
3. EMPLOYMENT OPPORTUNITIES FOR YOUNG PEOPLE IN THE MODERN INDUSTRIAL SECTOR AND OTHER MODERN SECTORS

Although much emphasis is placed upon the modern in most less developed countries (LDCs), this sector is still relatively small, especially in terms of employment opportunities, because of the use of capital - rather than labour-intensive methods of production etc. As Klaus Bettenhausen points out (speaking specifically about Asia, but the comment is generally true for most LDCs), "Employment generation in the modern sector will, for the time being, remain limited. Even if significant additional employment could be generated in this sector, this will be a lengthy, long-term process. In the immediate future there appears to be no possibility of any spectacular rise in job opportunities. (1) As within the urban informal sector, therefore, improved opportunities in the urban modern sector can probably only be thought of in the short term as a solution to the problems mainly of the core of truly urbanised youth who have no base in the rural areas to which they may return. An additional problem is that although obviously one wishes to see better prospects of employment for these urbanised youths any enhancement of the urban employment situation taken by itself will increase its attractiveness vis-a-vis the rural areas and will thus spur rural-urban migration. "Above all it is vital to avoid accentuating existing differences between urban and rural areas by establishing distinctive training in the towns- this aggravates the existing situation whereby there are two kinds of education, a superior kind in the cities and an inferior kind in the rural areas. (2) This applies not only to education and training but to any employment facilitating measures for urban youth. Therefore, such measures will have to be combined with others which will help to stem rural-urban migration of youth - differential wage rates, special help for youth in rural areas etc. - which will be discussed more fully later in this section.

*Employment
prospects:
Need for urban-
rural balance*

Improving Employment Prospects in the Modern Sector

These qualifications should be borne in mind in the following examination of the two ways in which the employment prospects of young people in the modern sector can be improved. The first way is indirectly, through any measures which will enlarge the employment generating efforts of this sector. The second way is through more specific measures which would ensure that a certain proportion of any jobs created go to youth in preference to other workers, or by means of which more young workers can be taken on than would be the case if they were other workers, because of differential wage rates etc..

*Employment
Generation*

Turning first of all to the more general measures, it has already been pointed out that at the moment, and in modern manufacturing especially, methods used are generally very capital-intensive. Furthermore, as output from the sector increases, employment generated tends to increase at a much slower rate because of increased labour productivity, through economies of scale etc.. This use of capital-intensive methods in the face of large-scale unemployment is partly due to government policies which in effect subsidize the use of modern capital equipment, thereby resulting in an artificial distortion of the relative factor prices for capital and labour. However, this is a complex area of study in that some industries can only be operative with the present state of technology in a capital-intensive way and in others, although there may be a range of different alternative technologies available to them, there may very in terms of efficiency, productivity etc. and some, although labour-intensive may in actual effect turn out to be capital-intensive as well.

*Capital and
labour inten-
sive methods*

"The availability of alternative technologies differs widely between industries. There is only a very narrow range of efficient technologies in the heavy chemical, pulp and paper, and metallurgical industries, which are all of a capital-intensive nature and are characterised by fact technological change. In most cases these sectors do not absorb the kind of manpower which is abundant in developing countries. In regard to them the choice would be between importing the latest technology

because its very high capital cost would be justified by other factors (such as natural resource endowment), and abandoning altogether the idea of creating an industry of this type.

"Fortunately, for many industries there exists a variety of efficient technologies, with different grades of capital cost and skill and employment requirements. This is the case of textiles, clothing, footwear, metal working and miscellaneous industries." (3)

*Political
factors*

Although there may well be an excellent case in opting for labour-intensive methods, even when these may turn out to be slightly less efficient, the extent to which alternative technologies will be applied depends upon political factors, especially bearing in mind that many of the modern sector enterprises in LDCs are foreign-owned. As these tend to 'import' their production techniques from parent companies in developed countries, they are hardly likely to be keen to change over to more labour-intensive methods of production, and their position in LDCs is often such that there is no real way of forcing them to do so. All these factors must be borne in mind when considering the value of setting up research bodies looking into the possibility of labour-intensive production in the modern sector. Such a body may well be able to recommend efficient labour-intensive methods of production, but whether such methods will be put into use is another matter altogether.

"Virtually all research and development is currently undertaken by government agencies and the larger firms of the developed countries. As neither of these groups stand to benefit from undertaking such research, the new methods of production are unlikely to come from the established sources. As most modern technology is imported by the Third World countries, the scientific research institutions in these countries have not faced a demand from local industrialists for production-orientated research. However, these institutions will need to become one of the main sources of innovation." (4)

*Development
of alternative
technologies*

Therefore, if one believes that in spite of opposing forces it is still possible to find a way to persuade enterprises to consider the possibilities of alternative technology in production, there is a need for research bodies to investigate different methods. Such bodies would undoubtedly benefit from an interchange of ideas with similar organisations in different LDCs. Even where firms are willing to introduce alternative technologies problems of management and organisation in the implementation of such changes will occur. As well as research bodies then, there will also be a need for assistance to managements. "While remaining labour-intensive the new technology must involve a higher labour productivity. This is likely to involve not only the introduction of new machinery and equipment, but also new methods of management, particularly in the organisation of labour." (5) The constraint of shortage of skilled management has also been noted by others: "... the management problem posed by large working groups is a difficulty in situations where such groups would otherwise be an economic alternative to machinery and where local supervisory skills may be lacking." (6) At this point the importance of this management constraint upon the general employment creating potential of the modern sector is emphasized; later on the special significance of this for the employment of youth in particular will be considered.

*Management
implications*

*Wage struc-
tures in
modern
sector*

However, before moving on to more particular policies one last general factor will be discussed. This is the wage structure in the modern sector. These wages are generally high compared to those available from other income sources, which of course is one of the reasons why there is such a great amount of rural/urban migration. It is argued that a general reduction in such wages would lead to the employment of greater numbers of workers in the modern sector, but again this is a complex issue, involving such factors as the artificial cheapness of capital relative to labour because of certain government policies; shortage of certain skills but abundance of unskilled labour, as well as the existing methods of production which call for only a limited amount of labour anyway. The relationships between

these and other factors would have to be analysed in some depth before one could be sure of the effects of an overall cut in wage rates in the modern sector.

Opportunities for Young Workers

However, the arguments are slightly different when one focuses upon young people and the wages paid to them. If young workers were initially paid less than older workers for the same job then presumably greater numbers of young people would be taken into employment, although of course in itself this only displaces one group and puts another in its place and does nothing to increase the overall availability of employment opportunities. A similar measure is to increase the rate of labour turnover, which in many LDCs has tended to slow down in recent times. "Nowadays ... the reduced labour turnover may lower the average educational level of the labour force while excluding the generally better educated younger generation with a higher skill potential; far from promoting African employment, the relatively high wages may discourage labour-intensive innovation and the application of known labour-intensive innovation and the application of known labour-intensive technologies in the modern sector, thus reducing rather than increasing the absorption of African labour. Instead of producing labour stability in the urban sector as a whole, the relatively high rates of pay may have been an important factor in the heavy influx of rural dwellers into Nairobi and other towns where there is a large floating population looking for work or engaging in informal activities, often violating labour laws and standards." (7) Older workers are now sticking more closely to their jobs and the median period for which a worker keeps his job has increased. Therefore, the authors continue, "One obvious policy implication supported by the declining trend of labour turnover is that the former need for offering higher wages and other facilities in order to stabilise the industrial labour force no longer exists. In fact, because of the large influx of people from rural to urban areas due to the wide disparity in average incomes between these areas, there is now a case for not allowing urban wages to increase and widen the gap." (8)

*Increasing
rate of
labour
turnover*

One means of increasing labour turnover and of giving young people a better opportunity of obtaining jobs in the modern sector would be to lower the retirement age in this sector and to give incentives such as lump-sum retirement grants or facilities for older people to settle in rural areas or in the informal urban sector, as the needs of this outgoing workforce must certainly not be overlooked. Added to that there should also be incentives, of course, for young people to remain there once they have if they cannot find a job. Of course the social and economic situation will vary from country to country, as will the opportunities for compensating the early-retired older workers. Precise differences will not become clear until there has been further research into this hitherto neglected area. "But there should be no doubt that labour turnover data can provide useful indications of the trend of unemployment, and, if collected regularly and in detail, can give guidance for general economic policy besides being useful to employers in structuring their wages, training and employment policies. In African countries very little attention has been paid to this aspect of the employment situation and almost nowhere are labour turnover data systematically and regularly collected. From the point of view of comprehensive employment strategy there is a good case for wider collection and analysis of information on the causes, nature and extent of labour turnover in the modern sector." (9)

It could be argued that to increase labour turnover in this way is to replace an older, more experienced and skilled, though probably uneducated as such, workforce with one that is young and, although probably of a higher general educational standard, less experienced and unskilled. This may be true if the young person is an unemployed school leaver who has never had a job in the modern sector before and who has not had any further vocational training. However, the potential of such a young person is great and therefore measures should be taken to guarantee that this potential comes to fruition. In other words, there must be provision for adequate vocational training, while experience is something

which will be picked up once employment commences. But a better educated young person can be assumed to need less training and/or to put any training received to better use. A number of recent studies have shown that there is a 'trade-off' between levels of education and training requirements. A summary of a detailed investigation of the extent of this 'trade-off', using data from the Zambian Manpower Survey, is given by Richard Jolly and Christopher Colclough. (10) Although they found that the range of educational levels within which there could be a trade-off between education and training seemed to be fairly large (between 8 and 19 years of formal education in their particular example used), they also found that "the range within which there can be an effective trade off with a reasonable cost ratio may be very limited."

Vocational Training

The vocational training can take place either in special institutions or on the job. As argued elsewhere in this report, on-the-job training is generally preferable. However, for those being trained within specialised institutions, emphasis should be placed not only on equipping them with the requisite skills but also with an attitude towards work which will help them to fit in more easily with modern sector job demands, for example time-keeping, dealing with routine, and regularity etc.. As always, the bottleneck will probably lie in finding qualified trainers, preferably those with modern sector employment experience themselves. The early-retired, older workers may well fit the bill here, especially if the pre-work training that the young people receive can be augmented with additional skill-raising short-term on-the-job training once the young person has found a job. As well as going on to work in specialised training institutions, some of the older experienced skilled workers who might otherwise be laid off under an early retirement scheme could be kept on by the companies themselves with a view to training the young incoming workforce in basic skills, with perhaps some extra training at the end from actual professional trainers.

*Attitudes
towards work*

*Trainee
schemes*

More firms must be encouraged by the government to offer trainee positions. Perhaps a scheme similar to apprenticeships in craft occupations could be instituted. At the moment taking in of trainees is unpopular amongst firms because they feel that they are taking on workers who will not be productive until they have finished training. Thus the tendency is to look for trained staff only. However, the firms must be taught that they have a responsibility to train the workforce in the skills they require. Governments could ensure that firms which take on trainees are recompensed to some extent, preferably by money from industry levies, thus placing the burden upon firms who fail to take on a proper quota of trainees. There might also be a system to ensure an overlap between the employment of the older skilled employees and the young trainees. For example trainees could be taken on several weeks or months before the older worker he is replacing retires. During the ensuing period they could work together, rather in the relationship of master-apprentice. Governments could arrange some kind compensation for the firm which is thereby having to pay double wages to get one job done. In any such scheme, there should be no discrimination according to sex, and girl trainees should benefit.

*Training in
Management
Skills*

As pointed out earlier in this section, modern sector enterprises often suffer from management constraints at various levels (clerical, foreman, supervisory etc.). This offers good opportunities for young people, especially, perhaps, those with secondary or higher education (although of course, the way should not be barred to those who have less education, especially in terms of within-plant promotion structures. The training of young people in management skills will represent a particular problem though. If there is an existing shortage of managers there are hardly likely to be large numbers willing to leave their jobs to act as trainers, and it will not be possible to take many young people on for on-the-job training. This indicates a need for institutions concerned with business and labour management training, which, at the start, may have to be reliant upon expatriate staff, although it will be most important that these should have had considerable local experience if at

all possible. Once the shortage of managers in business has been overcome the training function of such special facilities will probably diminish as on-the-job training for future generations of managers will become more feasible. The institutions' role might then change to that of being centres for spreading new ideas and information. Such centres could serve not only the urban formal sector but also the urban informal and the rural sectors, as the need for good management in all sectors of the economy is becoming increasingly evident.

If there are to be better opportunities for them in the formal sector then obviously young people must be made aware of them as well as of the best ways of training for them. Again, the need for better employment exchange services, vocational guidance, etc., which has been pointed out elsewhere in this report, should be stressed, as well as the need for the services to take an active role, going out to reach young people in youth clubs and other meeting places rather than passively waiting for young people to come to them.

References in Section 3

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