanced non-metropolitan territory seeking a higher level of industrialisation. The school will eventually serve 3,500 students. It is to offer 53 different courses, comprising

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35 on the vocational pre-university level, 12 extension courses on the pre-university and in-service training level and 6 at the university level. The first group of courses includes welding, automobile mechanics, aviation mechanics, ceramics, plastics and refrigeration; the second, agricultural machinery, Diesel engines and radio servicing; the third, industrial plant design, industrial plant operation and management, industrial safety engineering, industrial refrigeration and electric substation operation and management.

In the Belgian Congo, the ten-year plan for economic and social development, now in its second year, envisages the creation of 450 apprentice training centres, 36 junior technical schools and five senior technical schools. Over the ten years, 19,400 apprentices will be trained and at the end will be coming out at the rate of 4,500 a year. Certificates will be issued to 3,005 students of junior technical schools and 440 of senior technical schools during the period, and the rates of issue will finally be 720 and 96 per year respectively.

In Nigeria, vocational training forms one of the largest sections of the Educational Development Plan, the implementation of which is financed both by local funds and by Colonial Development and Welfare grants. Advanced theoretical instruction is provided in technical institutes, such as the Yaba Technical Institute, which provides full-time courses in such subjects as mechanical engineering and part-time courses in such subjects as carpentry and joinery and electrical installation work. At a number of trade centres, both Government and voluntary, courses and apprenticeship instruction are given in such subjects as cabinet-making, bricklaying and carpentry.

Netherlands New Guinea, which may be regarded as an example of a territory where primitive conditions generally prevail, has not yet reached the stage where a technical school could usefully be established, but a trade school set up by the Netherlands New Guinea Petroleum Company has shown excellent results. Pupils, who have had only three years' primary education, are developing under training into good tradesmen.

**SOCIAL POLICY AND THE PRODUCTIVITY OF LABOUR**

Social policy, under democratic conditions, seeks to give expression to the desire of the ordinary man and woman for higher standards of living and better conditions of work. Higher
standards and better conditions for workers may be achieved both through measures which redistribute income in their favour and through measures which increase the total output of wealth. Social measures of the former kind have not been lacking during the past year. Examples include developments in the fields of social security, of minimum wage fixing and of land reform. (To say that these are measures which redistribute income is not to say that they may not also, by improving the health and efficiency of workers, lead to an increase in the output of wealth.)

But it is not on measures to redistribute income that the greatest emphasis has been laid during the past year. It is, rather, on measures to increase welfare by increasing production. This is illustrated, in the field of manpower policies, in the growing attention to the organisation of employment services and the clearer realisation of their indispensable role in the implementation of policies aiming at higher levels of production and productivity; it is illustrated, too, in the keener interest that has been taken in vocational guidance and training, in non-metropolitan territories no less than in self-governing countries. It is illustrated in the field of industrial relations in the tendency, noted earlier for a new attitude towards productivity-raising measures to emerge on the part of workers' organisations. It is illustrated in the field of social security by the tendency in certain countries to use old-age pensions or other social services as an incentive to higher productivity, and by wider recognition of the fact that the amount of wealth that can be distributed in the form of social security benefits is limited by the total amount of wealth produced, and can only expand beyond a certain point if this latter total increases. It is illustrated in a reluctance to concede shorter hours of work when this would lead, or is expected to lead, to less production. It is illustrated, in the field of wage policy, in an intensified interest in the problem of wage incentives and especially in systems of payment by results. It is one of the factors, along with humanitarian considerations, promoting progress in the fields of industrial safety and health. It is illustrated in the efforts which have been made to promote greater productivity in the construction of houses. It is illustrated in measures which have been taken, both by co-operative and by other agencies, to increase agricultural production.

Analysis of the major trends in social policy over the past
year reveals, in short, a growing realisation that further progress towards the goals of higher standards of living and better conditions of work depends in large measure upon increasing the output of wealth; it reveals, in particular, a new emphasis upon those aspects of social policy which can be expected to increase the productivity of labour.

But if much has been done to increase the production of wealth, much, it may be suggested, remains to be done. Important in all countries, increased productivity is especially important in two groups of countries which between them contain the bulk of the world’s population. It is especially important, firstly, in relatively undeveloped countries where standards of living often fall below minimum subsistence levels and, secondly, in more highly developed countries where a shortage of hard currencies impairs the standard of living. Its importance is such that it deserves a chapter to itself.
CHAPTER III

THE PRODUCTIVITY OF LABOUR

If the world is no poorer today than it has been in the past, it is more conscious of its poverty. More perhaps than ever before, the common man in all countries has needs and aspirations which poverty prevents him from fulfilling. The last chapter has revealed a growing realisation that in very many countries “any improvement in the economic conditions... postulates an increase in national wealth: a mere redistribution of existing wealth would make no essential difference to the people and would merely mean the redistribution of poverty”.¹ In these circumstances it is broadly true that only if the average man produces more wealth can he enjoy a substantially higher standard of living.

Not only is the world poor. Two world wars, and a disproportion, partly due to war and partly to other factors, in the rate of economic growth in different countries and regions, have brought about deep-seated disequilibrium in the world economy—disequilibrium which was discussed in Chapter I. This disequilibrium calls for the same remedy as poverty—greater productivity in the countries which are consuming more wealth than they produce.

There was never a time when it was more important that the world should marshal its resources for an intelligent and whole-hearted drive to increase productivity. It is the purpose of this chapter to review broadly a number of the principal factors influencing the level and growth of productivity, with a view to suggesting for the consideration of the Conference ways in which the I.L.O. may be able to contribute to further growth.

THE DEFINITION AND MEASUREMENT OF PRODUCTIVITY

To say that the average man must produce more wealth is not the same thing as to say that he must work harder. Harder and more regular work may be—and often is—one of the things

¹ Gazette of India, Extraordinary, 6 Apr. 1948, pp. 533-538.
that is required; but in very many jobs a worker's output depends more upon tools, methods of operation, managerial performance, plant morale and operating conditions than upon his own personal application. Nor does higher productivity mean increased production at any cost. Higher productivity means, in the most general terms, an increase in the ratio of the output of wealth (goods and services) to the corresponding input of labour—an increase in the production of wealth per unit of labour.

This apparently simple concept bristles with statistical difficulties. There are difficulties in the way of measuring and comparing the output of wealth at different times and in different places. There are equally great difficulties in the way of measuring and comparing the corresponding input of labour. How, for example, is the "indirect labour" embodied in tools and equipment to be treated? This is not, however, the place to discuss statistical difficulties, which engaged the attention of the 7th International Conference of Labour Statisticians, held in Geneva in September 1949, and which will receive further consideration at the 8th Conference of Labour Statisticians.

Notwithstanding the difficulties of measurement, a number of comparative studies of the productivity of labour have been made. Space permits mention of only two of these. In a well-known study, Dr. L. Rostas found that—

A comparison of output and employment in 32 manufacturing industries in the United Kingdom and the United States shows that in the pre-war period of 1935-1939 average productivity—as measured by physical output per worker—was about 2.2 times as high in the United States as in the United Kingdom; if allowance is made for the shorter working week in the United States, output per man-hour was perhaps 2.8 times as high.¹

This very striking result cannot, however, be justly interpreted unless details of the internal structures of the industries in the two countries are known, and differences in the type and quality of capital equipment, raw materials and products are allowed for.

Another interesting comparison—not in this case a comparison of productivity in different countries, but rather a comparison of the average output per man-year in industry ² in the same countries in pre-war and post-war years respectively—has been made by


²Including mining, manufacturing and electric power production.
the Economic Commission for Europe. This study—the results of which can be taken as indicating orders of magnitude only—suggests that there have been substantial gains in productivity in Sweden, the United Kingdom and the United States, but considerable drops (as compared with productivity before the war) in Germany, Italy, the Netherlands and Norway. The figures, which are set forth in the table below, also show steady gains in productivity for almost every country since 1946. The gains in Germany and Hungary, which had the greatest leeway to make up, have been especially remarkable.

### TABLE V. AVERAGE OUTPUT PER MAN-YEAR IN INDUSTRY

*(Index numbers: average 1935-1938 = 100)*

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1 Average 1936-1938 = 100. 2 1937 = 100. 3 Output per man-hour. 4 For the post-war years, Western zones only. 5 Second half of 1948.

The limited information available regarding the productivity of labour in Asia and the Far East suggests that the recovery of productivity has been slower in this region than in Europe. For example, there is evidence that the output per worker in Indian and Japanese coal mines, in Indian steel works and in factory industry in India and Pakistan is considerably lower than it was before the war.\(^2\)

It is important that we should know more about the facts of

\(^1\) These estimates were obtained by comparing indices of production with indices of employment. Changes in the structure of production and problems of weighting make it necessary to interpret the results with caution.

productivity in the different countries and industries, and about the factors which account for the remarkable differences observed between the productivity of labour in different countries and in the same country at different times. "It is very disappointing writes Dr. Rostas, "that at the present stage of our knowledge there are so many questions relating to productivity to which we can give no answer... We are as yet at the beginning of productivity research." It is especially important (though it will also be especially difficult) to learn more about factors affecting the productivity of labour in underdeveloped countries, where our ignorance is greatest. A proposal for a factual and analytical study of this subject is included in the proposals which have been made regarding the contributions of the I.L.O. to the United Nations co-operative programme of technical assistance to underdeveloped countries.

It is to be hoped—though the difficulties must not be underrated—that the work of the Conferences of Labour Statisticians and of the other bodies concerned with this problem will lead to international agreement on the methods by which labour productivity can best be measured, and on the data that need to be collected for this purpose; and that Governments and industries which are not now in a position to do so will be able in time to provide such data. Adequate statistical data may clear the way for more comprehensive and scientific studies of labour productivity than have thus far been practicable. But statistics of output per man-hour or man-year require the most careful interpretation, based upon expert knowledge of the materials, equipment, processes and products of the various industries, if they are to be used for international comparisons, and still more if they are to make possible a sure diagnosis of what is at fault when productivity is low, and so point to effective remedies.

**FACTORS AFFECTING PRODUCTIVITY**

The need for greater knowledge, however, must not serve as a pretext for delay in tackling the problem of promoting greater productivity. The problem is much too urgent for that. And indeed, imperfect as our present knowledge is, much progress can be made if we are determined to use that knowledge to the full, and to give to the task of increasing productivity that priority

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among our economic and social objectives which the present state of the world requires that it should receive. The following broad review of factors affecting productivity is intended to serve not as an exhaustive treatment of the question but as a basis for discussion by the Conference of difficulties in the way of raising productivity and of possible ways in which the International Labour Organisation may be able to assist in meeting these difficulties.

The level of productivity in any country or region may be said to depend partly upon the quantity and quality of the available productive resources, human and material, and partly upon how these resources are used.

*The Quantity and Quality of Resources*

*Human Resources.*

Given the quantity and quality of available material resources (capital and land), productivity per head will depend largely on the size and quality of the labour force.

Up to a point, growth in the size of the working population, associated with an enlargement of the market, may favour average productivity per head by making possible economies resulting from specialisation and division of labour. Though even a small community may benefit from such economies by taking full advantage of opportunities for international trade, these opportunities are limited by costs of transport and other costs, and there probably are countries and regions in which average productivity would be higher if the working population were larger. After a point, however, with a given stock of capital, including land, further growth in the size of the labour force will be associated with growing pressure of population on the means of subsistence and will tend to reduce average productivity per head. There are assuredly countries and regions in which average productivity would be higher if the labour force were smaller. Indeed, of all the causes of poverty and low productivity, none is more important, if one looks at the world as a whole, and more especially at Asia which contains a half of the human race, than the pressure of population on the means of subsistence.

Population, moreover, in many parts of the world, and particularly in the East, is growing fast. The combination of high birth rates and high death rates which kept the growth of Western
European populations in check before the 19th century was broken by a remarkable fall in death rates, attributable to higher standards of living and improvements in medical knowledge and public health. There followed a spectacular and unprecedented growth in populations, until this in turn was checked or slowed down by a fall in birth rates which started some time later.\(^1\) Where birth rates remain high while death rates have fallen considerably, as in many Eastern European and Latin American countries, populations are growing fast. In Asia the first effects of rising standards of living and improvements in public health must likewise be expected to be a fall in death rates \(^2\), and it is here that the effects of population trends on productivity and standards of living are likely to be greatest. Malthusian fears, largely exorcised in Western society, still oppress the East. A "population explosion" such as occurred in Europe in the 19th century, even if the resources of Asia would permit it, would be fatal to the chances of economic improvement there. It is true that, in economically developed countries, the population expanded rapidly at the same time as there were substantial improvements in living standards. This was possible, however, for reasons which do not appear to be operative in Asiatic countries. The economically developed countries had, before the industrial revolution, relatively low densities of population and there were, in addition, large underdeveloped areas to which their people could emigrate.

Of all the major factors upon which the productivity of labour depends, the size of the working population is perhaps the least amenable to deliberate control. It depends upon the balance of births and deaths, and upon migration. The death rate depends largely upon the general standard of living, and can be influenced also by the vigour with which public health policies are pursued. A vigorous public health policy will be favourable to productivity

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\(^1\) The fall in birth rates has been much less marked in some Western countries, for example Italy and the Netherlands, than in others. Since the war the fall has in general been arrested, at least temporarily; it is difficult to assess the long-term significance of recent experience.

\(^2\) Mortality rates are particularly high in Asian countries in the younger age groups, apparently as a result, in large part, of malnutrition and inadequate care. The same is true in many non-Asian countries. Infant mortality rates, which are now below 50 and in some cases below 30 per 1,000 in a number of Western European countries and in Canada, the United States, Australia and New Zealand, still exceed 100 and in some cases 150 in many Asian and South American countries and in some Eastern European countries. However, in many countries with a low standard of living there is evidence that the death rate has already started to decline in response to quite moderate improvements in health conditions, and the decline can be expected to go much further.
where the working population, in relation to material resources, is small, but will probably not favour productivity where the population already presses heavily on the means of subsistence. This is no reason for failing to save human lives which could be saved; it means, however, that measures to improve public health in such countries must, if they are to be successful, be accompanied by measures to raise productivity even more rapidly than population increases. The birth rate is less amenable to control—and in any case a change in the average size of families will affect the size of the working population only after a time-lag of nearly a generation. The birth rate depends upon customs, institutions and attitudes which can seldom be expected to change quickly and which are in general most resistant to change among peoples whose educational and social standards are lowest. Growing industrialisation is likely, in time, to check fertility in the East as it has done in the West, but how rapidly this check will come into operation depends upon the peoples of Eastern countries themselves.

There remain some opportunities for promoting productivity by encouraging migration. In this task the I.L.O. is already playing a part, and may be able to play a larger part in the future. The possibilities of large-scale emigration from the Asian countries are limited by the limited demand in other countries for unskilled labour, and by the difficulties of assimilating large numbers of immigrants with a foreign culture and low standards of living. It may be, nevertheless, that this is a problem to which the world will have to give more thought in years to come. More hopeful are the possibilities for relieving the pressure of population in such countries as Italy and the Netherlands by promoting emigration to countries which are short of skilled labour—notably perhaps to the countries of Latin America. There is, of course, always the difficulty—particularly acute in the case of Italy—that those who are not readily absorbed in the economies of their own countries seldom possess the skills that are in demand in other countries. It is widely recognised that migration and technical training must go hand in hand. For example, the agreement on migration

1 The Netherlands, already the most densely populated country in the world (285 persons per square kilometre in 1947), has also the highest net reproduction rate of any country for which net reproduction rates have been calculated by the Statistical Office of the United Nations. See ECONOMIC COMMISSION FOR EUROPE: Economic Bulletin for Europe, Vol. 1, No. 1, p. 19 and Vol. 1, No. 2, p. 35; and STATISTICAL OFFICE OF THE UNITED NATIONS: Demographic Yearbook, 1948, Table 31.
between Argentina and Italy which came into force in January 1948 stipulated that there should be provision for the vocational training of migrants, and that the two Governments would prepare a plan in this regard.

Productivity depends as much or more upon the quality as upon the size of a country’s labour force. Anything which impairs the capacity of workers to put forth their best efforts lowers the productivity of labour or prevents it from rising. The capacity of workers is often impaired, especially in poor countries, by low standards of health and nutrition, of general education and of technical training. The importance of basic general education, ensuring at least the ability to read and write, can scarcely be exaggerated. Already, through its work on training, occupational health and industrial safety, and in other ways, the International Labour Organisation may claim to have made an important contribution to the improvement of working capacity in many parts of the world. Specific proposals for extending work of this nature by the I.L.O. in underdeveloped areas have been made in a report prepared for the Economic and Social Council of the United Nations.¹

Material Resources.

It is not the absolute size of a country’s working population which is important from the point of view of productivity so much as the quantitative relationship between the supply of labour on the one hand and the supply of capital, including land, on the other. Given the size of the labour force in any country or region, one of the surest ways of increasing the average productivity of labour is to increase the amount of capital employed in conjunction with labour—to provide labour with more and better tools, machines, workshops, power supply, transport facilities, etc. The more capital-intensive methods of production in the West account for a large part of the enormous difference between the productivity of labour in the West and in the East. The greater mechanisation of industry in the United States accounts for a large part of the superior productivity of labour in the United States as compared with Europe.

Productivity may, of course, be impaired not only by inadequacy of fixed capital equipment but also by shortages of working capital—materials and fuel. Abnormal shortages of this character

have been a serious handicap to industry in many countries since the war. In general, such shortages have now become less important, though in Asia and some other countries a major factor checking the expansion of agricultural production is the shortage of agricultural requisites derived from industrial sources, and crippling shortages of some industrial materials are still experienced. Throughout Eastern Asia persistent shortages of coal and of iron and steel, resulting largely from the serious decline in production in China, Japan, Malaya and the Philippines, have imposed a considerable handicap on schemes of industrial expansion. Elsewhere, too, if the dollar stringency persists or becomes intensified, it is not impossible that shortages of materials might again constitute a major check to the growth of productivity.

There are, broadly speaking, only two sources of new capital in any given country. The first is saving; the second is gifts or loans from abroad. The capacity for saving depends upon the size of the national income per head of the population and upon its distribution.\(^1\) If resources are fully utilised, saving can be increased only at the expense of current consumption. The poorer a country is in the present, the more difficult and painful will be the sacrifice of present wealth for the sake of greater prosperity in the future. To the extent that resources are not fully utilised—whether there is actual unemployment or more or less concealed underemployment—labour and materials may, it is true, be available for capital formation without having to be diverted from other productive uses. In this case capital formation, even without foreign assistance, need not be at the expense of current standards of living; the saving corresponding to the new investment may come out of income which would not otherwise have been produced. While large supplies of under-utilised unskilled labour are often found in underdeveloped countries, this is not often true of materials or tools, or of skilled labour. Programmes of capital formation, even if they do not involve a serious diversion of unskilled labour from other uses, are likely to compete with consumers’ goods industries for materials and skilled labour.

\(^1\) An unequal distribution of income tends to favour saving, for in general not only the amount but the proportion of his income which an individual saves increases as his income increases. To the extent that this is so, a more equal distribution of incomes would reduce savings on the part of the rich by more than it would increase savings on the part of the poor. However strong the case for redistribution on grounds of equity, therefore, such redistribution might not be favourable to capital accumulation. The importance of this point is however much reduced in cases where the rich, even though they save, do not invest their savings productively.
The deferment of consumption, it should be added, is not sufficient to ensure productive investment. Potential savings may run to waste in the absence of adequate machinery for channelling savings into productive investments, and of a sufficient number of risk-taking entrepreneurs, private or public, who are both willing and able to turn such savings into productive capital assets.

Changes in the habits and attitudes of private savers and improvements in the machinery for directing savings into productive investment are therefore very desirable in poor countries. The desirability of stimulating and making the fullest use of private savings was recognised by the States concerned in the Economic Agreement of Bogotá, and in a number of countries Governments have set up savings banks and other institutions and have endeavoured in other ways to stimulate saving. Nor is it necessary to rely only upon private savers. Government financing of development schemes may, within limits, impose collective saving on the community. Government financing of itself, however, affords no way out of the basic dilemma that a larger proportion of resources directed to capital formation means a smaller proportion of resources to provide, actually or potentially, for current needs.

While the need for higher productivity makes it important that poor countries should do their utmost to increase their domestic savings, it seems probable that many of the world’s poorest territories will be condemned to a vicious cycle of lasting poverty unless large amounts of capital can be made available to them from abroad. In many of the world’s poorest countries, and notably perhaps in Asia, the capacity to save has been reduced even below pre-war levels by the fall in real income caused by wartime destruction and dislocation, and by an unfavourable movement of the terms of trade.

International movements of capital may serve, in some measure, as alternatives to international movements of population. Of the many obstacles to international capital movements, only one can be mentioned here. The International Bank for Reconstruction and Development has stated that in its experience the dearth of soundly conceived development plans ready for financing is often a more serious limitation than lack of capital. It has referred especially to a shortage of technical and entrepreneurial

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1 Economic Agreement of Bogotá (Washington, Pan American Union, 1948).
2 International Labour Organisation, Asian Regional Conference: op. cit., p. 16.
skills, low standards of health and education and a shortage of skilled labour as impediments to productive investment in many underdeveloped countries. Here the I.L.O. has a vital part to play in the United Nations co-operative programme of technical assistance to underdeveloped areas. Further reference to the activities of the Office in this field is to be found elsewhere in this Report.

How Resources are Used

Given the quantity and quality of available resources, the level of productivity will depend upon how these resources are used. Even without increased capital a great deal can be done, through organisational, administrative and other changes, to increase productivity. A country may fail, in a number of different ways, to make the best use of its resources. Since it is convenient to adopt some classification, it may be said that productivity may be impaired (1) by failure to use resources fully, (2) by making a technically inefficient use of resources—i.e., by using up more resources than need be used up to produce particular things, (3) by using resources to produce the wrong things, or to produce too much of some things at the cost of producing too little of others. The extent to which a country succeeds in increasing productivity by using its resources more effectively in any of these three ways will depend largely upon the attitudes of employers and workers concerned—upon the strength of the will and determination to increase productivity and upon what other things it is thought worth while to sacrifice in the pursuit of higher productivity.

Full Utilisation of Resources.

One of the most obvious symptoms of failure to use resources fully is unemployment. Measures to maintain a high and stable level of employment have been discussed in numerous Office reports as well as in other literature, and the problem of action to be taken against unemployment has been studied afresh in the light of new experience in a report recently prepared by the Office.

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2 This classification of sources of waste or inefficiency would not be satisfactory for all purposes.
The content of a policy for full employment will therefore not be discussed here. It will, however, be worth while to devote a moment’s attention to the relationship between full employment and productivity.

Full employment is, of course, desirable in itself because it eliminates the hardships of workers vainly seeking work and unable to gain a living by their own efforts. It may be admitted, however, that the effects of full employment on productivity are not wholly favourable.

In some respects full employment, and above all an expectation of a continuance of full employment, tends to increase productivity. First, it eliminates the waste of unwanted idleness. Secondly, in so far as continued full employment eliminates cyclical fluctuations in demand, it makes possible the maintenance of a relatively steady rate of output, at or near full capacity—a very important determinant of productivity in all those important branches of production where overhead costs are heavy. Thirdly, “fear of unemployment in the past has been the fertile source and justification of resistance to technical change and of restrictions on output, open or covert. To remove this fear from all the steady men who want nothing but a steady job and to take pride in their work would bring advantages infinitely outweighing any loss through indiscipline of the few idlers and shirkers.”\(^1\) On the other hand it is said (1) that if the fear of unemployment is removed there may be less incentive to work hard in order to retain one’s job, (2) that it may be more difficult to secure an economic distribution of labour between industries and occupations—\(i.e.,\) to attract labour to industries and occupations where it is most urgently required in the interests of productivity\(^2\) and (3) that industry may have to face the burden of a needlessly high rate of labour turnover. Up to a point, labour turnover indicates the “mobility” between places and occupations which is so essential to an efficient economy. But labour turnover may rise far above this point, that this is not merely a capitalist problem is shown in the fact that it was found in the U.S.S.R. that when unemployment had been overcome excessive labour turnover emerged, and controls and penalties had to be imposed on “quitting”.\(^3\) In Czechoslovakia, also, in a statement concerning wages and productivity, the Prime

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\(^2\) This difficulty is liable to be greatly increased if a state of full employment is accompanied by strong inflationary pressures.

\(^3\) A. Baykov: *Soviet Economic System*, pp. 361 et seq.
Minister found it necessary to refer to the high rate of labour turnover.1

These considerations suggest that a full employment policy needs to be supplemented in two directions. The principal dangers to productivity under conditions of full employment arise from the possibility that when positive incentives are no longer reinforced by the negative fear of unemployment, industrial discipline may be impaired. The effects of full employment upon productivity will, it would seem, depend partly upon how far it is possible to strengthen positive incentives to effort and to the most productive allocation of labour between jobs. A full employment policy may need to be accompanied, in the first place, by measures to ensure that practices which impede the effective use of incentives, and inhibit ready response to incentives, are discontinued. Even more important, perhaps, the effects of full employment on productivity will depend largely upon how far workers and their leaders are able to substitute self-discipline and a sense of responsibility for the discipline of fear. A sense of responsibility grows only through the exercise of responsibility. It follows that a full employment policy may need to be accompanied, secondly, by measures which enable workers to feel themselves partners in enterprise.

Another case of failure to use resources fully will occur if hours of work are unduly short. A reduction in hours of work does not always reduce output; and even when it does so, a community may rationally elect to take its income in the form of a smaller quantity of goods and services than it might have had, accompanied by more leisure. Yet it would seem that the urgent need to increase production per man-year places a premium in many countries at the present time on more goods and services rather than on more leisure.

Writing in the International Labour Review in 1924, Professor Sargant Florence suggested that the forty-eight-hour week was then “probably the optimum length of hours for ordinary business efficiency”.2 Recently he has written—

Since 1924 the case for shorter hours has been strengthened by the increasing speeding and loading up... as well as the longer journeys from home to work... which many workers have to undertake. If a forty-

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eight-hour week was on the whole the long-run optimum for efficiency in 1924, a forty-four-hour week may now be so.¹

A recent study of hours of work and output in the United States indicates that for that country, generally speaking, and other things being equal, the eight-hour day and forty-hour week are best in terms of efficiency and absenteeism, though the results of the same increases in hours may vary widely according to the physical exertion required and the degree of control which the worker has over the job. With few exceptions, longer hours resulted in greater output, but as a rule the increase in output fell considerably short of the increase in hours, and unit labour cost, inflated by higher absenteeism and injuries, went up.² In countries with a lower material standard of living it is reasonable to suppose that the "optimum" length of working week is longer.

Hours of work per annum depend upon the length of annual vacations and the number of public holidays as well as upon the length of the regular working week. While there have been many well-known studies of the effects on output of variations in the length of the working week, much less is known of the effects on output of annual and occasional holidays, though there is some evidence that the output of workers tends to be greater than usual during periods immediately following annual holidays. Apart from this, it is probable that holidays tend to reduce absenteeism, illness and perhaps labour turnover. Though it would be rash to attempt to define an "optimum" number of days holiday per year from the point of view of productivity (which would probably, in any case, vary greatly as between different kinds of jobs) it is clear that there is an economic as well as a social justification for the institution of holidays. The social importance of holidays, moreover, grows in proportion as the Machine Age increases the number of workers normally occupied on monotonous routine work, and raises the tempo and strain of living.

Technically Efficient Utilisation of Resources.

Though fully employed, in the sense that there is no unwanted idleness and no "undue" amount of leisure, resources may nevertheless be employed in technically inefficient ways. Efficient management has much to contribute to the growth of productivity. Among the aspects of management in which the interest of the

¹ Labour (Hutchinson's University Library, London), p. 59.
I.L.O. is greatest, and in which efficient methods have yielded encouraging results, may be mentioned vocational guidance and selection, the training of workers, methods of wage payment, the simplification of work methods, and the promotion of industrial safety and hygiene. The extent to which productivity may be promoted through these means depends, of course, not only upon the quality of management, but also upon facilities provided by Government, and upon the attitudes of workers, to which further reference will be made.\footnote{See pp. 106 \textit{et seq.}} Success in eliciting the co-operation of workers in these important matters is itself a test of the quality of management, but depends also on the leaderships given by trade unions. Other factors influencing productivity which depend partly upon the efficiency of management and partly upon circumstances beyond the control of management include the degree of standardisation of production and the size of plants, the degree of utilisation of capacity, and the rapidity with which improved techniques of production and management spread throughout industry.

\textit{Vocational guidance and selection of workers.} The Vocational Guidance Recommendation, 1949, makes it unnecessary to stress here the importance which the International Labour Conference attaches to this matter. While vocational guidance techniques have been greatly developed in recent years in the more advanced countries, comparatively little has been done in this field in the underdeveloped countries.

If vocational guidance approaches the problem of making the best use of individual aptitudes from the point of view of the worker, and asks what are the jobs for which his characteristics are best suited, techniques of scientific selection, on the other hand, are applied to the same problem from the point of view of the job, the aim being to find workers suited to the requirements of the job. Recorded experiences have shown increases of from 10 per cent. to over 40 per cent. in productivity as a result of selection of workers.

A suitable physique, general intelligence and special aptitude is not enough to qualify for a job. These abilities must be backed by a suitable temperament, personality or character... When by careful placement in accordance with tests, repetition jobs are given to those who do not suffer from monotony, promotion accorded to those who are found by temperament and intellect suitable for shouldering responsibility, worrying
jobs such as some inspection processes to those who test as imperturbable; then the quality and quantity of output per man will rise and the human cost of producing any given output will fall.\footnote{P. Sargant Florence: \textit{Labour, op cit.}, pp. 129 and 133.}

\textbf{Vocational training.} More and more it is realised that the still widespread practice of learning or "picking up" a job by experience is a costly and inefficient process. Argentina, Belgium, Brazil, Bulgaria, Burma, Canada, Ceylon, China, Denmark, Egypt, France, Greece, Hungary, India, Italy, Japan, the Netherlands, New Zealand, Pakistan, Poland, Switzerland, the United Kingdom and the United States are among the countries from which interesting information regarding developments in the field of vocational training has reached the Office in recent months.

Of the many examples that might be cited of the beneficial effects on productivity of well-devised training schemes, one must here suffice. A French spinning mill, having carefully selected its apprentices, gave detailed attention to the organisation of the apprenticeship scheme itself, including a period of pre-production work. The results achieved were striking. Apprentices for spinning formerly required from one year to 18 months before being able to tend two frames. Out of 25 apprentices who were given a test under the new scheme, six were capable after only 45 days of tending two frames. Moreover, all the apprentices very quickly became able to tend one frame, and from that time they were considered as ordinary workers and were paid as such.\footnote{\textit{International Labour Organisation}, Textiles Committee, Second Session, Report II: \textit{Employment Problems} (Geneva, I.L.O., 1948), pp. 106-109.}

Much has been done by the I.L.O. to assist Governments, employers and workers to expand the scope and improve the quality of training facilities. An important aspect of this work is the question of supervisory training. Work in connection with training forms a major part of the manpower programme developed by the Office and of the proposals regarding participation by the I.L.O. in the United Nations co-operative programme of technical assistance to underdeveloped areas. The special importance of training in these areas, both to improve the quality of the labour force and also to remove obstacles to the borrowing of capital from abroad, has already been emphasised.

Another aspect of training whose importance from the point of view of productivity was stressed in a recent article in the
International Labour Review is training in safety habits and practices.

When it is possible to determine, and let the workers assimilate, the main occupational and safety reflexes connected with the task, then we shall have the best labour and output conditions. The number of mistakes and oversights, the number of wrecked machines and damaged tools—and also the number of accidents to workers—will fall to a few hundredths of what they are at present. The result will be a saving of hands, of hours of work, and of insurance and treatment costs, fewer crippled, fewer unfortunates, and a saving of raw materials. In short, everyone will be better off... Here, then, is a possibility of effecting a huge increase in individual and collective output.¹

Methods of wage payment. The most suitable method of wage payment for any job depends of course on the job. In many jobs payment by results is impossible; in others there may be serious objections to it. Nevertheless, the increase of output per man which payment by results seems to stimulate is so great² that the cause of efficiency would appear to call for efforts to extend its use, particularly if precautions are taken to set rates fairly. "To no small degree, the success of a wage incentive system is dependent on the degree of confidence created in the rate-making process and the general level of rates and production standards set in a plant."³

Basic considerations regarding the application of systems of payment by results were discussed at some length in a report prepared for the 31st Session of the International Labour Conference.⁴ Here it must suffice to note that during recent years there have been developments in a number of countries in the direction of making greater use of incentive systems of wage payments.

In Bulgaria, for example, by Decisions taken in 1947 and 1948⁵, a system of payment by results is in force throughout the greater part of the national economy; quantitative and qualitative work

⁴ Report VI (a), op. cit. Ch. II.
⁵ Resolution No. 57 of the Council of Ministers (4 July 1947); Decision of the Government Planning Commission, submitted to the Council of Ministers on 3 January 1948; Decisions No. XV-157761 (10 December 1947) and 41 (6 April 1948) of the Council of Ministers; Decree No. 17 of 6 April 1948.
norms are established by works committees in accordance with the guiding standards elaborated by the Central Committee of the Institute of Standards of Work. The Prime Minister of Czechoslovakia, in a statement in 1948 concerning wages and productivity, declared that in order to ensure that everybody's requirements could eventually be satisfied, it was necessary to remunerate every worker according to his or her performance and the results of his work.1 On 15 January 1949 the National Council of Hungarian Trade Unions concluded with the Minister of Industry a basic collective agreement covering industry and mining 2, which includes the following clause:

The system of wages by output is best suited to ensure a correct appraisal of the quantity and quality of the work done, to develop productivity and thereby to increase the workers' earnings. For all these reasons the contracting parties consider that all methods of equitable remuneration should be based upon this system and that all work to which this method of remuneration can be suitably applied should be done under the system of wages by output.

In Poland too the national wage policy is based, with the cooperation of the trade unions, on the system of payment by results. Time rates are paid only in rare cases or in special conditions when payment by results is impossible. In the United Kingdom the General Council of the Trades Union Congress has recently recommended that a review should be undertaken within each industry with a view to extending systems of payment by results over the widest possible range.

It may be suggested that a study might be undertaken by the Office, drawing upon recent experience in various countries, of possible ways and means of extending systems of payment by results, of difficulties in the way of so doing, and of safeguards necessary to ensure the efficient and equitable operation of such systems.

Instead of individual incentive wage systems, collective piece wages or profit-sharing may be employed. Unfavourable effects on group morale which sometimes result from individual incentive systems may in this way be avoided, but profit-sharing schemes have sometimes encountered the difficulty that the group is too large and the individual share in profits too small and too long.

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delayed to serve as an effective incentive. Also, profits may be made or lost for reasons entirely independent of the efforts put forth by the workers. The Office has at present in hand a study of profit-sharing in industrial establishments.

**Work simplification.** Closely linked with the system of wage payment are the possibilities and effects on output per worker of methods of work simplification involving time and motion studies.

There can be no doubt that these methods are used to a much greater extent in the United States than in the United Kingdom; nor can the resistance of United Kingdom organised labour to some of these methods be ignored. An objective investigation of the scientific basis of these methods and their effect on output—in the light of experience during the war—is called for.¹

Much attention has been given in Eastern European countries in recent years to the task of establishing the most efficient methods of work and the laying down of standards of output.

**Industrial safety and health.** The promotion of safety and health is an end in itself, but it is also an important means to greater productivity.

The importance of training for safety has already been stressed. But training is only a part of the accident prevention work that is now being carried on in the form of regulations, standards, inspections, investigations, research, education, propaganda, insurance rating, etc., in all parts of the world. The manner in which several of the most highly industrialised countries are carrying out this work is described in some detail in *Safety in Factories*, published by the I.L.O. in 1949. What the I.L.O. has done and is doing in this field is described, also in some detail, in an article entitled “The International Safety Movement” in the *International Labour Review* of January 1949.² Two recent contributions of considerable importance made by the I.L.O. to industrial safety are the Model Codes of Safety Regulations for the guidance of industrial establishments and coal mines respectively.

Ill-health, like accidents, is a major cause of loss of output. A *Standard Code of Industrial Hygiene*³, containing basic principles

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² *Vol. LIX, No. 1.*
³ *INTERNATIONAL LABOUR OFFICE, Studies and Reports, Series F, No. 14.*
of hygiene precautions in industrial establishments, was drawn up by the Office in 1934. The fact that the provisions of this code have been textually reproduced in a number of national enactments is evidence of its effect in the preventive field.

Problems both of safety and of health present new features in underdeveloped countries, which call for careful study. Investigation of these problems and advice to Governments on their solution are among the most valuable ways in which the I.L.O. may extend technical assistance to underdeveloped areas.

Standardisation and size of plant. There are other factors influencing the productivity of labour which depend partly upon the quality of management and partly upon circumstances beyond the control of management. Examples are the degree of standardisation of production and the size of plants.

Efficient management will be quick to take advantage of any opportunities which exist, or which can be created, for increasing productivity by greater standardisation or by enlarging the scale of operations; but possibilities in both directions will be limited by the size and nature of the market. In the United Kingdom nearly all the reports of the working parties set up by the Board of Trade emphasise the importance and the great potentialities of standardisation, and the possibility of promoting bulk production and long runs without affecting consumers' choice. Dr. Rostas writes:

The whole question of standardisation and of its different aspects would require a careful analysis. We do not know what the degree of standardisation is in the two countries (U.K. and U.S.), what the potentialities are, what their quantitative effect is on output per worker, or why standardisation has gone further in the U.S. . . . Some scattered data only are available which show that this simplification process has gone a long way in the U.S., that in many fields it has gone further than in Britain, and that it does affect output per head favourably.¹

More recently a special group of the Anglo-American Council on Productivity which has studied the simplification of industry in America expressed the view that "an organised and determined effort to reduce our manufacturing variety still further could make a rapid and major contribution to increasing productivity and lowering costs in British industry".

The size of plant appears to have a less important influence on

productivity than is sometimes supposed. No doubt a certain minimum volume of output is necessary to allow of the most economical methods of production, but Dr. Rostas concluded that "there does not appear to be any definite interrelationship between the relative size of plant and the relative output per worker".¹

The degree of utilisation of capacity and the number of shifts. Related both to the degree of standardisation of production and to the size of plants is the question of the degree of utilisation of productive capacity. Equipment designed to produce economically at a certain rate is often uneconomical if it has to be used at a rate substantially below capacity. The steel industry affords a familiar illustration.

Since a normally efficient management may be expected to make every effort to use its capacity as fully as possible, the rate of capacity utilisation achieved probably depends chiefly upon factors outside the control of individual managements. Where the demand for a product is subject to great variation, whether seasonal or cyclical or both, the capacity needed to meet peak demands will be vastly in excess of the average capacity required, and much capacity will be idle for much of the time. While greater efforts on the part of industry to iron out seasonal fluctuations in demand may sometimes yield useful results, control of cyclical fluctuations in demand can be achieved only through the adoption of "full employment" policies for which many Governments have accepted responsibility.

One aspect of the question of the degree of capacity utilisation which is, however, more directly under the control of management and workers is the question of the number of shifts worked.² When machines and equipment are becoming more and more important in production, and liable by the pace of invention to become more quickly out of date, it is important that the fixed overhead costs of obsolescence and depreciation should be reduced to the minimum cost per unit by a maximum total output for each machine. To work machines round the clock involves night work. Though rotating shift systems usually covering night as well as day have worked successfully in continuous-process industries such as iron and steel, glass-making, gas or electricity supply,

¹ Ibid., p. 60.
the introduction of night work is likely to prove unpopular in industries not accustomed to it, and may not be a paying proposition. From the standpoint of health and efficiency the main factors are disturbed sleep and difficulties of physiological adjustments to changed routines of living.

If night work were ruled out, it might still often help efficiency, provided adequate supplies of materials and of labour were available, if two shifts of eight or perhaps seven hours were introduced. Two seven-hour day shifts could be conveniently arranged within the span of a worker's normal waking hours (say from 7.30 to 3.15 with a lunch break from 11.30 to 12.15, and from 3.15 to 11 with a three-quarter-hour supper break between 7 and 8). Though the number of workers on each shift would have to be fixed by management, the choice of shift could be left as far as possible to workers, and if one shift proved more popular than the other a wage differential could be paid. Where overhead costs are heavy in proportion to wages, savings in overheads would make it possible to pay the same or slightly higher wages per shift for two seven-hour shifts as for one eight-hour shift, the change still yielding substantial economies.

In France the Commissariat général du plan de modernisation et d'équipement has recommended the introduction of the two-shift system in the textile industry. In the United Kingdom an investigating committee recently recognised a number of advantages of the system of double day-shift working and concluded that—

...the facts adduced in the evidence presented to us... prove, we think, that the wider use of the double day-shift in industry is undoubtedly capable of making an important contribution to the economic well-being of the country.

Round-the-clock six-hour shifts have also been advocated, and four six-hour shifts are now worked in some factories.

A more extensive use of double shifts would appear to be one of the most promising ways of increasing productivity wherever overhead costs are heavy and supplies of labour and materials sufficient. Savings in costs should often make possible a variety of improvements in working conditions, including wages. There is room for a thorough study, drawing upon accumulated experience,
including wartime experience, of the advantages of double shifts; of alternative ways of organising them, of objections to them from the employers' and workers' point of view, and finally of ways and means of meeting these objections, so far as possible, and of compensating workers for disagreeable features that cannot be avoided.

The spread of technical progress. Another factor greatly influencing the general level of productivity in any country is the extent to which, and the rapidity with which, improvements in the techniques of production and management become known and are applied generally throughout the field of production. There is often a vast difference between the productivity of labour in the most efficient and in the least efficient establishments in any industry. If performance in the less efficient plants were improved, not necessarily to equal that of the best but even to the level of some of the better firms, the average productivity of labour in industry as a whole would increase considerably. In a study of the causes of the relatively low productivity in France, the Commissariat général du plan de modernisation et d'équipement pointed to a number of factors which no doubt hinder the spread of improved techniques in other countries besides France. The lack of liaison between scientific research and industry was said to be prejudicial both to research and to the practical application of new processes and techniques. The lack of technical centres in a country where small and average size enterprises predominate was said to render difficult the exchange of technical information or the spreading of new techniques. The Committee on Industrial Productivity in the United Kingdom has set up a panel to consider the technical information services of the country, to ensure that everything possible was being done for the efficient dissemination of technical and scientific knowledge. "Basic scientific research and technology", according to a statement by Mr. Ewan Clague, "are at least as far advanced in Europe as in the United States, but the application of technology to industrial methods has not progressed so far. In short, America has more 'know-how'."

A study of the reasons for this difference between the United States and other countries might yield interesting results. The Anglo-American Council on Productivity and the studies sponsored by it will help to extend in Europe and elsewhere the knowledge of American methods.

The Allocation of Resources between Industries and Occupations.

It is not sufficient to ensure that resources are fully utilised and that they are utilised in technically efficient ways. It is also necessary to ensure that they are utilised to produce the right things—i.e., that they are used in the industries and occupations where their productivity is greatest. Even though there be no technical improvement in any single industry, productivity in an economy as a whole may increase greatly if resources move out of industries and occupations in which they are less productive into others in which they are more productive.

The case for the greatest possible freedom of international trade rests upon this fact. It is true that a world dominated by balance-of-payments difficulties and divided into hard and soft currency areas is a world in which it is particularly difficult to move towards greater freedom of trade. For so long as the present disequilibrium persists it impedes the very growth of productivity which is needed to bring it to an end. But the imperative need for greater productivity would seem to make it desirable to scrutinise with the utmost care any movement in the direction of greater economic autarky—any decision, that is to say, which reduces the scope for international specialisation and division of labour.

Freer trade between the different European countries would give European producers access to wider markets, more comparable to those in which United States producers are free to sell their products, would encourage greater specialisation, and would be an important means of promoting greater productivity.\(^1\) Devaluation of currencies appears to have removed some of the obstacles to greater freedom of intra-European trade, and steps taken by a number of Governments to free the channels of trade\(^2\) are to be welcomed.

Greater European economic unity is of course an objective both of the O.E.E.C. and of the Council of Europe and its Consultative Assembly. Notwithstanding the growing realisation of the need for greater economic unity in Europe, the O.E.E.C. has found it difficult to harmonise and co-ordinate the development plans of the participating countries. In its Interim Report on the long-term programmes it recognised that “in certain important

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respects the programmes are not as yet mutually consistent”, and went on to point out that:

The next stage of the work is that the Governments of the participating countries shall reconsider, in the light of this Report, their programmes and policies. When that re-examination has been made, and the participating countries have decided what changes of policy they believe to be appropriate, the final stages of reconciliation and adjustment, and the construction, in co-operation, of that joint European recovery programme which they have undertaken . . . to prepare and execute, can be begun. ¹

A verdict on the contribution of the European Recovery Programme to European economic unity must wait until it is known what sacrifices Governments are prepared to make of purely national aspirations in the common interests. The difficulties appear to arise in large part from the fact that, though there are complementary features of the economies of the different Western European countries, and though there is scope for the development of these complementary features, these economies are nevertheless also highly competitive. To a large extent they produce the same things and seek to sell them in the same markets. All are agreed that there are advantages in greater specialisation; but these advantages can be gained only if each country is willing to promote a movement of labour, management and materials out of the industries for which it is relatively ill-adapted into the industries for which it is better suited. Such shifts, involving a loss of profits for some employers and a change of jobs for some workers, have painful consequences for individuals and special interests, and may meet with resistance. These consequences would seem to be a necessary price to be paid for the gains in productivity which greater economic unity can bring.

The O.E.E.C. and the Council of Europe do not embrace all European countries. In Eastern Europe as in Western Europe the need for closer economic unity between neighbouring countries has been realised. A Council for Mutual Assistance of Eastern Europe has been set up, and steps have been taken, for example, for the closer integration of the economies of Czechoslovakia and Poland, and for the joint development of the industrial border region of Teszin-Gieszyn and of the harbour of Szczecin.

It is not, however, sufficient to promote closer economic unity between neighbouring countries in Western Europe on the one hand.

and in Eastern Europe on the other. The economies of the Western and of the Eastern European regions are, in general, more highly complementary to each other than are the economies of individual countries within each of the two regions. The importance of promoting trade between East and West, from the point of view of combating the dollar shortage and increasing productivity, has been repeatedly emphasised by the Economic Commission for Europe and other authorities, and has been discussed in Chapter I of this Report. Increased exports of capital equipment, including agricultural machinery, from Western to Eastern European countries could lead to a considerable increase in exports of food and raw materials from East to West. In 1938 Western Europe imported from Eastern Europe foodstuffs worth 1,685 million dollars at 1948 price levels. In 1948 the value had fallen to 307 million dollars. The shortage of capital and the need for credit in Eastern countries are among the factors which at present limit trade of this character. Much interest attaches to a novel arrangement for expanding European supplies of timber and at the same time encouraging East-West trade, under which a loan has been made by the International Bank to enable Yugoslavia and Finland to buy dollar equipment which will in time produce timber exports for Western Europe worth many times the original dollar investment.

It is not, of course, only in Europe that advantages will follow from the expansion or revival of international trade. Many Latin American countries, for example, afford individually only a relatively small market, and there is scope for agreements between groups of countries providing for the reciprocal removal of customs barriers, specialisation by different countries in different lines of production, and the improvement of transport facilities between them. Great interest attaches, in this connection, to the agreement signed in Quito on 9 August 1948 between the Governments of Colombia, Ecuador, Panama and Venezuela "looking to the establishment of the Gran Colombian Economic and Customs Union". Again, an increase in the exports of the Far Eastern group of countries, many of which before the war had an export surplus with the United States and an import surplus in their trade with Europe, would both provide the Far Eastern countries them-

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1 See pp. 22 et seq.
selves with badly needed foreign exchange resources and tend to narrow the dollar gap in Europe. In the field of world trade much is hoped from the operation of the General Agreement on Tariffs and Trade and from the establishment of the International Trade Organisation.

Reference has been made thus far to external and international aspects of the problem of ensuring that resources are used in the industries and occupations where they can contribute most to the output of wealth. Maximum productivity may also, as has been widely recognised, require considerable shifting of resources as between different industries or services producing for home consumption. There may, for example, be too many workers in distributive trades, in entertainment industries or in personal service and too few in coal mines or other basic industries. Here too, necessary shifts may entail hardships for individuals and may meet with resistance. When, in the interests of general productivity, a particular industry should contract, hardship can be reduced to a minimum only if the entry of displaced resources into other and more productive fields is made easy. The attitudes of employers and workers already established in these fields are of the greatest importance. Competition from newcomers is not always welcomed by established employers. The entry of new workers may sometimes be resisted if trade unions take an unreasonable stand on matters affecting, for example, the duration of training or the definition and demarcation of jobs. It will be widely agreed that, in many countries at least, the war potential could not have been so fully mobilised and war production could not have expanded as it did if trade unions had not agreed to some relaxation of arrangements and provisions previously in force. The elasticity that was needed in order to win the war may be needed also in order to win the battle for higher productivity. Care may need to be taken to ensure that measures to improve conditions of work and to enhance the security of workers are not applied in such a way that they impede the flow of labour into the most productive channels.

An important aspect of the problem of securing the most productive allocation of resources between various uses is the question of determining the uses to which new capital is to be put. This question is being carefully studied in all countries. It is perhaps particularly important in the relatively underdeveloped countries, for decisions once taken may tend to determine the course of economic development in the countries concerned for
many years to come. Where labour is scarce, new capital may be most productively employed in uses which set large amounts of labour free for other tasks. Where however labour is abundant and is not fully utilised, there will be a strong presumption in favour of employing new capital in uses where capital and labour are jointly demanded—where capital investment directly creates new opportunities for the employment of labour. There is also the problem of achieving a due balance between development schemes which will come to fruition quickly and others which, though having greater productivity-raising effects in the long run, will take longer to mature.

Among various types of investment that are needed in underdeveloped countries, special attention may often need to be given to the fields of transport, irrigation and power. Some account of recent developments in these fields in a number of underdeveloped countries has been given in Chapter I.

Capital invested in suitable industrial development projects may make it possible to transfer considerable numbers of workers from agricultural to industrial occupations, with beneficial effects not only on the productivity of the workers thus transferred but also, especially in countries where there is a good deal of "disguised unemployment" in agriculture, on the output per head of remaining agricultural workers. Capital investment in the mechanisation of industry may however in some countries raise important problems regarding the future of handicraft industries.

Important as the development of large-scale industry may be, the development of agriculture also deserves a high priority in many countries. In such countries as Burma, Ceylon, India and Thailand—

...the implementation of any programme of industrialisation designed to draw the surplus population away from the land and raise the level of incomes depends upon imports of capital goods, and in the absence of large-scale imports of foreign capital, the funds to finance such imports have to come from exports of agricultural products, or from a reduction in the extent of their dependence on, and consequent expenditures of foreign exchange for, imports of food. There is ample evidence to show that this is fully recognised today in all the countries of Asia.\(^1\)

whether by using its resources more fully, by using them in technically more efficient ways or by allocating them more productively between different uses—will depend largely upon the strength of the will and determination to increase productivity on the part of both employers and workers. It is not enough to know what should be done to increase productivity. The importance of psychological factors and of what might be described as a good psychological climate can scarcely be exaggerated. A united determination to increase productivity can be created and maintained only through the fullest understanding by employers and workers of each other's points of view; it can be carried into effect only by the closest co-operation between them. Governments, too, through their fiscal and employment policies, through their policies towards monopolies and restraints on trade, through the facilities which they provide for training and for promoting the flow of resources into the most productive channels, and in other ways, can very greatly affect the level of productivity, both directly and through the influence which Government policies exert upon the attitudes of employers and workers.

Some very pertinent questions were asked in the Report of the Productivity Team representing the Steel Founding Industry which visited the United States in 1949 under the auspices of the Anglo-American Council on Productivity. Similar questions, it may be suggested, must be asked and answered in other industries besides steel founding and in other countries besides the United Kingdom. The questions were—

Is high productivity really desired in the industry?
Over what features in the industrial system does the desire for high productivity take preference?
Is high productivity more important than the organisation and customs of the trade association?
Is high productivity to be sacrificed so as to retain intact the existing methods of the employers' organisations?
Are trade union practices, built up over the years before the present economic dangers, to remain unaltered at the expense of high productivity?¹

If high productivity is indeed desired, some other things which are also desired must be sacrificed to it. Attitudes which are incompatible with maximum productivity must be

changed, practices which restrict output must be abandoned.

Responsible trade union leadership is well aware that, in so far as workers provide evidence to support allegations that trade unions impose restraints on production, they not only render grave disservice to the cause of productivity but they also jeopardise the authority and prestige of organised labour. Particular trade unions in particular countries have been and are charged with impairing productivity by restraints on technological improvements in processes and machinery; by insisting upon rules requiring the performance of unnecessary work or the hiring of unnecessary men; by imposing restrictions upon job content, incentive systems, disciplinary measures, allocation of work, the use of prefabricated products or components, hiring and firing, and sometimes promotion and demotion. Such allegations are not always well-informed and not always free from malice. Trade unions have often had imputed to them the responsibility for restrictive practices whose roots lie deep in human nature and which long ante-date the organisation of workers into unions. But no unbiased observer will maintain that allegations of this kind are always without foundation.

In cases where there is some foundation for such allegations the reason, it may be suggested, may often be found in a fear on the part of workers that practices to which they object may lead either to a deterioration in standards and conditions of work or to unemployment. Instead, however, of allowing this fear to serve as a pretext for uncompromising opposition to productivity-raising changes, many trade unions have addressed themselves to the task of negotiating with employers reasonable safeguards for the interests of workers—measures to ensure that workers in general share fully in the benefits of productivity-raising innovations, and that innovations are introduced in such a way as to minimise hardship to individuals. A tendency towards the emergence of a new and more constructive attitude on the part of workers' organisations towards productivity-raising measures was noticed in the previous chapter of this Report.

If an all-out drive to increase productivity will involve a change of jobs, and a change in their place of residence, for some workers, employers for their part very generally recognise that workers can scarcely be expected to support and co-operate in such a drive if those who are displaced are left to fend for themselves. It is for society as a whole to make effective provision for the reabsorption into productive employment of workers who are thus displaced,
but in this task it is widely agreed that employers have an important part to play.¹

It may be suggested, too, that the full support and co-operation of workers in a drive to increase productivity cannot be expected unless workers are able to feel that their work, over and above the contribution it may make to the financial returns of the establishment, private or public, in which they are employed, counts for something in the community in which they live. Intelligent supervision, welfare work and opportunities for individual consultations may all play a part in enabling the worker to identify himself with his unit and to feel at home in his work. But if they are to give their unreserved and enthusiastic support to a drive to increase productivity, workers must be enabled to feel themselves in some sense partners in enterprise. It has already been suggested that this is all the more important when conditions of full employment make it necessary to substitute for the ignoble compulsion of fear the discipline that comes from a sense of responsibility.

Professor Sargant Florence writes—

Large-scale industry cannot be efficiently run by the elected representatives of the workers, yet there is no reason why workers should not have explanations of orders as well as the bare orders; why they should not contribute detailed skill and knowledge and experience they possess by means of suggestions for technical improvements; why the part their work plays in the whole organisation should not be made intelligible; or why they should not be able to state their grievances directly (as well as their suggestions for improvements) by joint consultation in works councils or production committees within the factory or firm... Applied to industrial production democracy demands in particular more two-way traffic in discussion—orders and explanations going along the ranks while information, grievances and opinion come back by some agreed procedure, so that the individual worker may feel he counts. In this way he will learn not only to identify himself with the whole organisation and its interest in efficiency, but to participate.²

Among the matters on which, in a private enterprise economy, information may need to be communicated to the representatives of labour if these are to play their full part in promoting productivity are the trading accounts of the organisation and the financial results of alternative policies. In a socialist economy, or in a socialised industry within a predominantly private enterprise economy, problems associated with the role of private profits do not arise, though other problems do, and the need for responsible

¹ See pp. 112-113.
participation by freely elected representatives of workers, and for respect for the individual personality of workers, is no less than under private enterprise.

A real sense of partnership in enterprise—on the plant level, the industry level and the national and even international levels—may be expected to release creative energies and enthusiasms which may otherwise be frustrated and held in check. Recent research has emphasised the importance, for personal and group output, of the factor of group morale. This is one of the factors that are stressed in the various “socialist work competition” movements in Eastern European countries, the aims of which appear to be to promote rivalry and competition between individuals, teams and groups of workers, and to stimulate the sense that each has a significant part to play in the progress of their industry and the building up of the national economy. The trade union movements in the various countries are closely identified with these work competitions and have special responsibilities with regard to them. In Poland, for example, where the movement started in 1947 and took on a mass character in 1948, a three-tier organisation has been created.1 On the national level there has been established a Central Committee on Work Competition, presided over by the chairman of the Central Council of Trade Unions; for each branch of industry there is a committee on work competition presided over by the chairman of the executive committee of the trade union concerned; and on the level of the undertaking there are committees on work competition presided over by the chairmen of the works committees of the undertakings. On these committees sit representatives of the trade unions, the United Workers’ Party, the economic administration, the technical personnel and leading workers distinguished for their output. The chairman of the Central Council of Trade Unions, speaking in Warsaw on 6 December 1949, mentioned coal mining and textiles as examples of industries in which output has greatly increased and the quality of production has improved as a result of work competition.2 Broadly similar work competition movements exist in other Eastern European countries.

But it is not only in socialised industries that workers can identify themselves with their industry, and take a pride in its performance and in their own individual and group contribution

to that performance. To meet the recent shortage of steel in the United Kingdom, for example, workers in the iron and steel industry in that country voluntarily agreed to operate steel melting shops continuously throughout the weekend, and to refrain from pressing a claim for a 42-hour week.

Sir George Schuster 1, Chairman of the Panel on Human Factors of the Committee on Industrial Productivity set up by the United Kingdom Government, has stated that in his view there are five requirements for any worker or employee:

1. He must be able to feel that he is “in the know”, that he understands the purpose and the policy of his firm and the place of his own job in it.

2. He must feel that he counts as a person, that he has a personal part to play, which is recognised as important, and that his work is appreciated.

3. He must feel that he has some freedom of self-expression in his work—that he has a chance to have a say in how his own daily job is handled, and is not treated merely as a piece of machinery which “is not paid to think”.

4. He must have confidence in his leaders—must not feel that he is being “messed about” by stupid orders or made to waste effort because work is not organised properly.

5. He must be satisfied that the proceeds of the firm’s work are fairly divided, that he himself is being paid fairly in relation to his own skill and effort, and that he has a fair chance of promotion on merit.

To these five requirements may be added a sixth—security of livelihood. To be able to provide these requirements for workers is not a monopoly of any one type of social or economic system.

The Gains from Greater Productivity

Little has been said thus far about the distribution of the gains from greater productivity. To the extent that greater productivity leads to lower prices the advantages it brings are shared among all members of the community, of whom workers are the most numerous group. This would seem to commend itself on grounds of equity, for the scope for increased productivity is vastly greater in some branches of production than in others, and it follows that if the gains from greater productivity in each separate branch of production were to be retained in toto by the employers and workers in that branch, the standard of living of some sections of the community would rise much faster and much further than that.

\footnote{1 Quoted in The Iron and Coal Trades Review, 30 Sept. 1949, p. 229.}
of others; in particular, some so-called "fixed income" groups (for example, pensioners) would be deprived of any share in the advantages of greater productivity. Apart from considerations of equity, there is also the fact that greater productivity in the countries which are suffering from adverse balances of payments will fail to exert the beneficial effect which it is capable of exerting upon the balance of world trade unless it leads to lower prices and costs in these countries and so enables them to sell more goods abroad.

But if, both on grounds of equity and for economic reasons, the claim of consumers (i.e., the community in general) to a large share in the gains from increased productivity is a strong one, it does not follow that the whole of the advantages from any increase in productivity, wherever it may occur, should in principle be passed on to consumers in the form of lower prices. On the contrary, as an incentive to greater productivity and as a reward for any increased efforts or sacrifices which greater productivity may entail, it will be widely agreed that there is a strong case, in certain circumstances at least, for retention by employers and workers in particular fields of production of some part of the gains from greater productivity in those fields.

Precisely how the various claims should be reconciled is not a matter on which it is either wise or necessary to express dogmatic views. Circumstances alter cases, and man's control over his economic environment is not so complete that he could be sure of his ability to impose an ideal solution to these questions even if he could find one. Suffice it to say that if reason and goodwill can bring about an increase in productivity, they can also ensure a broadly equitable and an economically sound distribution of the gains.

CONCLUSION—PRODUCTIVITY AND SECURITY

Of the principal factors upon which the productivity of labour depends, there is scarcely one which does not come within the purview of the I.L.O. Efforts have been and are being made to harness the resources of the Organisation to assist Governments, employers and workers to increase productivity. Much of the manpower programme developed by the Governing Body, and many of the proposals regarding the participation by the I.L.O. in the United Nations co-operative programme of technical assistance to underdeveloped areas, have precisely this aim in view.
The Conference may like to consider ways and means of intensifying the efforts of the I.L.O. to promote greater productivity. A number of studies have been suggested in the course of this chapter—studies which fall within the scope of activities of the Office and which could be expected to throw further light on the problem. These include a factual and analytical study of factors affecting the productivity of labour in underdeveloped countries; a study of possible ways and means of extending systems of payment by results; an examination of the scientific basis of methods of work simplification based on time and motion studies, and their effects on output; a study of the conditions for and advantages of greater standardisation of production; a study of ways of organising double shifts and their advantages and disadvantages; and a study of ways and means of promoting the rapid spread of improvements in techniques of production and management. Since the problems of raising the productivity of labour vary greatly from industry to industry, there may also be room for special studies of the problems in particular industries. The Office has already in hand, at the request of the Coal Mines Committee of the I.L.O., a study of productivity in coal mines.

But the aspect of the problem of raising productivity which is perhaps most distinctively the concern of the I.L.O. is the need for reconciling the claims of workers for security of employment and income with an all-out drive for higher productivity. If economic welfare requires that productivity-raising changes in production and managerial techniques should not be resisted, it requires also that they should be introduced in such a way as to involve a minimum of hardship for individuals. This too might form the subject of a comprehensive study, and the present chapter may conclude with a few reflections on this subject.

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

Security in this sense, it may be suggested, requires three things. First, it requires effective measures to maintain a high general level of employment and income. Secondly, it requires measures to assist the re-employment of workers displaced from their present jobs. Thirdly, it requires measures to maintain the incomes of temporarily unemployed workers.

Productivity and Full Employment

The relationship between productivity and full employment has already been discussed. Here it is only necessary to say that measures to ensure that there are always enough jobs (though the jobs cannot always be available in precisely the occupations and places where workers may lose their present jobs) will enormously ease the problem of reabsorbing into employment workers who may lose their jobs in particular industries. Provided that there are enough jobs, and provided that suitable training, retraining and transfer facilities are available, there is no reason why an unemployed worker who is willing to undergo training and to change his place of residence if necessary should remain unemployed for long.

Measures to Assist
the Re-employment of Displaced Workers

Measures to ensure that there are always enough jobs need to be accompanied by measures to assist the re-employment of displaced workers. Such measures may include—

(1) advance planning of changes in industrial processes or equipment and advance notification of expected displacements resulting therefrom; problems of absorbing displaced workers can often be greatly eased if workers and their representatives are notified some time in advance of expected displacements;
(2) the granting of preference to displaced workers with suitable qualifications in the filling of vacancies;

(3) the provision of vocational guidance and training and retraining facilities;

(4) measures, including removal grants where appropriate, to promote the geographical mobility of labour;

(5) advice by employment services. The Employment Service Recommendation, 1948, urged that "workers should be furnished with appropriate information and advice designed to eliminate objections to changing their occupation or residence".1

In industries and countries where collective bargaining is sufficiently highly-developed, some of these measures can well be dealt with by collective bargaining; provisions of collective agreements covering a number of such measures could be cited. Others, for example measures to promote the geographical mobility of labour and advice by employment services, seem to be primarily the responsibility of Government. Yet others, such as the provision of adequate training and retraining facilities, are matters requiring close co-operation between Governments, employers and workers.

**Measures to Maintain the Income of Unemployed Workers**

The greater the success of measures to maintain a high general level of employment and to promote the re-employment of displaced workers, the less will it be necessary to fall back upon measures to maintain the income of unemployed workers. Such measures are, however, an essential counterpart of the measures thus far considered if the goal of high productivity is to be pursued with a minimum of hardship. The provision of unemployment insurance and relief and the granting of dismissal wages or severance pay to displaced workers would appear to be the principal ways of dealing with this problem. The relationship between these two types of provisions and the extent to which reliance is placed upon one or the other are matters to be settled with due regard to the circumstances of particular countries and industries.

The extent to which measures of the three kinds distinguished above are at present developed and applied varies greatly from

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1 Paragraph 16.
one country to another. Measures of this kind have always been of the greatest interest and concern to the I.L.O. for the sake of their direct bearing upon the welfare of workers. They acquire a new interest and importance, and a greater urgency, when they are viewed also in the context of their relationship to a whole-hearted drive to raise productivity to the highest possible levels.
CHAPTER IV

ACTIVITIES OF THE I.L.O.

The past year has seen the completion of thirty years of work by the International Labour Organisation. It accordingly affords an appropriate time to reflect upon the progress achieved during those years in extending the I.L.O.'s activities over the greater part of the globe. The First Session of the Conference included representatives from 40 countries; 17 were from European States, 17 from American States, five from Asian States and one from the African Continent. Moreover, several of the non-European States represented at Washington did not subsequently for many years play an active role in the Organisation. Thus, at its inception, the I.L.O. was mainly an organisation of States of the "western" world. Today the membership of the Organisation has reached 60 States. These include 21 European States, 19 American, 13 Asian, four African and three from Oceania.

In my Report to the last session of the Conference mention was made of the series of official visits which I made to various countries in order better to understand the issues confronting the International Labour Organisation. I have since had the opportunity of visiting Sweden, Denmark, Norway, Finland, the Netherlands, India and Ceylon. These official visits have enabled me to observe at first hand the current social and economic developments and the special problems which confront the various States Members. They have also reflected the great desire on the part of Members of the Organisation to make use of the facilities which the I.L.O. places at their disposal.

The new emphasis on technical and operational work has continued. Perhaps the most significant developments for the future in this respect lie in the action taken during the year to initiate a new expanded and co-ordinated programme of technical assistance by the United Nations and the specialised agencies. It will be recalled that the Conference at its last session studied the role which the I.L.O. should play in such an expanded programme and adopted general principles to be followed in its organi-
sation. Immediately after the last session of the Conference, the Economic and Social Council took up the consideration of the technical assistance programme. The Council took action in regard to the setting up of machinery for handling requests by Governments for technical assistance, laying down the principles which should guide action to be taken on such requests, and recommending the financial arrangements to be made for the collection of funds for this purpose and their distribution among the United Nations and the specialised agencies concerned. The arrangements recommended by the Economic and Social Council were approved by the General Assembly of the United Nations at its Fourth Session in November 1949. The Secretary-General of the United Nations was thereby authorised to set up a special account for technical assistance for economic development to be available to those organisations which participate in the expanded programme of technical assistance, and which accept the guiding principles and arrangements for the programme approved by the Assembly. The Governing Body, at its 110th Session last January, agreed to I.L.O. participation in the technical assistance programme on the basis of these guiding principles. In the meantime, a technical assistance board composed of the executive heads, or their representatives, of the United Nations and participating specialised agencies, has been established. The Governing Body has set up a Technical Assistance Committee to review the I.L.O.'s role in the new expanded programme, and the Economic and Social Council is to have its own Technical Assistance Committee. A Technical Assistance Conference, which is to consist of representatives of all the Members of the United Nations and of all other Governments Members of any specialised agency participating in the programme, was scheduled to be held in May at the time of publishing this Report. The purpose of this Conference is to ascertain the total amount of contributions available from participating Governments, in the first instance for the first year of operation of the programme, and to give final consent to the proportionate shares of the total amount of the contributions to be allotted to the various participating organisations.

While awaiting the inauguration of the new expanded technical assistance programme, the advisory work of the International Labour Office has proceeded apace. A number of advisory missions have been completed in the year under review, and many more are included in the programme for 1950. Some of these missions are referred to subsequently in this chapter. The Govern-
ing Body has initiated an I.L.O. fellowship programme and a scheme of special grants for the study of the I.L.O.

The present Report has emphasised the problem of labour productivity and its importance for the raising of standards of living. The present programme of the I.L.O. has, in many of its aspects, a direct bearing on the problem. Reference was made in the last chapter to the relevance, from this point of view, of a number of the proposals that have been made regarding contributions by the I.L.O. to the United Nations co-operative programme of technical assistance to underdeveloped countries, and of the work of the I.L.O. in connection with migration and training, industrial safety and health. The activities in the field of manpower make a direct contribution to improving the quality of the labour force and achieving a more efficient utilisation of resources. The new expanded programme of technical assistance may become the means of laying the foundations for the flow of capital investment to the underdeveloped regions. The Office, the Conference and various Industrial Committees have all studied problems of wage policy which have a bearing upon productivity. The importance of good industrial relations has been underlined, and the achievements of the past year in this field may be expected to contribute in the long run to the increasing of productivity. Mention has also been made of the Office study on productivity of the coal mining industry; and the progress being made towards international comparability of statistics of labour productivity is mentioned below.

In many of its aspects, the work of the I.L.O. relates to the activities of the United Nations or of other specialised agencies, and the effort to achieve the best possible co-ordination of activities between these various organisations has been carried forward. As the programmes of the international organisations created since the war have grown in size and scope, the responsibility for this co-ordination of activities has become increasingly great. It is carried on within the framework of the relationship agreements which the I.L.O. has with the United Nations and various specialised agencies, by means of reciprocal representation at meetings convened by these bodies, at special inter-secretariat meetings, and by an increasing volume of correspondence and informal consultation between officials, together with the fullest possible regular exchange of information. Among the most important for the practical work of co-ordination are the meetings of the Administrative Committee on Co-ordination, which is composed of the
chief executive officers of the United Nations and the specialised agencies. I have attended the three sessions which were held during the period under review. During this period the I.L.O. has also for the first time participated in meetings of joint committees with other international organisations, in particular in the joint I.L.O.-W.H.O. Committee on the Hygiene of Seafarers and the joint I.L.O.-U.N.E.S.C.O. Meeting of Experts on Educational and Cultural Interchange Programmes for Industrial and Agricultural Workers. A joint I.L.O.-W.H.O. Committee on Industrial Hygiene has been convened to meet late in the year.

**Progress of International Labour Legislation**

The problem of speeding the ratification of Conventions received a considerable amount of attention at the last session of the Conference. Speaker after speaker alluded to the vital necessity, for the effectiveness and prestige of the Organisation, of seeing the formal decisions of its Conference incorporated ever more widely into national law and practice so that they may help to protect and improve the working and living conditions of common people all over the world. While it was generally admitted that cold ratification figures alone are not sufficient to measure the influence of the International Labour Code, representatives from the three groups stressed the fact that formal acceptance and implementation of international labour Conventions by the States Members constitute the most tangible evidence of national adherence to these internationally conceived principles and standards.

It is encouraging, therefore, to be able to report that the past twelve months have witnessed a definite improvement in the progress of ratifications and that the efforts made in this respect by Governments, by the industrial organisations, and indeed by the Office itself, are beginning to bear fruit. During the above period 100 ratifications of Conventions were registered by a total of 18 countries (not counting the Final Articles Revision Convention, 1946 (No. 80), which has been accepted by a further six States). Foremost among the ratifying countries during this past year were Bulgaria, which has adhered to no less than 33 additional Conventions, Argentina (18), Finland (10), United Kingdom (10), Czechoslovakia (7), Norway (5), India (3), Sweden (3), Austria (2), Belgium (2), and the Netherlands (2). Australia, Chile, Denmark, Egypt, France, Mexico, New Zealand, Switzerland, Syria, Turkey and the Union of South Africa have each ratified
one Convention. The total number of ratifications registered now stands at 1,114.

As a consequence of these new ratifications, seven more Conventions enter into force in the course of 1950:

- the Labour Inspection Convention, 1947 (No. 81), in April;
- the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87), in July;
- the Employment Service Convention, 1948 (No. 88), in August;
- the Minimum Age (Non-Industrial Employment) (Revised) Convention, 1937 (No. 60),
- the Medical Examination of Young Persons (Industry) Convention, 1946 (No. 77),
- the Medical Examination of Young Persons (Non-Industrial Occupations) Convention, 1946 (No. 78), and
- the Night Work of Young Persons (Non-Industrial Occupations) Convention, 1946 (No. 79), in December.

This will increase the body of international labour Conventions in force, i.e., legally binding on two or more countries, to the impressive figure of 65.

The Conference will no doubt note with satisfaction that six among the above seven instruments about to become internationally operative were adopted by it since 1946. Convention No. 81 has in fact already received eight ratifications while the corresponding figures for Nos. 87 and 88 are six and seven. The post-war work of the Conference is thus beginning to bear tangible fruit.

It would be a mistake, however, to overestimate the extent of this unquestionable improvement in the state of ratifications. Rather should the results achieved give some pause for taking stock and for recalling equally unquestionable facts: only one out of every three States Members adhered to new Conventions during the past twelve months; on an average, about 1.5 ratifications were received per Member; 12 States Members have not yet adhered to a single international labour Convention. The conclusion is obvious: the ratification progress achieved in recent months only holds significance if it paves the way for further substantial advances in the same direction. Fortunately, there are increasing indications that this will be so.

Such hope is primarily based on a practice which has been inaugurated by a number of countries and which, if carried through to its practical conclusion, is bound to result in a whole series of ratifications. This practice consists of making a detailed examina-
tion of all those international labour Conventions not yet ratified, with a view to ascertaining what instruments could be adhered to either on the basis of existing law and regulations or after certain minor legislative changes have been made. Argentina, Australia, Ceylon, Greece, Italy, Norway and Switzerland are carrying out surveys of this kind at present. The same constructive approach has been followed on an international level by the Brussels Treaty Organisation whose Committee on Conditions of Work and Social Policy has recently concluded an examination of the whole of the international labour Code to ascertain to what extent the five Treaty Powers — Belgium, France, Luxembourg, the Netherlands and the United Kingdom — have given or propose to give effect to the 90 Conventions adopted by the Conference up to 1948. This international examination was based on comprehensive national reviews by each of the countries concerned and will, it is expected, result in a substantial number of ratifications. Such thorough-going and practical methods spring from the same basic concept which has led the I.L.O. to give increasing importance to a regional approach. Their value, if findings are translated into action, could hardly be exaggerated.

There is yet another procedure which bears in it the seeds of future ratifications. For the first time this year the Conference has before it the summary of the reports submitted by Governments under Article 19 of the revised Constitution on certain Conventions they have not ratified and on certain Recommendations. In the case of unratified Conventions, preparation by Governments of these reports involves automatically a review of the position as regards ratification and may lead to the conclusion that it is possible and desirable to ratify a given instrument. If this occurs one of the major objectives of the constitutional amendment will have been realised.

**MANPOWER**

That the distribution of the available labour in relation to the economic needs of the countries concerned is still a major preoccupation of Governments is evident from the discussion of developments in the manpower field included in Chapter II. The I.L.O.'s policy is to give maximum help in the manpower field to Governments and to the organisations of employers and workers by bringing to their notice the best experience of other countries. The manpower programme thus stands to the forefront in the
general technical assistance programme of the I.L.O. This manpower programme has developed on a considerable scale during the past year.

At all stages in its development, close contact has been maintained with the United Nations and the other specialised agencies concerned in manpower matters. My Report to the last session of the Conference referred to the initiative taken by the I.L.O. in convening a meeting of representatives of the United Nations and the specialised agencies in February 1949 to consider the contributions which they might be able to make towards implementing or completing the manpower programme, and reciprocally the contribution which the I.L.O. could make to the related programmes of other international organisations. The I.L.O. has continued to be fully aware of its recognised responsibility for co-ordination in this vital sector of its work. Many of the other international organisations are concerned with different aspects of employment and unemployment, particularly the economic policies involved, vocational and technical training, especially in relation to general education and training for agriculture, and migration. In its regional activities the I.L.O. has continued to keep in close touch with the Regional Economic Commissions of the United Nations and with other bodies such as the Organisation for European Economic Co-operation.

**Regional Arrangements**

The I.L.O. is moreover fully aware that, because of the detailed technical nature of its manpower work, it is especially necessary to take into account the particular needs of the various regions of the world. My last Report described the work of the European and Asian Manpower Committees of the Governing Body, the establishment of a Field Mission at Rome, and the provision made for the establishment of a Field Office on Technical Training in Asia. A Latin American Manpower Committee has been appointed by the Governing Body and a Latin American Manpower Office is being set up at São Paulo. In the near future development of I.L.O. manpower work in the Middle East is also envisaged.

The Manpower Committees have continued to meet at each session of the Governing Body. In addition to studying and exchanging views on problems of their own regions, the Asian and European Committees, in joint session, studied measures which would be appropriate to permit full use of manpower on
an international basis and drafted a series of points concerning national and international measures which have since been transmitted to the Governments.

The Field Office in Asia started work in May 1949. This Field Office is headed by a training expert and has been engaged in making the necessary contacts in the region and in giving advice to Governments in appropriate cases. The Office is located in India and its chief has already visited Thailand, Ceylon and Pakistan. The Regional Conference on Vocational and Technical Training, authorisation of which by the Governing Body was mentioned in my last Report, was held in Singapore in September 1949. The Chief of the Asian Field Office was present at the Conference. After the Singapore Conference an exploratory mission was sent to Ceylon, India, Malaya, Pakistan and Thailand to discuss with Governments the development of the manpower programme in those countries. Visits to other countries are in the programme for 1950. The Asian Regional Conference of the I.L.O., which met in Ceylon in January 1950, gave further consideration to manpower problems of the region and adopted resolutions covering the application of I.L.O. standards particularly in the field of employment service organisation, special regional problems and technical assistance to Asian countries, and vocational and technical training problems of the region.

In Latin America the Fourth Conference of American States Members of the I.L.O., meeting in Montevideo in April 1949, afforded an opportunity of examining the particular problems of that region in regard to the manpower programme. It drew up a general plan of action for the solution of the major manpower problems of economic development in Latin America, stressing the need for operational activities and an increased number of technical assistance missions and making a number of detailed recommendations. The Governing Body, acting upon these recommendations, in June 1949 decided to extend the operational manpower programme to Latin America, and in particular authorised the establishment of a manpower field office in the region, which, as noted above, is now beginning its activities. In preparation for the work of this office, missions have visited many of the Latin American countries during 1949 to study the manpower situation on the spot and to discuss questions of organisation with the Governments.

In Europe the Rome mission referred to previously has not yet completed its work and is continuing operations during 1950. In addition, it should be mentioned that a mission which was
sent to Turkey at the request of the Government of that country reported, *inter alia*, upon employment service and training questions. In February 1950 a mission went to Egypt to advise on the development of training services. Finally, a general mission visited the Near and Middle East in 1950 to survey the manpower situation in the countries of that region. It was similar to missions which previously undertook such surveys in the countries of Asia and the Far East and Latin America.

*Employment Service Organisation*

Developments in the field of employment service organisation have also been discussed in Chapter II. The I.L.O. continued to receive many requests for information and advice on the subject. The Office is carrying on its work of collecting and collating information on employment services and it has been decided to publish a series of handbooks on employment service organisation in different countries; the first volume in the series has been published.

The special employment service problems of particular industries have also been studied by various Industrial Committees. Particular mention might be made of the consideration of problems of recruitment for the construction industry at the second session of the Building, Civil Engineering and Public Works Committee (Rome, 16-25 March 1949). This committee suggested the establishment of a special advisory machinery within the employment service to deal with problems of the construction industry. It recommended that this advisory machinery should be utilised to relate recruitment in the construction industry directly to national economic objectives and to help plan recruitment for the industry nationally and locally, within the framework of the general manpower plans worked out in connection with these objectives.

*Vocational Guidance*

The I.L.O. has continued its study of vocational guidance both as it affects young people entering employment and in regard to the "employment counselling" of adults. It will be recalled that the Vocational Guidance Recommendation adopted by the Conference at its last session deals with both these aspects of the problem. The Conference also indicated in a Resolution the lines along which the I.L.O., in collaboration with U.N.E.S.C.O., should work towards the implementation of this Recommendation, in assisting
States Members by conducting surveys where desirable, publishing manuals, and developing its advisory work in respect of guidance programmes and the training of guidance officers. Plans are being made for the carrying out of this programme.

Vocational Training and Retraining

Activities in the fields of training of young persons, including apprenticeship, technical education in schools, training of adults, training of disabled workers, and training of supervisors have characterised the I.L.O.'s work during the year. In the training field, the most important activity of the Office at the general international level has been the preparation for the discussion at the present session of the Conference of the question of training of adults, including disabled persons. This has included the meeting of a Preparatory Technical Tripartite Conference on the question in January 1950. The special document service in Geneva referred to in my Report to the last session of the Conference has been continued and developed and an increasing number of visitors to Geneva have made use of it.

Information has been collected on the international movement of trainees as a basis for practical help in bringing trainees into touch with opportunities to obtain skill and experience in other countries. In this work there has been close co-operation with U.N.E.S.C.O., which is interested in the movement of students for non-technical training. A joint I.L.O.-U.N.E.S.C.O. meeting of experts on educational and cultural interchange programmes for industrial and agricultural workers took place in February 1950. It discussed among other things the problem of appropriate cultural orientation of trainees who are sent abroad. The I.L.O. also undertook at the request of U.N.E.S.C.O. a brief study of the extent to which students are permitted to take paid employment in foreign countries.

Reference has already been made to the Asian Conference of Experts on Technical and Vocational Training (Singapore, September 1949). The Conference reported on the general organisation of training, material needs, technical organisation, recruitment and training of instructors, training and retraining of disabled persons and methods of international co-operation. The matter was considered further by the Asian Regional Conference in Ceylon in January 1950, and steps have been taken to put the programmes suggested in this field into operation.
The vocational training problems of special industries have been considered by various meetings of the Industrial Committees. For example, the Metal Trades Committee at its third session (Geneva, November 1949), recalling its earlier emphasis on the importance of ensuring a greater regularity of employment at a high level in the metal trades and the building up of a sufficient force of adequately trained workers and supervisors, concluded that these objectives could best be secured by the systematic training of workers, and that such training should be preceded by vocational guidance. The Committee recommended the application of the principles contained in the vocational training and apprenticeship Recommendations of 1939, taking into account the special characteristics of the metal trades. The Committee's recommendations covered apprenticeship, training of adults, training of supervisors and instructors, training methods and programmes, exchange of trainees and granting of international fellowships. The special training problems of the construction and coal mining industries were similarly considered at the second session of the Building, Civil Engineering and Public Works Committee (Rome, March 1949) and the third session of the Coal Mines Committee (Pittsburgh, April 1949).

Migration

Work has been actively proceeding on the preparations for the Preliminary Conference on Migration which has been convened to meet in Geneva on 25 April 1950. All Members of the Organisation concerned with migration from European countries to other European countries and to overseas countries have been invited. The United Nations and the specialised agencies have also been invited. The purpose of the Conference is to examine the obstacles which hinder current emigration from Europe and to seek means of overcoming them. In this work, the Governments and the international organisations all have an important part to play, and it is hoped that the Conference will lead to decisive action by the various parties concerned.

Among other activities in the migration field during the past year, first place may be given to the adoption of a revised Convention and Recommendation on migration for employment at the 32nd Session of the Conference. The work of the Office has developed along the lines explored by the Permanent Migration Committee at its third session, the decisions of which were indicated
in my Report to the last session of the Conference. The Office has circulated to Governments a series of general principles and a draft of a model bilateral agreement on migration for land settlement as recommended by the Committee. The question will be reconsidered by the Committee at its next session in the light of observations received. The I.L.O. has also circulated to Governments of all Members of the Organisation information concerning highly qualified specialists among the refugees and displaced persons for whom the I.R.O. has responsibility. Great difficulty has been experienced in placing these specialists in employment for which their qualifications suited them. Helpful replies have been received from some Governments and have been transmitted to the I.R.O. Another activity of a continuing character is the collection of detailed information on the number and qualifications of persons available for emigration and of immigrants required. This enquiry, which is made every six months, now covers the whole world and provides information for Governments concerning the movement of migrants. In addition, progress has been made with the international comparison of definitions of occupations most frequently asked for in relation to migration.

Regularisation and Security of Employment

The problems of regularisation of employment in special industries have been considered at meetings of the Industrial Committees. The Inland Transport Committee at its third session (Brussels, May 1949) studied the decasualisation of employment of dock workers. The Committee recommended measures for permitting regularisation of employment and for the stabilisation of earnings. The Iron and Steel Committee at its third session (Geneva, November-December 1949) considered the effects on employment of technological improvements in the industry, and a number of suggestions for appropriate action were embodied in a resolution. In addition, the Permanent Agricultural Committee at its third session in September 1949 considered security of employment and occupation in agriculture.

Full Employment

Full employment policy presents a vast number of aspects, some of which have been discussed in other parts of this Report. Many of these aspects are economic problems falling outside the
sphere of activities of the I.L.O. Nevertheless, the International Labour Conference brings together those who in their own countries are most directly and immediately concerned and who are in a key position to take the necessary action to meet the threat of unemployment, should the need arise.

It was with this in mind that my Report to last year's session of the Conference attention was drawn to signs of more than seasonal unemployment in a number of countries. It will be recalled that on the initiative of the Czechoslovak delegation and after a most useful and informative discussion, the Conference adopted a Resolution dealing with the problem of unemployment. The Resolution refers to the I.L.O. activities of a practical nature, in the field of manpower and in the improvement of social security services, designed to diminish unemployment and to increase the opportunities for effective employment. It will be evident from the sections of this chapter which deal with manpower and social security questions that the I.L.O. is continuing to develop its work in these fields.

The Conference in its Resolution on unemployment also suggested the preparation without delay of a comprehensive report on the problem of unemployment and requested the Governing Body to consider the desirability of placing on the agenda of an early session of the Conference the question of unemployment with a view to achieving a more effective use of manpower both within each nation and internationally. The preparation of such a report was put in hand immediately following the close of last year's session of the Conference. The Governing Body in December approved the action taken and decided that the report when completed should be brought to the attention of the present session of the Conference, in view of the interest shown in the problem and of its immediate importance.

Finally, the Conference requested that the I.L.O. should cooperate with the United Nations and the specialised agencies directly concerned in the reporting and analysis of employment and unemployment and in the formulation of recommendations to combat unemployment. It has been the consistent policy of the I.L.O. to establish and maintain such co-operation. In this regard it should be recalled that recent sessions of the Economic and Social Council and the General Assembly of the United Nations have given considerable attention to the problem. The decisions taken by the Economic and Social Council and by the General Assembly are referred to in other parts of this Report. It may be
mentioned here in particular that the Council at its summer session in 1949 decided to ask the Secretary-General to appoint a small group of experts to prepare in the light of the current world economic situation a report on national and international measures required to achieve full employment. This report issued on the responsibility of the expert group was considered by the Economic and Employment Commission of the United Nations and the Economic and Social Council at its winter session, 1950. The experts' report, which will be considered once again at the Council's session in July 1950, is being circulated to the Conference for its information. The General Assembly has decided to give full consideration to this question in the light of all the preparatory work done at its forthcoming session in the autumn of 1950.

The I.L.O. has followed this vital problem with close attention through all the various stages of its consideration by the United Nations bodies. Close collaboration was established with the Secretariat of the United Nations when the preparation of a report on unemployment was begun by the Office last summer. This collaboration will be maintained in all subsequent stages.

FREEDOM OF ASSOCIATION AND INDUSTRIAL RELATIONS

One of the major features of I.L.O. policy in recent years has been the carrying out of a broad programme in the field of freedom of association and industrial relations. Execution of this programme began with the adoption by the Conference at its 31st Session in San Francisco (1948) of the Freedom of Association and Protection of the Right to Organise Convention. It was continued at last year's session with the adoption of another Convention concerning the application of the principles of the right to organise and to bargain collectively. Some of the Industrial Committees have considered the problems of industrial relations in regard to specific industries. During the past year, for example, the Building, Civil Engineering and Public Works Committee at its second session adopted resolutions on general principles of industrial relations and on labour-management co-operation in the construction industry.

Side by side with the drawing up of international regulations in this field is the problem of the action to be taken in cases of alleged violations of trade union rights and freedom of association. Allegations regarding infringements of trade union rights in certain countries have been brought before the I.L.O. At the invitation
of the Government of one of the countries concerned, Venezuela, the I.L.O. sent a mission to secure complete and impartial information concerning social problems in that country, including the development and functioning of trade unions. The report of this mission, which was headed by Mr. Rens, Assistant Director-General, will be published shortly.

Similar cases of alleged violations have been raised before the United Nations. It will be recalled that in the autumn of 1947 the General Assembly recommended that the I.L.O. pursue urgently on its tripartite basis, in collaboration with the United Nations, the study of the supervision of the practical application of trade union rights and freedom of association. Having taken note of this recommendation, the International Labour Conference at its 31st Session, in 1948, requested the Governing Body to consider, in consultation with the United Nations, what developments of existing international machinery might be necessary to ensure the safeguarding of freedom of association.

In June 1949 the Governing Body considered what would be the most appropriate arrangement for the international examination of alleged infringements of trade union rights. It decided there should be established a Fact-Finding and Conciliation Commission on Freedom of Association for the purpose of international supervision. In August 1949 the Economic and Social Council noted the action taken by the Governing Body and requested the I.L.O. to proceed on behalf of the United Nations, under the U.N.-I.L.O. relationship agreement, as well as on its own behalf, with the establishment of such a commission. The Council also requested the Director-General and the Secretary-General to consult together with a view to exchanging information and formulating a procedure for making the services of this Commission available to the appropriate organs of the United Nations with respect to Members of the United Nations which are not Members of the International Labour Organisation.

The Governing Body accordingly in January 1950 proceeded to establish the Fact-Finding and Conciliation Commission. Under the Commission’s terms of reference the Governing Body can refer to it for impartial examination any allegations of infringements of trade union rights which the Governing Body or the Conference, acting on the report of its Credentials Committee, considers appropriate. The Commission is to be essentially a fact-finding body, but would be authorised to discuss situations referred to it for investigation with the Government concerned, with a view to
securing the adjustment of difficulties by agreement. No complaint will be referred to the Commission without the consent of the Government concerned. If this consent is not forthcoming, however, the Governing Body may take any appropriate alternative action designed to safeguard rights involved in the case, including measures to publicise it.

The Commission is in no sense designed to replace the procedure laid down in Articles 26 to 34 of the Constitution of the I.L.O. in respect of Conventions on freedom of association and industrial relations. These articles relate to complaints regarding the application of Conventions by States which are a party to them. Articles 26 to 34 provide for the reference of complaints made by other States Members which are also parties to the Conventions concerned to a commission of enquiry. This procedure under the Constitution is applicable irrespective of the consent of the State concerned, subject only to that State's being a party to the Convention non-observance of which is alleged. The establishment of the Fact-Finding and Conciliation Commission is designed to supplement these provisions of the Constitution in cases in which action taken in agreement with the State concerned, which may or may not have ratified the Conventions dealing with freedom of association and industrial relations, is likely to be more effective.

Arrangements are being made to make the services of the Commission available to the appropriate organs of the United Nations, and agreement has been reached with the Economic and Social Council of the United Nations upon the procedure to be followed for this purpose. Both Members of the I.L.O. and United Nations Members which are not Members of the I.L.O. should feel assured that the guiding principle in the establishment of the Commission is that its purpose should be to provide facilities for the impartial examination of the facts in an atmosphere free from prejudice of any kind or propaganda in any interest whatsoever.

**SOCIAL SECURITY**

Since 1944 no social security questions other than those relating to seafarers have been considered by the Conference. Meanwhile the concept of social insurance on which the existing Conventions are based has been undergoing rapid transformation into that of social security, which involves comprehensiveness of coverage in respect of both persons and risks, the guarantee of socially adequate
benefits and methods of financing which render that guarantee effective. The twin Recommendations on income security and medical care adopted by the Conference in 1944 embodied directions for effecting the transition from social insurance and assistance to social security. The five years that have since elapsed have seen this transition accomplished in most European countries and in Australia and New Zealand, while in the rest of the world action in the same direction is being taken as conditions in each country allow. In many respects the post-war movement has corresponded to the indications of these Recommendations adopted at Philadelphia, but in others it has manifested changes of emphasis or more radical conceptions. Moreover the less developed countries which have begun to legislate on social security are encountering special difficulties with which the existing Conventions, drafted mainly on the basis of European experience, did not reckon.

In these circumstances the Governing Body invited the officers of the Committee of Social Security Experts to advise it on a programme for the revision of the social security Conventions. Acting on the advice of the officers of the Committee of Experts, the Governing Body decided as the first step in a programme for revision of these Conventions to place on the agenda of the 34th Session of the Conference in 1951, for a first discussion under the double discussion procedure with a view to the adoption of a Convention, the question of objectives and minimum standards of social security. Such a Convention would serve as a basis and unifying framework for the revision of existing Conventions individually. It would determine, on the one hand, the objectives which all ratifying States would undertake to pursue and, on the other, the minimum level of accomplishment required at the time of ratification as an earnest of the intention of the Government to fulfil that undertaking. Such a Convention might thus be accessible to the majority of countries of the world.

An important development of the work of the I.L.O. in the field of social security has been the co-ordination of application of national social security schemes to workers engaged in occupations which may lead them to claim benefits from social security schemes other than those of their country of origin or of residence. A special tripartite conference ¹ was held in December 1949 to co-ordinate the application of national social security systems to boatmen navigating the Rhine. Already in the period 1930 to 1932

¹ See p. 58.
the Office, in conjunction with the League of Nations, endeavoured to promote the co-ordination of social security for workers on international waterways in Europe, but the political situation was not propitious for effective action. Since the war the countries bordering on the Rhine have each made their social security systems more complete and more equal so that not only is substantial reciprocity now possible, but also co-ordination can achieve continuity of protection for boatmen in respect of most contingencies. As a result of the conference an agreement was adopted which applies to all boatmen engaged in commercial navigation on the Rhine. Its subject matter includes all legislation relating to sickness, maternity, invalidity, old age, death, employment injury and unemployment insurance and family allowances. It establishes two general and fundamental principles: equality of treatment for nationals of all the participating States, and the determination of the social security legislation applicable to the crew of a vessel by reference to the country in which the owner of the vessel has his place of business. Medical care in the event of sickness and accident is to be made available to boatmen in any of the countries where they may happen to be. In general, periods of insurance during employment on vessels of different countries are to be aggregated for the purpose of ascertaining the right to benefit under the legislation applying to the claimant when a contingency covered occurs. Arrangements are to be made for the establishment of an administrative centre to facilitate the application of the agreement. The Governing Body is arranging for the agreement to be completed by final clauses drafted in concert with the Governments. The agreement, which is a unanimous one, will obviate the many cases of loss and hardship which Rhine boatmen have suffered during past decades from lack of co-ordination among national social security systems.

A proposal, originating with the Miners' International Federation, for the holding of a tripartite meeting of coal producing countries, may well foreshadow the possibility of dealing with miners' social security problems among other questions along the lines of the tripartite conference on Rhine navigation. The Council of Europe, through the Committee on Social Questions of the European Consultative Assembly, has also approached the problem of co-ordination of national social security schemes. The Consultative Assembly at its meeting in Strasbourg last August adopted a resolution on social security in which it noted with regret that the absence of a sufficient number of ratifications of
I.L.O. Conventions, indicating in some cases a lack of vigour in translating the work of the I.L.O. into effective action, prevents the co-ordination of social security legislation in European countries. The European Assembly recommended that until such time as a European code of social security be drawn up, States Members should continue their efforts to perfect their social security legislation so as to achieve not necessarily a uniformity of laws in all countries, but by different methods an equally high level of social security: it also recommended that Members should examine within the framework of the Council of Europe the possibility of a general ratification of international Conventions on social security and that they should be guided by action already taken through bilateral or regional agreements in order to prepare one multilateral agreement which would make their own social legislation completely applicable to other nationals. The Committee on Social Questions of the European Assembly has, since the session of last August, continued to study social security problems in relation to the twelve members of the Council of Europe. The Committee, through its Chairman, has been in close contact with the Office and at his request the Office has compiled and supplied to the Committee analyses of European legislation on social security. The Committee is examining possibilities of agreement among European countries on the basic features of social security systems.

The Committee of Social Security Experts met in February 1950 in New Zealand. The Committee drew up a questionnaire on objectives and minimum standards of social security which will be circulated to Governments, together with a preliminary report on the subject, with a view to consideration of the question by the Conference at its next session. One of the questions it dealt with, the adjustment of benefits to the cost of living, is a crucial problem of social security at the present time. Another question, the training of social security personnel, is a matter of special interest to countries whose social security schemes are in their formative stage. Mention should also be made of the Ninth General Meeting of the International Social Security Association at Rome in 1949. The Office supplies the secretariat of this Organisation and prepares the reports for its meetings. The Rome Conference, in addition to making a general survey of recent developments in social security, dealt specifically with the protection of mother and child by social security, the collection of social insurance contributions, the financing of social security, and the social security of air-crews.
Technical assistance in social security has also been a feature of the Office’s activities in this field during the past year. Social security experts went on technical missions to the Philippines, Turkey, Iran, Czechoslovakia and Egypt, while consultations on projected legislation were held with competent officers from Israel and Peru. Technical assistance in this field will involve not only the provision of expert missions, but also the production of technical handbooks designed to facilitate the planning and application of social security schemes. The newly appointed Secretary-General of the Inter-American Committee on Social Security, the secretariat of which is supplied by the Office, has undertaken a series of visits to countries of Latin America to discuss the most urgent technical problems of social security which should be included in the future programme of activities of this Committee.

**WAGES**

The I.L.O. has actively studied the problem of wages in recent years. It will be recalled that a general report on this question served as a basis for a full discussion during the 31st and 32nd Sessions of the Conference, and that the Conference at its last session adopted a Convention and Recommendation on the protection of wages. The problem has similarly been considered by some of the Industrial Committees. Special emphasis has been given to the relationship between wages and productivity. Systems of wage payments by results were considered during the last session of the Conference. It was suggested that such systems, if adapted to the particular circumstances of the industries concerned and applied with appropriate safeguards might, especially in conditions of full employment, contribute to the improvement of both output and earnings and thereby raise real wages without contributing to inflation. The matter was further considered in relation to particular industries by certain of the Industrial Committees. During the past year, for example, the Inland Transport Committee at its third session (Brussels, May 1949) suggested that studies be made on piece work and the relationship of wages to the productivity of transport workers. Problems connected with the simplification of systems of payment by results were considered in November 1949 by the third session of the Metal Trades Committee. The Governing Body has approved in principle the convening at an early date of a meeting of a small group of technical experts with practical experience in the actual
operation of systems of payment by results to advise the Office in its work in this field. At the instance of the Metal Trades Committee special attention will be given to payment by results in the metal trades.

Another aspect of wages to which special attention has been given is that of the guaranteed wage. During the past year three of the Industrial Committees have given consideration to this matter. The Inland Transport Committee was faced with the problem in the course of its discussion of the subject of de-casualisation of dock labour. The Iron and Steel Committee adopted a resolution on the guaranteed wage, and the Building, Civil Engineering and Public Works Committee suggested that this subject be placed on the agenda of its next session.

**CONDITIONS OF WORK**

The activities of the I.L.O. in the field of conditions of work have been developed since the last session of the Conference, which, it will be recalled, adopted a Convention and Recommendation on labour clauses in public contracts. The question of workers' welfare was studied by the Asian Regional Conference held in Ceylon in January 1950. The same Conference also dealt with labour inspection, following up the consideration of this question which took place at the Preparatory Conference on Labour Inspection in Asian countries which was referred to in my Report to the last session of the Conference.

The Special Tripartite Conference concerning Rhine Boatmen which was referred to in connection with social security also reached unanimous conclusions on an agreement on conditions of employment of Rhine boatmen. The agreement deals with periods of night rest during the course of navigation and the duration of work in port. It also provides for payment of overtime for hours worked outside the limits fixed within the agreement. Measures are contemplated which would reduce to a minimum the work of the boatmen on official holidays. Finally, the agreement provides for weekly rest days, annual holidays with pay, and the payment of a special allowance to boatmen remaining on board for watch duties during holidays, as well as for the payment of an appropriate heat indemnity during the summer to certain members of the crew of steam-powered ships. This agreement is important for the workers since it guarantees them minimum conditions of employment. For the employers it will be the means of eliminat-
ing competition based on unequal or inadequate conditions of employment. It may be considered as a practical and happy example of international co-ordination in a series of important problems in the sphere of transport. The text adopted by the Special Tripartite Conference, like that on social security, has been submitted to the Governing Body as the first step in a procedure to result in a formal agreement between Governments.

Through the reduction of hours of work by providing for weekly rest and through the more widespread application of annual holidays with pay, the time and energy released for spare-time occupations of workers has rapidly increased in recent years. The problem of organising facilities for the utilisation of workers’ spare time and their annual holidays is therefore fast on its way to becoming comparable in scope and importance to the questions of workers’ education, health and welfare. This is a question with which the I.L.O. was concerned before the war and it has been taken up again since. It will be recalled that the Conference at its 32nd Session adopted a resolution calling for a study on methods of providing facilities enabling workers who wish to use them to take full advantage of their annual holidays with pay, of their weekly rest period, and of their leisure in general, for physical and cultural recreation, and for raising their cultural level and standard of living, and concerning the way in which the State, the social insurance system, workers’ organisations, employers, etc., can contribute towards facilitating workers’ recreation. The Fourth Conference of American States Members of the I.L.O. at Montevideo in 1949 also adopted a resolution calling for a similar enquiry. A study of this question has been initiated by the Office with the authorisation of the Governing Body. The Advisory Committee on Recreation at its First Session (October-November, 1949) reviewed the progress made in these studies and gave special consideration to the leisure-time activities of young persons. The Committee has also given an indication of the lines along which the I.L.O.’s programme in this field should be developed.

The vocational guidance, selection, training and retraining, and placement problems of salaried employees and professional workers, as well as their general conditions of work, were studied by the Advisory Committee on Salaried Employees and Professional Workers which met in Geneva for its first session in October 1949. This session marked the resumption of the I.L.O.’s pre-war activities in respect of these groups of workers. The Committee paid special attention to the questions of weekly and daily rest
in commerce and offices and made a number of proposals for a future programme of work in this field. The Governing Body has authorised the further development of this programme.

**INDUSTRIAL HEALTH**

Following up the work accomplished before the war on silicosis, the I.L.O. this year convened the International Conference on Pneumoconiosis which was held in Australia in February 1950. The Conference studied the matter from the health, social security and employment points of view, giving consideration to compensation for silicosis and other forms of pneumoconiosis, the notification, prevention and medical examination of pneumoconiosis and the rehabilitation of pneumoconiotics. Work is also proceeding on special health problems of the chemical industries.

The industrial health work of the Office also bears directly on the rehabilitation of disabled persons. The question of vocational training and retraining of adults, including the disabled, which is before the present session of the Conference, has been referred to above in connection with manpower questions. Problems of the retaining of physically incapacitated miners were considered by the Coal Mines Committee at its third session (Pittsburgh, 1949).

**INDUSTRIAL SAFETY**

The safety problems of the coal mining industry have occupied a prominent place in the industrial safety work of the Office during the year. One of the principal tasks was the completion of the *Model Code of Safety Regulations for Underground Work in Coal Mines for the Guidance of Governments and of the Coal Mining Industry*. In completing it the Office was assisted by a committee of coal mining experts and a committee of electrical experts and the Code was finally approved by a Tripartite Technical Conference which met in Geneva in September 1949. This Model Code is of a similar nature to the *Model Code of Safety Regulations for Industrial Establishments for the Guidance of Governments and Industry* described in my Report to the last session of the Conference in that it is not a binding instrument, but has been designed to be of service to all who are working to reduce the heavy toll of accidents in the coal mines of the world. It will be published for the guidance of Governments and the coal mining
industry. The Office has also been working on the industrial safety problems of the chemical and civil engineering industries.

**Special Occupations**

*Agriculture*

Just as the I.L.O. in its early stages was mainly "western" in composition, so it was primarily concerned with the pressing problems of the industrial workers of the "western" States, which, following the first world war, called for drastic action on the part of their Governments. Thus, in the initial period of the I.L.O.'s development, the great and complex problem of the agricultural masses of the world did not receive the same attention. Increasing emphasis, however, is now being laid on the problems of bringing the fruits of progress achieved in the industrial field within the reach of the agricultural worker. This emphasis has been evident both on the general international and on the regional level, but it has become especially apparent with the accentuation of the I.L.O.'s regional activities in Latin America, Asia and the Far East, and the Near and Middle East. Moreover, with the development of the expanded programme of technical assistance, the work of the I.L.O. in improving the lot of agricultural workers will become of special significance to those underdeveloped areas where agriculture is the predominant form of activity. Having this in mind, it seemed indicated to bring agricultural questions before successive sessions of the Conference.

During the year the work of the Office has been chiefly concerned with the preparation of reports for the agricultural items on the agenda of the present session of the Conference, and with the continuation of regional work and preparation for the third session of the Permanent Agricultural Committee. A general report on agricultural problems has been prepared for consideration by the present session of the Conference. It is designed to allow the Conference to make a general survey of the problems of agricultural labour with a view to pointing out further aspects of the question requiring early consideration. Reports have also been prepared on the specific questions of wage regulation in agriculture and holidays with pay in agriculture, in the first case with a view to consideration of the question by the present session of the Conference and in the latter for consideration at the June 1951 session. The importance of agricultural problems in the Americas was once again emphasised.
at the Fourth Conference of American States Members of the I.L.O. (Montevideo, April-May 1949), which gave full consideration to the conditions of employment of agricultural workers. The Conference adopted a detailed resolution dealing with employment and manpower, vocational training and regulation of work in agriculture, protection of children and young workers, employment of women and the protection of maternity, and social security in agriculture. Another resolution adopted by this Conference dealt with the right of association of agricultural workers. The Asian Regional Conference (Ceylon, 1950) similarly considered the agricultural problems of that region and adopted resolutions concerning agricultural wages and income of primary producers in Asia, and called for further study, in co-operation with F.A.O., of working conditions of rural workers.

The International Labour Conference has already adopted various Conventions and Recommendations concerning hours of work in industry and commerce and certain other occupations. Conventions have also been adopted concerning medical examination of children and young workers for fitness for employment in industry and in non-industrial occupations, and a Recommendation to supplement these Conventions has also been adopted. The Permanent Agricultural Committee at its third session (Geneva, September 1949) considered the same questions in respect of agriculture, and in each case decided that the time was now ripe for the establishment of regulations at the international level in respect of agricultural workers. Accordingly the Committee recommended that these questions be placed on the agenda of an early session of the Conference, drawing up a series of principles in each case to serve as a basis for international regulations. In the case of social insurance for agricultural workers, Conventions do exist. The Committee noted, however, that relatively few Members of the I.L.O. have ratified them. The Committee therefore in this case too recommended inclusion of the subject on the agenda of an early session of the Conference, and drew up a series of principles as a basis for such consideration.

Arising out of the decisions of the Asian Regional Conference held at New Delhi in October 1947, the Governing Body decided to establish a Committee on Work in Plantations. It is proposed to hold the first session of this Committee in the latter part of 1950.
Maritime Labour

My Report to the last session of the Conference referred to the tripartite investigation made at the request of the Government of Panama into certain charges made against the Panamanian merchant marine. These charges were made by the International Transport Workers’ Federation, which has concerned itself from time to time with the question of the harmful effect on the seafarers’ conditions of employment of certain transfers of ships from the flag of one country to the flag of another country with lower standards. The Government of Panama rejected the allegations made and appealed to the Governing Body to appoint a tripartite delegation to carry out an official enquiry into the charges made by the I.T.F. against the Panamanian merchant marine. The Governing Body in March 1949 constituted a Committee of Enquiry, and the Committee began its work in May and unanimously approved its report in November 1949. This report was submitted to the Governing Body which asked the Government of Panama to forward any observations which it wished to make upon the report by 1 May 1950, so that such observations could be laid before the Governing Body at its June session. The report is to be published on 15 June 1950.

In agreement with the World Health Organisation, a Joint Committee on the Hygiene of Seafarers was established and held its first meeting in December 1949. The meeting was of considerable interest as being the first meeting of a joint committee with another specialised agency in which the I.L.O. has participated, and the harmonious discussion and the unanimity with which decisions were reached indicate the high degree of success which has been achieved in the co-ordination of the work of the I.L.O. with that of the W.H.O. The Committee was composed of experts appointed by the World Health Organisation and of representatives of the shipowners and seafarers appointed by the Governing Body at the suggestion of the Joint Maritime Commission. The purpose of the meeting was to explore ground common to the two organisations in the field of seafarers’ hygiene and to suggest action to be taken by each organisation. The Committee made progress towards defining the problems affecting the health of seafarers, with particular reference to tuberculosis and venereal disease. A number of suggestions were made for a study of the organisation of medical examinations and the problem of hospitalisation, and certain problems for study at subsequent sessions were indicated.
Industrial Committees

A high degree of interest continues to be manifested in the work of the Industrial Committees. During the past year five committees held sessions. An indication of the interest shown may be found in attendance at the sessions. Nineteen countries were represented on the Building, Civil Engineering and Public Works Committee, with 145 delegates, advisers and observers; 10 countries were represented on the Coal Mines Committee, with 73 delegates, advisers and observers; 22 countries were represented on the Inland Transport Committee, with 164 delegates, advisers and observers; 15 countries were represented on the Metal Trades Committee, with 99 delegates, advisers and observers, and 13 countries were represented on the Iron and Steel Committee, with 76 delegates, advisers and observers. As these delegates represent important organisations and Government departments related to the fields of the different committees their good attendance record results in a deeper penetration of the I.L.O. into circles hitherto never reached. The action taken in various fields by these Industrial Committee meetings is dealt with under the appropriate headings of the present chapter.

Special Categories of Workers

Women Workers

The vocational training and employment problems of women continue to be of major concern to the I.L.O. During the past year emphasis has been given to the question of equal pay for work of equal value, in preparation for the consideration of this question by the present session of the Conference. This problem has also come before the United Nations, and it will be recalled that it was referred to the I.L.O. by the Economic and Social Council. The work of the Office has not, however, been confined to this particular aspect of the problems of women's employment. Women's employment in agriculture in the Americas was studied at the Fourth Conference of American States Members of the I.L.O. at Montevideo (April-May 1949), which gave particular attention to the need to extend the provisions of maternity protection to women wage earners in agriculture, hours of work for women in agricultural employment, minimum wages and family allowances, special regulations as regards heavy and arduous work, and provi-
sion of vocational training facilities for women on an equal basis with men. The problem of extending maternity protection to further classes of women employees not at present covered was raised and recommended for study by the Advisory Committee on Salaried Employees and Professional Workers mentioned above.

Young Workers

The questions of vocational guidance and training, subjects of special importance for young workers, have been dealt with above in connection with the manpower programme. In this connection it should also be mentioned that the Advisory Committee on Juvenile Employment, which met in December 1949, made a number of recommendations designed to guide the I.L.O. in operational programmes concerned with the development of manpower and in schemes of technical assistance which might be authorised for the less-developed countries. These recommendations were primarily concerned with ways and means for promoting vocational guidance services and well-rounded programmes for vocational training for young persons, and also with procedures for improving and developing administrative and particularly inspection services covering young workers, and with provisions for the supervision of their health. Leisure time facilities for young workers, including holiday camps, were studied by the Advisory Committee on Recreation mentioned above.

In addition, special consideration has been given to the conditions of young workers employed in special categories of work. The action taken by the Permanent Agricultural Committee on health examinations to determine fitness for employment in agriculture has been referred to. Protection of children and young persons in agriculture was also the subject of study by the Fourth Conference of American States Members (Montevideo, 1949), which made a series of recommendations on the point. During the year action has been taken in regard to the needs of young workers employed underground in coal mines and of young workers in inland waterways by the Coal Mines and Inland Transport Committees respectively. In regard to young workers in inland waterways the Inland Transport Committee, in addition to adopting a set of standards on the subject, proposed that the question be included on the agenda of an early session of the International Labour Conference, with a view to the adoption of international regulations. The Asian Regional Conference also called for a
study to be made of problems affecting the employment of women and young persons in Asian countries.

**Workers in Non-Metropolitan Territories**

The vast and complicated questions of social policy within the non-metropolitan territories continue to be closely studied. Particular emphasis has been laid on problems arising out of the movements of labour to and from centres of organised employment for wages, especially in Africa. These movements are now on such a scale in some areas as to threaten tribal organisation and food supplies. It is hoped further to develop the I.L.O.'s activities in this field in the near future.

**Indigenous Labour in Independent Countries**

The special problems of indigenous populations of independent countries have continued to be of interest to the I.L.O. The question has been discussed at all the Conferences of American States Members of the I.L.O. and was given special prominence by the fourth of these Conferences, which formulated a long-range programme of action with respect to the conditions of life and work of indigenous populations of American countries. This programme was embodied in a resolution which reaffirmed the principles of equality of rights and opportunities without distinction of race or nationality and requested the Governing Body to recommend that Governments take steps to put into effect legislation adapted to the real needs and special characteristics of life and work of the indigenous populations, concerning in particular—equal pay for equal work; regulation of activities of private recruiting agents; provision of adequate housing and medical, hospital and pharmaceutical care; recognition of the family as an economic unit in the extension of social insurance and other forms of social assistance; land settlement; general education and technical training. These recommendations have been communicated to the Governments concerned by decision of the Governing Body. The Resolution also recommended that the Office study and co-ordinate the experience acquired by various countries with respect to indigenous workers, concerning—the development of programmes of vocational training; the extension of social insurance and other forms of social assistance; the systems of land ownership and agricultural credit; the application of legislation concerning
labour inspection and the prohibition of unpaid services; the division of agricultural wages between payment in cash and in kind; the conversion of Indian comunidades into agricultural and livestock co-operatives; measures for protecting the economic interests of indigenous homecrafts; recruitment of indigenous agricultural labourers and mineworkers for work within the country as well as abroad; adaptation of industrial safety devices to the risks of industry, and methods of instructing workers concerning occupational risks and the observance of safety regulations, particularly in regard to mining.

To assist in carrying out this programme there exists an I.L.O. Committee on Indigenous Labour composed of experts from ten different countries. The first meeting of this Committee will be held in the latter half of 1950. On its agenda figure some of the more important aspects of the programme as drawn up at Montevideo including the development of programmes of vocational training, the recruitment of indigenous agricultural labourers and mineworkers, the extension of social insurance and other forms of social assistance, protection of indigenous homecrafts and safety in industry, especially in mining establishments.

Of special interest to the I.L.O.'s work in this field was the meeting of the Second Inter-American Indigenous Congress (Cuzco, June-July 1949) which stressed the importance of the work of the I.L.O. in the field of indigenous labour and recommended that the I.L.O. technical standards be applied for the protection of the wages of indigenous workers. Close co-ordination is being maintained between the work of the I.L.O. and that of the Instituto Indigenista Interamericano.

Co-operation

Considerable emphasis has been given by the recent regional conferences of the I.L.O. to the possibilities of co-operative organisation in the social and economic development of the countries concerned. The Fourth Conference of American States Members of the I.L.O. emphasised the possibilities of co-operation, especially in regard to the conditions of life and work of indigenous populations of the American countries. The Asian Regional Conference studied the question of the co-operative movement in Asia and adopted resolutions on national and international action in this field. The proposals for the expanded programme of technical assistance to be carried out by the United Nations and the special-
ised agencies have lent further emphasis to the possible role of co-operative organisation in the development of underdeveloped areas. It is not surprising, therefore, that the first session of the Advisory Committee on Co-operation (Geneva, October 1949) examined the possibilities and conditions of co-operative action in the economically and socially less-developed regions.

The Committee also considered the role of co-operation in relation to social security, underlining once again that co-operative and other mutual aid organisations, by reason of their basic objectives, have always concerned themselves with ensuring the means of existence of members and their families, and that their voluntary efforts in the social field have sometimes prepared the way for compulsory and general social security schemes. The Committee also dealt with employment conditions in co-operative enterprises, concentrating attention on vocational training, and with inter-co-operative relations.

The advisory work of the Office has also been very prominent in the field of co-operation. In response to requests from official sources and some private sources, data have been supplied on legislation regarding housing co-operatives, general co-operative organisation, the organisation of fishermen's co-operatives, teaching regarding co-operation in universities and schools, health and insurance co-operatives, co-operative sickness funds in agriculture, and the organisation of consumer co-operatives. The 1950 programme includes missions to Ceylon, India, Pakistan and Iran, to advise Governments on co-operative organisation, and at the request of the Turkish Government, the Office arranged for an expert to survey co-operative problems in Turkey with a view to the revision of current legislation on the subject.

Close contact has been maintained with the Food and Agriculture Organisation in this field. At the request of the F.A.O., the Office has produced memoranda on the organisation of successful types of agricultural co-operatives in Europe and on co-operative farming. These were submitted to a meeting convened by the F.A.O. to study the problems of co-operation in Asia. The I.L.O. was represented at this meeting, and the F.A.O. was represented on the Advisory Committee on Co-operation. U.N.E.S.C.O. is also interested in co-operation from the point of view of its function in regard to educational development, and the fullest exchange of information between the I.L.O. and U.N.E.S.C.O. on this subject has been established.
In recent years there has been an increasing need for more comparable and more detailed statistics on the labour force, on employment and unemployment, and for the development of international standard classifications. Furthermore, the widening scope of international co-operation and of economic aid and technical assistance has fostered interest in international comparisons of standards of living and of real wages. This in turn has centred attention on international comparisons of labour productivity.

These tendencies have set the pattern for the work of the Office. It will be recalled that the Sixth International Conference of Labour Statisticians (Montreal, 1947) dealt with statistics of employment, unemployment and the labour force. More recently still the emphasis has been directed to measurement of labour productivity, comparisons of standards of living, and the international standard classifications of occupations.

As was stated in Chapter III, the measurement of labour productivity was given preliminary examination by the Seventh International Conference of Labour Statisticians (Geneva, September 1949), and will be considered further by the next of these conferences. The problem of comparisons of existing standards of living was approached by the Seventh Conference in two ways: through techniques of family living studies—and the need of better methods for such studies in the less well developed areas was stressed—and through statistics of nominal wages. The development of the manpower programme has not only made it necessary to enquire into manpower deficits and surpluses in various countries, but has also emphasised the need for greater comparability between the occupational classifications of the labour force. This latter problem was also considered by the Seventh International Conference of Labour Statisticians.

Apart from the work of the Seventh Conference, the Office has continued to publish current statistics of wages, employment, unemployment and cost of living for the different countries of the world, and has issued the tenth edition of the Year Book of Labour Statistics. Special surveys have also been made for certain groups of industries.

Publications

During the past year the contents of I.L.O. publications have been determined very largely by the number of conferences and
other meetings held under I.L.O. auspices. Conference docu-
mentation proper—reports and records—has accounted for a very
large proportion of total output. These include 18 volumes
published in connection with the 32nd Session of the International
Labour Conference and six in connection with the 33rd Session,
four for the Fourth Conference of American States Members and
six for the Asian Regional Conference as well as 17 volumes in
connection with sessions of the Industrial Committees. In addi-
tion an exceptionally large proportion of the space available in
the International Labour Review, for example, has been devoted
to articles on the more important conferences and to the reproduc-
tion in adapted form of some of the principal papers prepared for
the smaller meetings, the documentation of which is not always
available to the public.

In consequence of this large workload connected with confer-
ences and meetings it was not possible to add many volumes to
the Studies and Reports series. Seven, of which five were prepared
in connection with conferences but which had a continuing interest,
were however added to this series. It seems likely that the
heavy programme of meetings which dominated the work of the
Office as a whole, including the publications, will not be repeated
in 1950 and 1951. In that event it will be possible to restore
general research to the place which it formerly held in the Office
and to effect a corresponding increase in the technical document-
atation issued, as distinct from working papers and reports of
proceedings.

In addition to the Review mentioned above, the Office has
continued regular publication of Industry and Labour, the Legisla-
tive Series, the Industrial Safety Survey, the Year Book of Labour
Statistics, the Report of the International Labour Organisation to
the United Nations, and the Official Bulletin. Quarterly publica-
tion has already begun of the Bibliography of Occupational Medicine,
a revival of the former Bibliography of Industrial Hygiene.

The special publications which do not belong to any of the
principal series issued in 1949 include some of the most important
volumes, such as Conventions and Recommendations, 1919-1949,
the Model Code of Safety Regulations for Industrial Establishments
for the Guidance of Governments and Industry, and a companion
volume entitled Safety in Factories. Work is well advanced on
the new edition of the International Labour Code which will be
published in two large volumes and cover the period 1919-1949,
giving in codified and annotated form the provisions of all the
Conventions and Recommendations adopted by the International Labour Conference, together with a very full collection of substantive resolutions adopted by other I.L.O. meetings and embodying international standards of social policy.

**Finance**

As in previous years, the Conference has before it a report on *Financial and Budgetary Questions* (Report II). That report contains in particular the budget estimates for 1951 as approved by the Governing Body for submission to the Conference. When I presented my proposals for the budget estimates to the Governing Body for the consideration of its Finance Committee, I included, in accordance with a recommendation made by the Finance Committee of Government Representatives at the last session of the Conference, an annex containing for purposes of information a summary of the estimates presented on project budget lines and also, with reference to each of the projects listed, an estimate of the 1951 workload of the Sections and Services contributing to the effectuation of that project. The Conference and the Governing Body have increasingly emphasised the need to examine the budget estimates carefully in the light of the programme of work which the budget when voted will finance. Future programmes of work develop out of past and present programmes and the report on financial and budgetary questions is therefore closely related to those parts of the present Report in which the activities of the Organisation in the previous year are reviewed and the main problems involved in its present programme of work are surveyed.

The net budget estimates for 1951, as approved by the Governing Body for submission to the Conference, amount to $5,922,515 and the gross estimates, which include provision for the reorganisation of the Working Capital Fund, amount to $6,168,230. The net budget estimates show a decrease of $61,011 as compared with the 1950 budget and the gross budget estimates an increase of $184,704 as compared with the 1950 budget.

In submitting my budget estimates to the Governing Body, I drew attention to the favourable background resulting from the financial working of the Organisation in 1949. In 1949 the total income of the Organisation amounted to $5,170,837, equivalent to 99.14 per cent. of the budget. Expenditure amounted to $5,034,154, or 96.52 per cent. of the budget, and the cash balance available at the end of the year therefore amounted to $136,683,
or 2.62 per cent. of the budget. Further, it did not prove necessary to use any supplementary credit in 1949 and therefore no withdrawal took place from the Reserve Fund.

The broad considerations of general policy which have guided me in preparing the 1951 estimates are based upon the experience I have gained as Director-General during the past twelve months. In these twelve months, as stated above, I have visited many of the States Members of the Organisation in Asia, in the Americas and in Europe. I have discussed the problems with which the Organisation is faced with heads of States, with employers and workers, and with Government officials.

As a result of all this experience, two main impressions remain with me.

Firstly, I have been impressed by the tremendous needs which are increasingly being expressed for the services which this Organisation alone can render. It is only when one visits the countries concerned and comes into intimate contact with the problems that they are facing, problems which depend for their solution on international action, that one realises the enormous effective demand upon the Organisation.

Secondly, I have been impressed by the extreme difficulty which many of the States Members of the Organisation are experiencing in finding the financial means to enable them to cooperate actively in the work of international organisations. The expenditure involved in sending their delegations to international conferences and meetings and in paying their contributions to these organisations represents in some cases an appreciable part of their budgets. These difficulties have been substantially increased, in the case of countries which devalued their currencies in September and October last year, by the need to find the hard currencies in which their contributions to international organisations are paid.

If, in framing my 1951 budget estimates, I had taken account only of the need which exists for an expansion in the services of the Organisation I should have proposed a much larger budget. If, on the other hand, I had taken account only of the difficulties experienced by States Members in paying their contributions, I should have been tempted to propose a smaller budget.

I have tried, however, to balance the two needs and as a result I proposed estimates for 1951 which do not diverge substantially from the budget for 1950.

In the course of the very full and detailed discussion of the
estimates undertaken by the Finance Committee of the Governing Body, members of all three groups agreed that nothing should be done to impair the essential work of the International Labour Organisation. Members of the Governing Body expressed satisfaction that while no increase was proposed in the net estimates, they should in fact provide for a somewhat higher level of activity. This is due on the one hand to the extent to which proposed expenditures take account of devaluation of currencies and on the other hand to increased familiarisation of the staff of the Office with the problems with which they are dealing, and to constant adjustment of the work of the various Sections of the Office on the basis of a continuing review of relative urgencies and priorities in the demands made upon the Organisation. Attention was drawn in the Governing Body to the importance of the operational activities of the Organisation, particularly in the underdeveloped countries.

Full account was taken in the Governing Body, as it will no doubt be taken in the Conference, of the recommendations made by the United Nations General Assembly with regard to co-ordination with the United Nations and the specialised agencies, and appreciation was expressed that the United Nations Advisory Committee on Administrative and Budgetary Questions had stated in its report that it was satisfied that in general every effort had been made by the International Labour Organisation to achieve a fuller measure of administrative and budgetary co-ordination with the United Nations and the specialised agencies.

One of the recommendations of the United Nations General Assembly is that the attention of States Members should be drawn to the necessity for prompt payment of contributions to ensure the adequate financing of budgets approved by them. This recommendation was noted with appreciation by the Governing Body and the view was expressed that nothing less than 100 per cent. collection of contributions could be regarded as satisfactory. In this connection it should be mentioned that while, as has been pointed out above, the total income of the Organisation in 1949 was equivalent to 99.14 per cent. of the budget, only 90.37 per cent. represented current contributions. Though this result was slightly better than the results in 1947 and 1948 (88.40 per cent. and 90.04 per cent. respectively), there is still some way to go before the target of 100 per cent. collection is reached.

I should, therefore, like on the one hand to express gratitude to States Members for their loyal financial support of the Organisa-
tion in 1949 and on the other hand to appeal to them, in spite of the additional financial burdens imposed upon many of them by the depreciation of their currencies, to pay their contributions for 1950 as early as possible in the year and in any case before 31 December 1950.

The confidence which States Members display in the Organisation by paying their contributions promptly and regularly conditions not only the effectuation of the current tasks of the Organisation but also the realisation of its future plans and activities.
CONCLUSIONS

In the preceding chapters I have attempted to describe the basic labour and social issues facing the world today and to indicate the manner in which the I.L.O. has proceeded to meet them. It is, therefore, with special interest that I look forward to your debate on this Report. If I have focused attention on the question of the productivity of labour, it is in the hope that you will give particular scope to this pressing and fundamental problem in your debate. The International Labour Conference is a forum which has as one of its obligations the review of questions of labour and social policy, a review which represents the synthesis of experience and wisdom drawn from all parts of the world. Your constituents look to this Conference for positive action and with hope that you will seize the initiative in formulating policies which respond to the deepest yearnings of men and women everywhere for a decent way of life. With your active faith and positive support the I.L.O. will continue to be a most powerful international force for peace. Its work goes to the root of the causes of fear and unrest that beset the world today. It is its constant aim to strive for the progressive realisation of practical social justice for every individual. For it is its deep conviction that this is the most solid basis upon which world peace may be built.

6 April 1950.

DAVID A. MORSE.