

## EMPLOYMENT PROBLEMS AND STRATEGY

RICHARD JOLLY\*

We are at a time when many people in the Third World and outside are raising fundamental questions about the pattern of development which has taken place in the last two decades. Is this pattern of growth, usually on the basis of capitalism or state capitalism, sustainable in the future? And, even if it is sustainable, will it necessarily continue a pattern of development in which the urban areas grow at the expense of rural incomes, with ever more school leavers unemployed and ever larger groups in town and country left outside the 'modern sector'? How much has this pattern of growth been 'dependent' on the international economy or the multi-national corporations - and is this pattern consistent with true Independence?

Put another way, can the expansion of total production be maintained, especially of foodstuffs and other basic goods and services without running into foreign exchange or other bottlenecks? If so, will this pattern primarily be to the benefit of a small minority within the country (and within the world economy) - or can it be broadened to include the mass of the population, including those at present in severe poverty? Will this be possible within capitalist or state capitalist production, and what alternatives are practicable given the economic, social and political realities inside the country and outside?

These are the essential questions which discussion of employment problems and strategy ultimately raises. The questions are big and risk of slipping into easy generalisations and ideological simplifications is also large. But, the issues cannot sensibly be ignored, if one wishes to discuss issues of unemployment and employment strategy at a national level.

---

\* RICHARD JOLLY is Director of the Institute of Development Studies at the University of Sussex. This paper is an extract of a longer piece prepared for a Conference on Employment Problems and Planning, organised by the Commonwealth Secretariat in Lesotho in November 1975.

## I. The Nature of the "Employment Problem"

For all the concern with the "employment problem" in so many Third World countries, it is important to emphasize that there is not one employment problem but many. Moreover, the importance of the various employment problems varies considerably between and within countries. In Kenya, for example, nine-tenths of the population still lives in rural areas and for the majority the crucial determinant of employment and incomes is access to land. In Zambia, by contrast, nearly two-fifths of the population have wage earning employment: here the crucial issue is not access to land but access to income originating in the copper mines, directly through wage earning employment or indirectly through a multitude of activities financed from government expenditure. Between these extremes lie many variations. And in spite of the contrasts, there are also common features, for instance, that a high proportion of the rural labour force works very long hours but still receives very low incomes.

Common to the employment and unemployment difficulties in most countries, one can identify three main problems which have aroused widespread concern. These three problems are:-

- (1) Intense frustration among many job seekers, (especially but not only among the young and educated) unable to find work of the type and for the remuneration which they want or which they feel they can expect.
- (2) Low incomes in money or kind from work, which are inadequate in terms of the basic needs of individuals or their households.
- (3) Under-utilised labour resources in the sense of people involuntarily producing less than they are capable of with the resources at hand.

These three problems are conceptually distinct, though frequently confused in analysis and policy-making. Different data are required to quantify each of them. The impact of policy needs to be explicitly evaluated in terms of each of these problems taken separately. Yet this is still too rarely

recognised.<sup>1</sup>

It is the third of these approaches which has been the main preoccupation of economic literature on unemployment and underemployment in developing countries. In a systematic review of eighty articles published between 1958 and 1970 on unemployment in developing countries, I estimate that between fifty and sixty were explicitly or implicitly concerned with the under-utilisation of labour resources, not with job seeking or the inadequacy of incomes from work.

In contrast, it seems that among policy makers, it is usually the frustration among job seekers, particularly among school leavers, which accounts for much of the real worry behind the public concern with unemployment. This is what alarms the politicians and the civil servants, anxious to avoid major upheavals, and which angers and discourages many of the young persons and their relatives.

But, increasingly, to many observers and analysts<sup>2</sup>, and in the public statements of many public leaders - it is the problem of inadequate incomes and of mass poverty, which is dominant. At least as the central aim of policy, the provision of better incomes for those whom we should call the working poor, both urban and rural, is the general problem. Moreover, improvement in incomes is not merely the primary aim of policy. It is a basic means towards the solution of the first problem, and to deal with the under-utilization of labour is the third problem, is a key starting point to begin. The three problems and their solutions are thus closely linked.

## II. The Causes of the Employment Problems

It should already be clear why we feel there is not one cause of these employment problems but many. The sets of causes can, however, be conveniently divided into two - those concerned with the overall imbalance between the total numbers

---

1. A recent recognition of the three approaches, though defining them somewhat differently, will be found in A.K. Sen, Employment Technology and Development, OUP 1975.

2. In the ILO Employment Missions already mentioned and also notably by David Turnham, in his OECD Publication "The Employment Problem in Less Developed Countries", OECD 1971.

of persons wanting work and the total number of work opportunities (measured for example, in numbers of man-years of labour required) - and those concerned with structure imbalance between the skills, education, experience and aspirations possessed by the labour force and the occupational and other characteristics needed for manning the economy. The two types of imbalance are not, of course, mutually exclusive. Table 1 illustrates the range of structural imbalances and some of the policy measures which can help to remove them.

Both the overall imbalance and the structural imbalance are linked to the pattern of economic production, growth and income distribution. It is for this reason that the employment problem is symptomatic of basic weaknesses in the whole process of development. There are in effect three major inter-connections between excessive inequality in income distribution and employment problems.

- (i) the more unequal the income distribution, the greater the differentials in wages and consumption levels and thus the stronger the desire for the higher-paid, mainly urban jobs and the greater the dissatisfaction with low paid work. In turn, this encourages migration from the rural to the urban areas, increases the pressure for general secondary and higher education to provide access to senior jobs within the civil service and large-scale manufacturing, and stimulates general claims for increases in salaries and wages. The structural imbalance shown in Table 1 becomes more acute.
- (ii) the more unequal the pattern of income distribution, the higher the level of luxury consumption and, in most countries, the higher the expenditure on luxury imports, visible and invisible (like foreign travel). The very rich may also use foreign exchange to acquire assets abroad. This adds to the foreign exchange constraint which in at least half the developing countries is a major constraint on economic expansion.

- (iii) the more unequal the level of income distribution, in many cases the lower the growth of formal sector employment. Here the evidence is less straightforward. The essential determinant is whether luxury consumption leads to a more or to a less labour-intensive pattern of production. Higher levels of luxury consumption will discourage demand for food products, which are generally labour-intensive. At the same time, the other forms of luxury consumption which they encourage may or may not be labour-intensive, depending on the type of goods and context. Which of these influences dominates depends on the specific situation.

These three relationships are tendencies rather than universal laws. But with respect to policy, the crucial point is that there is no automatic measure of adjustment which operates with respect to either the overall or the structural imbalance. Thus, imbalance may persist and may indeed worsen without calling into play any offsetting mechanisms. Measures towards balance must, therefore, be made an essential element of policy.

### III. Central Thrusts of Poverty-Focussed Policy - Redistribution with Growth

Since the causes are fundamental, it follows that the remedies will also involve major changes in the whole thrust of development strategy. It is not possible briefly to do more than indicate some of the main directions involved. Nor is it possible adequately to discuss these in general terms, without reference to the specific problems and context of an individual country.

Redistribution with growth as an overall strategy was explicitly outlined in the ILO mission report on Kenya<sup>1</sup>. As proposed in Kenya, it involved four elements:

---

1. See ILO, *Employment, Incomes and Equality*, Chapter 7, and *Technical Paper No. 6*

- (i) a commitment to maintain, if possible even to increase the overall rate of economic growth;
- (ii) broadly to stabilise the income levels of the highest group of income receivers, in Kenya the top 10 per cent;
- (iii) to channel the resources which otherwise would accrue to this top 10 per cent into investment;
- (iv) to invest these resources as far as possible in forms which would benefit primarily the poorest section of the country, in Kenya the bottom 40 per cent, mainly rural but partly urban.

These were the broad dimensions of a strategy designed to double the incomes of the poorest groups in the country in a decade. Naturally, it needed to be translated into specific programmes of action, related particularly to the target groups of those in poverty and their specific needs. In subsequent work<sup>1</sup> these target groups have been identified as (a) small-scale farmers, (b) rural landless and sub-marginal farmers, (c) urban underemployed (the working poor) and, (d) the urban unemployed. The range of programmes required to improve their incomes is numerous but identifying the groups is a first step to the design of adequate programmes. National targets needed to be set for the provision of key elements for a minimum standard of living: minimum nutritional standards, and access to clean water at a reasonable distance, to basic education, to basic health facilities, to simple housing, and of course, the opportunity of productive employment.

The crucial step towards a comprehensive strategy is the commitment to bring into line all sectoral programmes to ensure that they contribute positively to the improvement of living standards for the poorest.

---

1. A volume reporting on joint studies on these themes by the World Bank and the Institute of Development Studies: Hollis Chenery, et al. *Redistribution with Growth*, OUP 1974.

In most countries, this means major changes within rural and agricultural policy, with an effective programme of land reform and distribution as an inescapable component. But always there will be a need also for basic changes in the pattern of transportation, marketing, pricing, extension services, and in the terms and conditions for supplying key inputs such as fertilisers and credit. Parallel changes focussed on the needs of the poorest 40 per cent of the population are also required in industry and services, in the whole range of education and health facilities and in the system of government planning and administration which so largely determines which groups benefit and which do not. This is a formidable agenda for change - but the enormity of the problem demands nothing else.

### Some Dimensions of Structural Imbalance in the Labour Force and Some Policies to Remove it

20



E. In skills	<p>Increasing education and mechanization</p> <p>Reduction of discrimination against informal education</p>	<p>Changing wage structure and incentives</p>
F. In job aspirations	<p>Better information about job opportunities</p> <p>Education reform</p> <p>Political leadership and education</p>	<p>Changing wage structure and incentives</p> <p>Improving security of self-employment, by changes in land tenure availability of capital to small-scale producers.</p>