

LABOUR PROBLEMS IN THE INDUSTRIALIZATION
OF DEVELOPING COUNTRIES

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In the last two decades the developing countries, including those of the emerging nations in Africa and Asia, have concentrated their efforts in speeding up social and economic development by attempting inter alia to accelerate the process of industrialization. They are, actually in the state of transition from the traditional society towards a modern industrial society. Their efforts, however, have been hampered partly by acute labour problems; and by labour problems we understand not only those problems that arise as a result of possible conflict between the managers and the managed over priorities, targets, and benefits or remuneration, but also the quality, commitment and productivity of the labour force, and its attitude and response to the management of enterprises as well as to the management of the national economy — the government.

The present study has attempted to identify and analyse some of these acute labour problems that confront the developing countries. It has also surveyed some of the solutions which have been suggested and the appropriate measures that the developing countries should take in order to reduce the magnitude of the labour problems, and thereby accelerating the tempo of industrialization and socio-economic development.

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INTRODUCTION

“Labour problems in the Industrialization of Developing Countries” is the main theme of this study.

The importance of Industrial development for the general economic progress of a country is revealed by the fact that the richest countries of the world are also industrially most advanced, and poorest countries are those which are predominantly depending upon the primary sector (mainly agriculture) of their economies. As a matter of fact, the difference between the rich and poor countries and regions of the world are and have been essentially the differences in their degree of industrialization.

Many newly emerged countries have committed themselves to the accelerated industrialization of their economies. But industrial development requires a change in the composition of skills and attitudes of the people. There arises the need for a transformation of illiterate, backward and ill-fed people to literate, skilled, healthy, efficient and trained workers; from the attitude of asceticism and empty spirituality to that of achievement and success; from resistance to acceptance of innovation and above all, from leisurely and easy going life to a life of hard work and high material aspirations.

As industrialization takes place, the structure of production undergoes a significant change so as to reduce the weightage of agriculture and increase for long the contribution of industry and that of the rest of the non-agricultural sector. In other words, “industrialization refers to the actual course of transition from the traditional society towards industrialism”. For acquiring this objective, a country must have sufficient capital, advanced technical know-how, resource endowment, innovating entrepreneurs, skilled workers and trained personnel. It is an admitted fact that developing countries suffer from an acute shortage of these dynamic

variables. Their problems are further aggravated by the detrimental impact of ever increasing population pressure on the economy as a whole.

The precise circumstances under which trade unionism first took root vary from country to country, but in all cases industrialization was the main cause of its development. Industrialization gives birth to a large number of industrial workers, professional managers, skilled personnel and an agile State engaged in delicate industrial relations. All parties which constitute this relationship, should have to be very careful in order to establish a peaceful atmosphere which is so essential for the smooth operation of industrialization. But the activities of trade unions, especially in developing countries, have far-reaching effects on the pace and direction of industrialization. We shall, therefore, study the trade union structure, its political involvement, major characteristics and main functions in developing countries.

It is almost impossible to run a huge industrial system without having substantial human resources. They should be fully equipped with skills, professional ability and aptitude and managerial competency. Most developing countries are suffering from an acute shortage of a skilled labour force which usually stands in the way of industrial development. Although they are making every endeavour to develop professional manpower, the problem still exists. With this in mind, we shall study the characteristics of industrial labour force, its participation rate and occupational distribution in developing countries.

The nature of labour market, the wage issue, problem of employment and productivity are not only interrelated, but very vital with respect to their overall effects on the economy as a whole — either in highly industrialized societies or communities still in the process of painful transition. It, therefore, seems appropriate to examine these aspects of labour problems in the context of developing countries.

Industrialization is a structural transformation of the economy — It changes an old society and creates a new one. Wherever this process of transformation occurred, it has been painstaking and frustrating because it reshapes, redesigns and restructures its manpower resources. The orthodox and primitive ways of life must give way to

the new and progressive one. "New order of the day" must be obeyed. Conservative ways of thinking must be given up. Acceptance of the new imperatives of industrial discipline and work community is essential, otherwise it is by no means an easy task to develop a large industrial labour force. Labour problems are universal. The nature of the labour problems depends on the degree and speed of industrialization. We shall examine labour problems in developing countries with particular emphasis on the nature of problems many developing nations face when they recruit an industrial work force with an agricultural and primitive background. We shall also discuss some serious problems which are encountered by workers when they try to adapt themselves to the industrial way of life.

Since in this study, we are mainly concerned with labour problems in the industrialization of developing countries, we shall discuss some of the serious problems encountered and progress made in the field of industrialization. Since many developing countries, like India, Pakistan and other Asian countries, are predominantly agricultural economies, we do recognize the vital and decisive role of agricultural transformation, as a chief source of capital, manpower and as an index of affluence. "It is widely believed that increased agricultural productivity can make an important contribution to economic development."¹ Therefore, it is very difficult to bring about industrial revolution in developing nations, without a revolution in agriculture. But agricultural development is not within the scope of our projected investigation.

Although the non-agricultural sector in these countries is still small, it is growing fast as the economy becomes more and more diversified due to the planned development of industry. As the process of industrialization gathers momentum, it creates an increasing volume of industrial employment and at the same time it gives rise to a multitude of labour problems. It is important that these problems should be dealt with.

¹ Charles P. Kindleberger, Economic Development, Kogolkusha Company Limited, Tokyo, 1965, p. 219

Industrialization undoubtedly creates a gamut of relationships in which manager and managed work under clearly defined rights and regulations. A complex of substantive rules is required to make the industrial system function at the work place and beyond. Modern governments play a significant role in determining the rules under which industrial workers, their representatives and employers can function and deal with one another. We shall study the role the Governments of developing countries play in their industrial relations field, with particular emphasis on the techniques on settling inevitable industrial disputes.

This is perhaps the right place to say a few words about the statistics of developing countries which are still very rudimentary; more so labour statistics. Tremendous difficulties were encountered in collecting statistical data and information which is sometimes incomplete, contradictory and unsatisfactory. But they are, nevertheless, sufficient to provide us with a general view of the dimensions of the problem with which we are concerned.

It is rather impossible to study the labour problems of all developing countries as they are large in numbers, and all countries have some specific problems as well. Therefore, this study is concerned with general labour problems of developing countries. However, on various occasions, the focus of our attention would be India and Pakistan.

CHAPTER I:
DEVELOPMENT OF THE INDUSTRIAL LABOUR FORCE
IN DEVELOPING COUNTRIES

THE CONCEPT OF THE LABOUR FORCE

A precise definition of the concept of "Labour Force" is very difficult. It has many of its own difficulties, even in advanced market economies. The part-time worker, the unpaid family worker, and the producer of goods and services that do not actually go through market arrangements, all provide problems of clear-cut classification.

The concept of labour force is not and can not be very precise in its reference. The real difficulty is the impossibility of defining "labour" in any way that will refer to the same class of human activities in all societies.

Speaking of the labour force in India, Professor Oscar A. Ornati wrote: "Workers in India do not constitute a wage-earning class corresponding to the factory workers of western countries. Employment relationships are less clearly defined. One can speak of an industrial and commercial labour force of workers dependent upon wages and employment from others only in a limited number of localities and only for the most recent part of India's economic history."¹

One can say that a similar state of affairs exists in almost every emerging nation. Like Indian workers, workers in other developing countries alternate from being unemployed and available for work, to being self-employed in a trade and not available for hire, to activity on the land or in their native village, and then back to industrial or commercial employment or unemployment. It is, therefore, in many instances, extremely difficult to distinguish the "wage earner" and treat him accordingly in a statistical enquiry.

In order to overcome the manifold difficulties and to cover broadly all nations, the International Labour Organization uses the term "economically active population.

¹ Oscar A. Ornati: Jobs and Workers in India; Cornell International Industrial and Labor Relations Reports, No. 3, Ithaca, New York, 1955, p. 8.

The economically active population which refers to the working population, is sometimes designated as the labour force. In short, it comprises all persons of either sex engaged in productive work in the same branch of economic activity, during a given period of time. That is, this is a blanket definition that includes employers, the self-employed, salaried workers, persons engaged even part-time in economic activities and the unemployed persons (including those seeking work for the first time).

In many respects, developing countries adopted the I.L.O. definitions of the labour force.

CHARACTERISTICS OF THE LABOUR FORCE

A key characteristic of the industrial labour force in many emerging nations is its newness. People who have come recently out of the bush or the rice paddy are being trained for employment in the industrial sector of the economy. It seems to take longer for them to develop attitudes and traditions that are compatible with strong union organization.

Many employees in newly industrializing countries do not yet have a permanent commitment to industrial employment. Even in India, with its longer industrial tradition, it is reported that Bombay textile-mill workers return frequently to their native villages for family ceremonials and religious festivities.

The educational level of factory workers in the less-developed countries is low and many are illiterate. Even if the impetus to unionism is present, it is hard to find people capable of running a meeting, keeping the Union's books, or drafting written agreements with the employers. Partly for this reason, most union officials in India and Pakistan are "outsiders", who have no direct connection with the industry. This is a general problem throughout Africa, Asia, and many parts of Latin America.

Another important factor is the social status of the worker and his attitude toward the employer. In some countries the class structure is rigid and traditions of

class hostility are strong. This is true, for example, in most parts of Latin America. Union and political leaders preach constantly to the worker that the employer is his enemy. He is not to be reasoned with, he is to be overthrown. Most employers look down on their workers with equal distaste. This makes for guerilla warfare in industrial relations rather than for peaceful bargaining.

In some countries, the gap is widened by caste and racial cleavages. How can a high-caste Hindu negotiate on equal terms with workers from the lowest strata of Indian Society? How can a South African mine owner negotiate with African workers who by definition are second-class citizens?

Under these circumstances, the process of industrialization is often hampered in developing countries. So, effective measures must be adopted to remove these obstacles.

LABOUR PARTICIPATION RATE

The labour participation rate or the proportion of economically active population to the total is generally less (33 percent to 40 percent) in the under-developed countries as compared to nearly 45 percent and over in the developed countries. This result is a serious handicap to their economy and is often attributed to their adverse age-structure as a result of their high fertility.

Some jobs may be more efficiently performed by women than by men. However, the turnover in the women's labour force seems to be higher in every country. Normally more male than female members of the population of working age are in the labour force. A country may expand its labour force by turning to its untapped female labour resources. In all industrially advanced countries, one finds a growing number of women in the labour force, often replacing what was once "men's domain". This has enabled these countries to overcome the shortage of labour and expand their economic activity. Although in some developing countries (Thailand, for instance), the rate of female participation is quite high, but it is

doubtful that the majority of the potential female labour resources in most developing countries will be utilized in the near future.

TABLE - 1
Age Structure and Labour Force

Countries Arranged in Order of Proportion of Population in 15-59 Age Group	Percentage of Total Population in 15-59 Age Group *	Percentage of Economically Active Population Total **		
		MALES	FEMALES	TOTAL
1	2	3	4	5
Argentina	62.6	63.4	16.6	40.6
United Kingdom	61.7	66.6	27.4	46.2
Sweden	61.6	65.2	23.2	44.1
Italy	61.5	66.2	21.7	43.5
United States	61.0	58.2	21.8	39.9
Yugoslavia	60.6	48.0	30.3	43.8
Denmark	60.3	64.5	32.2	48.2
Burma	57.5	53.5	19.5	36.3
Ceylon	57.4	54.1	19.8	37.8
India	56.9	54.0	23.5	39.2
Japan	56.9	55.7	34.3	44.8
Egypt	55.9	62.1	6.8	34.1
Turkey	55.7	55.6	44.0	48.8
Brazil	53.9	56.4	9.6	33.0
Thailand	53.5	53.7	49.4	51.6
Guatemala	53.5	59.8	69.0	34.7
Korea (South)	53.0	---	---	---
Colombia	51.9	54.7	12.4	33.4
Peru	51.5	52.1	27.9	39.9
China (Taiwan)	51.1	48.9	14.6	32.1
Philippines	51.0	46.0	31.0	38.6

SOURCE: * U.N. Report on the World Social Situation, New York, 1967.

** Year Book of Labour Statistics, 1969.

In Table 1, data are given about the percentage of the total population in the age group 15–59 years and the percentage of economically active population to the total population and for the males and females separately. An assumption has been made here that the proportion of males and females in the age group of 15–59 years to total population is more or less the same and hence separate figures are not given for males and females.

Figures in this Table reveal that the percentage of economically active male population to the total is more or less the same in all countries as their proportion in the age group 15–59 years. It is, however, quite different for females. Variation in the latter accounts for the difference in the percentage of labour force to population even among countries having the same age structure or proportion of people in the age group of 15–59 years.

For instance, Thailand and Brazil have the same age structure but the labour force participation rate is 51.6 percent in the former and only 33 percent in the latter. It is due to the fact that in Thailand 49.4 percent of the total women participate in the labour force while in Brazil the corresponding figure is only 9.0 percent although 56.4 percent of the total males are economically active in the latter as compared to 33.7 percent in the former. The same is the case with Egypt and Turkey. These differences may be due to the influence of social and economic factors on the participation of women in the labour force. The main social factors are freedom accorded to women in the society, provision for their education and social customs. In some developing countries, like India and Pakistan, one of the reasons for this may be that household duties normally performed by women do not qualify for inclusion in the labour force. Among the economic factors responsible for these differences are probably the incentives to women in the form of job opportunities and reward. According to Professor Kassalow, there are some other economic factors which influence female labour force participation – for example the nature of agriculture (plantation vs. small family farm), the structure of industry, etc. However, as the domain of education and industrialization in the country increases, so too will the female labour force participation, reducing, in the

process, the social barriers to women's employment.

The participation of males in the labour force exceeds the percentage in the group of 15–59 years in most of the developed countries and this is so even in some of the developing countries. But in countries like Burma, Ceylon and India, it is slightly lower than the percentage of males in the 15–59 year age group. In the developed countries this is so because quite a large number of persons beyond the age of 59 years are economically active while in some of the developing countries this may be accounted for by the practice of child labour. The lower ratio may also be due to late entry and early retirement. For instance, in India and Pakistan, the age of retirement in the public services was till recently 55 years.

It will, therefore, be not very correct to hold that the lower labour force participation ratio of the developing countries is due to their adverse age-structure alone or induced by their high fertility rates. There are the social and economic factors, besides the demographic ones that are equally important and the proportion of their labour force to the total population can be raised within the prevailing demographic conditions.

OCCUPATIONAL DISTRIBUTION OF THE LABOUR FORCE

The occupation of a person describes what he actually does in order to earn a living. The occupational composition of a people represents in part the economic organization of the nation and the level of technological development attained. To some extent, it also reflects the non-economic desires or interests of the people and, to a certain degree, administrative procedures regarding ways and means of classifying occupations. The proportion of all jobs that are white-collar jobs, for example, is an index of technological development. White-collar jobs are found to a greater degree in a technologically advanced country in which the use of machines and the extensive development of energy from coal, oil, water power, etc. have reduced the need for huge numbers of manual workers.

The collection of statistical data indicating the occupational distribution of the labour force in an underdeveloped country such as Pakistan and India is particularly difficult. This is largely due to the imperfect specialization of the economically active population. Division of labour is fundamentally limited in such economies by the narrowness of the markets, and people often pursue several occupations on a regular or a seasonal basis. Adam Smith wrote that division of labour is limited by the extent of the market. "When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment."²

The low levels of skill and capital required by the different pursuits make it possible for persons to try their hands at different types of productive activity. This injects a considerable degree of fluidity into the occupational structure. No doubt relatively few men have subsidiary occupations besides their principal ones.

The bulk of the labour force of the densely populated countries of Asia with the exception of Japan, is found in the agricultural sector. The professional, technical, managerial and administrative manpower in these countries is very small. For example, in Pakistan, the professional and technical personnel accounted for only 3.34 percent of the total labour force and 10.23 percent of the total non-agricultural labour force. Managerial, administrative and clerical personnel constitute 2.23 percent of the total labour force and 6.82 percent of the non-agricultural work force.³

Certain conclusions can be drawn from the figures given in the following Table, provided it is borne in mind that they are estimates based on the projection of past tendencies.

² Adam Smith: The Wealth of Nations, The Modern Library, p. 17. "In every improves society, the farmer is generally nothing but a farmer, the manufacturer, nothing but a manufacturer." (Smith, p. 5)

³ Pakistan—Basic Facts: 1969—70, prepared by Economic Adviser's Wing, Ministry of Finance, Islamabad, p. 13.

TABLE — 2
Estimated Occupational Distribution
of Labour by 1980

REGION	Agriculture		Construction & Industry		Services		Total	
	%	Millions	%	Millions	%	Millions	%	Millions
Asia	59	316	15	80	26	139	100	535
Africa	57	85	16	24	27	40	100	149
Latin America	26	30	30	34	44	51	100	115

SOURCE: I.L.O.: The World Employment Programme, Geneva, 1971.

In Asia, the proportion of agricultural employment, although declining, will probably still continue to account for about 60 percent of total employment. These rough estimates point to certain major trends. It is estimated that agriculture will probably continue to use a large proportion of the total employed, absorbing about one-third of the new jobs created during the decade 1970–80. The absolute numbers in agriculture are so great — and will, indeed, continue to increase with an increase in population during the coming decades — that most of the expanding population must be absorbed in agriculture. Now many Economists are beginning to realize that the possibilities of absorbing more labour into agriculture is really quite great in these countries.⁴

Table 2 also shows that occupation in industry and construction will rise fairly rapidly, and faster than occupation in services. Nevertheless, in view of the meagre proportion it represents in 1970 (about 15 percent) it can make only a very slight distribution to the absorption of manpower.

⁴ For a highly detailed and illuminating discussion of this topic, see, The World Employment Programme, International Labour Office, Geneva, 1971.

CHAPTER II

THE CHARACTER OF TRADE UNIONS IN DEVELOPING COUNTRIES

THE NEED FOR TRADE UNIONS

The objective of an Industrial Relations system is to provide a framework within which the conflicts inherent in a worker-employer relationship may be peacefully resolved. The key to a successful system of Industrial Relations, particularly in a country with a large surplus labour force, lies in the growth and functioning of a strong and representative Trade Union Movement. It is only through his membership of a Trade Union that a worker, who in developing countries is usually a recent immigrant from rural life¹ and is, therefore, unused to the discipline and authority relationship of an industrial environment, can identify himself and his frustrations and aspirations in relation to his environment with his colleagues and their frustrations and aspirations.

In developing countries, "the industrial worker is a minority group, sometimes a very small one."² For example, in Pakistan, the industrial labour force is only one-third of the unemployed labour force of the country. Industrial jobs are few and they are in the hands of a small group of employers. This places the worker in an extremely weak position to obtain a fair share of his contribution to production, an improvement in his living conditions or even to protect his contractual or legal rights. So, it is only his membership of a trade union that a worker, especially in

¹ As Prof. Everett M. Kassalow has rightly stated – "Workers who are drawn into the industrial processes today in the less developed countries often start with great handicaps, as, lack of education, lack of urban experience, lack of craft guild history and tradition such as existed in the west." – Trade Union Contributions to Industrial Development, a report prepared for the United Nations Industrial Development Organization, April, 1968, p. 7.

² Walter Galenson, Labour in Developing Economies, University of California Press, 1962, p. 2.

conditions of too many workers for too few jobs, can safeguard his rights and further his interests.

SLOW GROWTH OF TRADE UNIONS

In spite of the growth of a number of trade unions in developing countries, it cannot be said that the movement has picked up sufficient strength from within or it has resulted in continuity in the personnel of its leadership or policy or that the labour leaders are in a position to "deliver the goods."

In some developing countries, the growth of trade unions has been extremely slow. For example, in Pakistan, it is estimated by trade union leaders themselves that their total membership does not exceed 5 to 10% of the entire industrial and commercial labour force. There have been many reasons for this, in these countries. Firstly it has been the ignorance of the workers themselves who have too readily adopted the model of a tenant-landlord relationship in industrial life. It is only recently that the workers have begun to realise that this sort of relationship is not necessarily in their interest. The second reason for the slow growth of trade unions has been the attitude of the employers, who have failed to realise the contribution which a contented and well-motivated worker can make to productivity and profitability. They have looked upon trade unions as instruments for extortion rather than as institutions through which mutual give and take can lead to a peaceful resolution of conflict and possibly higher productivity. They have therefore used all sorts of unfair means such as the creation of "pocket" unions, victimisation of the office bearers of genuine trade unions, etc., to inhibit the growth of trade unions.

The third reason for the slow growth of trade unions has been the attitude of the Government, in these countries, which too conscious of the need to keep production going regardless of the human and social costs involved, has discouraged, and in many cases, prohibited the expression of industrial conflict rather than trying

to resolve it.³ Some Governments have not realized that conflicts cannot be resolved by their suppression; they can only be resolved through a process of mutual give and take, which is only possible through strong trade union institutions, particularly in labour surplus economics where, otherwise, the individual worker is in a weak bargaining position in relation to the employer.

Other obstacles to trade union development are: migratory nature of labour which weakens the stake and interest of the workers in labour struggle, the poverty of the average worker for whom even a small subscription to union fund is a burden, the illiteracy of the labouring class which makes it an easy victim to outside exploiters, the opposition of the jobbers to any organization of workers, differences in language and race which are separating factors, the influence of ideological differences which creates a class conflict, under which the very basis of the economical system is challenged, the paucity of genuine labour leaders.

TRADE UNION STRUCTURE

One condition for positive and constructive contributions from the Union movement to industrial development is that the organizational units are built and administered in a way which meets the requirements of a dynamic industrial society. Inefficient administration and lack of organizational discipline are common problems in the early stages of union building. Obstacles of similar importance will in a number of developing countries be caused by a union structure which allows too much competition and rivalry among different unions within the same enterprise or makes it difficult to develop a common national union policy on such matters as wages and conditions of work.

³ For an excellent discussion of Government's role in developing countries, in connection with trade union affairs, see Walter Galenson's Introduction, in Labour in Developing Economies, University of California Press, 1962, pp. 2-4.

⁴ For an excellent discussion of this literature, read Weisz, Morris, "The Structure of Labour Movements in Emerging Areas." Monthly Labour Review, Washington, Vol. 85, No. 12, Dec. 1962, pp. 1373-1375.

Organizational weakness due to inter-union rivalry are difficulties that are well-known in developing countries. Conflicting principles of organization have sometimes made it more difficult to build up an efficient industrial relations machinery. In a great number of developing countries the problem of trade union structure still represents a decisive obstacle in the path of creating good relations between labour on one hand and management and government on the other. Political, ethnic, religious and social divisions within the population are sharply reflected in fragmentation of the trade union movements.

As a consequence of these divisions, inter-union conflict may arise over such issues as recruitment and job allocation, wage differentials etc. Competition between different unions within the same enterprise may force up wage claims above what is realistic and make it difficult to introduce new methods of production. Lack of co-ordination of union efforts will enhance existing differences in wages and working conditions in the country and dilute union contribution to national economic planning.

It is often tempting for employers and governments to react to such actual or potential impediments to industrial progress by using strong-arm methods designed to break or control the unions. Often inter-union disputes have caused governments to introduce restrictions on the freedom to organize or have been used as an excuse to impose such limitations.⁵

How a structural reform of the trade union movements is to be encouraged is a delicate matter, and it is quite evident that there is no universal solution to be found. One necessary condition is a purposeful industrial relations machinery in which unions are given their proper responsibility. In exercising this responsibility, union leaders will better appreciate the advantages of co-operation within the

⁵ However, in some developing countries, for pure political reasons, governments tend to control trade union activities. See, Walter Galenson's "Introduction" in Labour in Developing Economies, University of California Press, 1962, p. 3.

movement. Possible ways of encouraging structural reforms are represented by government mediation and by the services of international organizations. In not a few cases, encouragement along these lines has produced such results as borderline agreements, codes of inter-union conduct and joint trade union committees on matters of common interest, measures that may be introduced as a first step in the long but necessary amalgamation process. Experience has also shown the usefulness of legislation making recognition of a union compulsory for the employer once a certain number of union followers have been enlisted.

POLITICAL INVOLVEMENT

In practically all countries where trade unions have emerged, the spirit and unity of the movement have in part been derived from an element of political protest. The unions have protested against economic and political privileges and called for universal suffrage, in colonial territories also for political independence. Some observers have expressed rather critical views on the persistent political preoccupation of unions in developing countries, since this keeps the unions from efficiently performing their industrial role. But the political spirit is what gave rise to many union movements, and particularly in developing countries current political issues affect the situation of the individual worker in such a way that he would find it highly unnatural if his union were constantly to avoid taking a stand on political matters.

The political involvement of the trade union movement is an inevitable consequence of the prevailing conditions and atmosphere in developing countries.⁶

There is often a definite coincidence between the birth and development of nationalist political parties and of trade unionism. In view of the lack of personnel,

⁶ Felicia J. Deyrup: "Organized Labor and Government in Underdeveloped Countries. Sources of Conflict." Industrial and Labor Relations Review (New York), Vol. 12, No. 1, October 1958, pp. 104-112.

the same persons are often used by both organizations. Very often the weakness of the political parties or their failure to represent the interests of the workers — especially in Latin America — is the cause of political activity on the part of the trade unions.⁷ Bad living and working conditions, the wide disparity of incomes and the weakness of the trade union movement account for the fact that any demand on the part of the workers sooner or later takes on a political character. Improved working conditions are in fact more the result of social legislation and government decisions which are forced through by the trade unions, than of direct union influence upon employers. Trade unionism has come into being in the developing countries at a time in which the role of the state and its interventions in economic and social life are of increasing importance.

Lastly, the passionate desire to achieve development and industrialization often leads to a confusion of the aspirations of different social strata and reduces them to a common denominator; this facilitates and explains the subordination of the trade unions to a party or to the nationalist movement. In view of the weakness of the political, social and economic structures in developing countries, the autonomy of the different social groups and bodies is hardly conceivable, at least in the initial stages.

It is, however, admitted without hesitation that underdevelopment and the efforts to overcome it produce a political form of trade unions almost everywhere. Galenson⁸ writes that the assumption is so strong that a politicalised form of trade unionism combined with a radical ideology constitutes the prevailing “pattern” in developing countries, that where these characteristics are lacking, it can be concluded that trade unionism is in reality subordinated to the employer or the state, and that we are dealing with a company union or a form of labour front.

⁷ Milles E. Galvin: “Unionism in Latin America”. Ithaca, Cornell University, The New York State School of Industrial and Labor Relations Bulletin No. 45, 1962.

⁸ Galenson, Walter (editor) Labor and Economic Development, New York, 1959, (Research Program of the University of California, Institute of Industrial Relations).

OUTSIDERS' LEADERSHIP

Lack of personnel is another characteristic feature of most trade unions in developing countries. Leaders may emerge who are not trade unionists but who have more education and personality than the usual leader or rank-and-file membership. They eventually take over the movement, single unions or groups of unions as advisors, or organize unions. Referring to Indian trade unions, professor Myers states that, "it is precisely because of this that practically all Indian unions are led by persons who have no background in industry — "outsiders".⁹

The shortage of union leaders is mainly attributed to the weakness of the middle classes, which also explains the crucial role played in trade union affairs by outsiders. These leaders come from another environment than that of the occupational group or even — as in certain African countries until quite recently — these leaders used to come from a foreign nation.¹⁰ As members of the petty bourgeoisie or representatives of the middle class, trade union leaders come from the most diverse occupational groups, such as civil servants, office employees and the liberal professions. And their motives vary enormously. There are those who are principally interested in income and social standing and who regard their office as a profession. Others take over trade union leadership for political reasons, often giving rise to rivalry among the unions.¹¹ Some of these trade union leaders seek to promote the radical transformation of their countries through the trade union organization.¹²

⁹ C.A. Myers, "Labor Problems in the Industrialization of India," Harvard University Press, 1958, p. 76.

¹⁰ G. Caire, "Syndicalisme Ouvrier et Sous-Developpement." Revue Economique, (Paris), Vol. 13, No. 2, March 1963, pp. 273–297.

¹¹ William H. Knowles, "Industrial Conflict and Unions." pp. 291–325. in Moore, W.E. and Feldman, A.S. (editors) Labor Commitment and Social Change in Developing Areas, New York, 1960.

¹² Bruce H. Millen, The Political Role of Labor in Developing Countries, Washington, The Brookings Institution, May 1963.

“Outside” leadership has created many problems in emerging countries. It has been suggested that the political “outsiders” have been responsible for much of the unhealthy trade union rivalries and have at times sacrificed the workers’ interests for those of their party. Mention has also been made of the existence of a more harmful, non-political type of “outsider” – the exploiter who has no purpose to serve but his own ends, and who takes advantage of the ignorance of the workers.¹³

However, in all fairness, outsiders are not to be fully blamed. Since most of the workers are illiterate and incapable of managing their own affairs, these outsiders some, of whom are dedicated and some opportunists, come into the picture. Again, if workers lead unions they can be discriminated or even dismissed by employers. But the outsiders are immune to employers’ revenge. Furthermore, due to the financial weakness of unions, the workers can not pay or maintain a full-time union leader. To cure this deplorable situation the I.L.O. and the International Confederation of Free Trade Unions have set up colleges in many developing countries, including India and Pakistan, to train workers to run their own unions.

Whatever advantages or inconveniences this situation may present, the motives of trade union leaders and the conditions of their rise have an undeniable influence upon trade union structures and on the kind of trade union action taken by the workers’ movements in developing countries.

TRADE UNION RIVALRIES

The trade union movement is often assumed to have a solidarity and unity, which it does not in fact possess, and it suffers from internal stresses, strains, and tensions. Many of the difficulties arise from competition and rivalry between unions applying conflicting bases of organization. Rivalry among unions and union leadership hinders the development of a healthy and vigorous trade union movement in developing countries. This is the major factor in the disturbed condition of

¹³ See S. Ghosh: Trade Unionism in Under-Developed Countries, Bookland Private, Ltd., Calcutta, 1960, pp. 132–133.

industrial relations. In most developing countries, trade union conflicts have been undermining the strength and solidarity of the working class. Even if multiplicity of unions cannot be avoided, they should at least seek an appropriate way to arrange the mutual relations of the competing unions in the same field, so that workers are saved from harm, the industry is not injured and the national interest does not suffer.

INADEQUATE FINANCES

It is an admitted fact that trade unions of developing countries have remote financial resources. "Unions are weak . . . particularly with respect to trade union finances."¹⁴ Only organisations with relatively large memberships can develop great financial strength and this is true with regard not only to unions in developing countries but also to those in other countries. It would thus appear that a necessary prerequisite for the strengthening of trade union movements, in these countries, is greater success in the development of larger, more closely-knit organisations, particularly national unions. And this is by no means an easy task in developing countries.

According to the official figure, an average union has an annual income of Rs 1906 (roughly, less than 300 Canadian dollars) in India. Obviously this figure is inadequate for the maintenance of even one full-time officer per union and for any but the most essential expenses relating to staff and establishment.¹⁵ Many unions do not have regular dues-paying members and no real office or meeting hall.

In India, many unions supplement their income from subscriptions by collecting from members by way of donation at the time of the bonus payment a sum at times twice the amount of the annual subscription. It appears that consideration is now being given to the question of raising the minimum

¹⁴ C.A. Myers: "Labor Problems in the Industrialization of India," Harvard University Press, 1958, p. 74.

¹⁵ Ibid.

membership fee to four annas a month, by amendment of the Trade Union Act, if necessary.¹⁶

In other developing countries, with the exception of a few large organizations, weak finances have severely limited the capacity of the unions to engage in organizational drives, to strengthen themselves internally and to carry on normal trade union functions. Mainly because of the prevailing low wages, membership contributions are low and defaults in payments are frequent. Obviously, the problem is also affected by other factors, like trade union rivalries, leadership policies and workers' attitudes.

VICTIMIZATION BY EMPLOYERS

In most developing countries, trade unions are victimized by employers through various methods. It is something intolerable for them to see workers participating in trade union activities. There always exists a real fear of possible victimization and discrimination in the minds of most workers who take a leading part in trade union activities. And quite a number hold firm and sincere convictions rightly or wrongly, that they have suffered victimization.

Most employers are frankly hostile even to this day against unions, whether registered under the Act or not. Other employers are more diplomatic. They will deal, they declare, only with a registered union and only through their own workers and not outsiders. Then further restrictions follow: So and so — perhaps an ex employee, or one who has associated himself actively in the past with the workers — must be excluded from the Execution. Again, if the union is to be recognized, it would be laid down, there should not be more than perhaps two or three outsiders; also, there should be no public criticism of the employers at the meetings of the unions, and while negotiations are in progress no public mention of any of the

¹⁶ Labour Policy in the Third Five-Year Plan, Memorandum by I.N.T.U.C., New Delhi, 1960, p. 30.

workers' difficulties. When all have been satisfied, it is the bare truth to say that a union, in forsaking much of its freedom of action, achieves little positive results for the members, which is sometimes worse than victimization.

Victimization is clearly against Article I of the I.L.O. Convention No. 98 which has been ratified by many developing countries. For smooth industrial and cordial Labour/Management relations, this menace should be eliminated.

TRADE UNIONS AND COLLECTIVE BARGAINING

The slow growth of collective bargaining in developing countries is due to many factors. On the part of the unions themselves, their weakness and their inability to command substantial support from the workers in establishments where they operate has been a basic handicap. Collective bargaining requires a certain degree of organization geared to this important activity, which is wanting in the case of many unions. Generally they lack the services of experienced negotiators, a handicap which probably can only be overcome through time and training.

Obviously, one of the most serious difficulties encountered in the development of collective bargaining is non-recognition of trade unions by the employers. In industrialized countries unions have been accepted as legitimate organizations with a role to play in industrial decision-making. But this is not so in some developing countries where employers frequently refuse to recognize trade unions.¹⁷

There are other reasons as well for the non-existence of a viable collective system in developing countries. The trade union movement so far does not cover more than twenty-five percent of the industrial labour; the degree of unionisation varies from industry to industry; trade unions are weak due to unstable membership and poor finances; political rivalries within the trade unions diffuse membership among numerous unions and reduce their effective bargaining strength and make agreements difficult where trade unions cannot have control over their members and

¹⁷ See W. Galenson, Labor in Developing Economies, P. 7. Also see C.A. Myers, Labor Problems in the Industrialization of India, chapters 6 & 7.

represent the majority of workers effectively; the tendency on the part of many governments to refer disputes for adjudication of labour courts and tribunals also hinders the growth of collective bargaining.

Whatever may be the reasons, collective bargaining, which is the primary source of union power in the U.S.A., is more an exception than a rule in developing countries. There is no Wagner Act that can require the employer to bargain in good faith.¹⁸ Because of their limited power, unions prefer to rely on the government to achieve their aims. Although some successful cases of direct collective bargaining do exist in these countries, they are very rare.

¹⁸ C.K. Johri, Unionism in a Developing Economy, Asia Publishing House, New York, 1967, p. 20.

CHAPTER III

INDUSTRIALIZATION IN DEVELOPING COUNTRIES

INDUSTRIAL DEVELOPMENT OF DEVELOPING COUNTRIES

Many developing countries are in the process of change – economic, social and political. One of the main directions of the change is the increasing emphasis on industrial development in these countries. Industrial development is important not only because it supports and stimulates progress in other sectors of the economy but also because in their own right, it is a major factor in raising national income, in improving the balance of payments position and in providing gainful employment. If the community has to be lifted from a low to a high level of technique, the method is predominantly one of industrialization. These countries need to make the fullest use of their resources; the process of production needs to be revolutionized to produce better and better goods in ever increasing volume both for investment and consumption. The occupational structure of these countries has to be strengthened and diversified to provide employment at increasingly higher levels of productivity.

Industrial development is vital to these countries in many respects. It will relieve the pressure on land (many developing countries are overpopulated) where the problem of “disguised unemployment” has assumed serious proportions. Industrialization is essential to provide job outlets for the expanding labour force and to lessen dependence on other countries for a wide range of essential and semi-essential consumer goods. Industrial development is likely to provide some degree of immunity against violent fluctuations in international prices for the raw materials of export by making the home economy more balanced. Considerations of national security and prestige also enter the picture.

Furthermore, if the general level of productivity and incomes of these countries is to rise, more people will have to be drawn into urban occupations or rural activity will have to be raised to a much higher level of productivity, or both. A great

national effort should be made to alter the traditional character of rural life in these countries.

IMPORTANCE OF AGRICULTURE

Many analysts tend to underestimate the importance of improving the agricultural sector in developing economies. This is because they stress the role of industrialization. But the two need not be in conflict. Agriculture and industry compete, of course, for national resources. But this does not mean that those who emphasize the need for agricultural expansion should necessarily be opposed to industrialization.

There are many links between agriculture and other sectors of the economy which make agricultural expansion equally vital. Industrial expansion itself depends on agriculture in several major respects. Agricultural raw materials enter many industries: cotton textiles use raw cotton, ground nut oil needs oil seeds; and so on. It is estimated that nearly one-third of India's industrial output recently depended upon the supply of agricultural commodities such as raw cotton, jute, oil seeds and rice. Industrialization of developing countries is indeed an urgent need but they cannot afford to neglect their agricultural sector. The supreme importance of agriculture can be seen in the fact that in most developing countries about 60 percent of the total national income is derived from agriculture.¹

Less obvious, but of equal significance, is the role played by the availability of food supply in industrialization. Workers usually cannot be absorbed in industrial activity unless they are fed by the countryside.

In countries where the amount of labour available is limited, the transformation of agriculture also has an important role to play in providing industrial labour.

¹ For an illuminating discussion of the agricultural role in developing countries, see Stephen Enke, Economics for Development, Prentice-Hall, Inc., N.J., pp. 143–164.

In countries where the agricultural population, on the other hand, outstrips the number of jobs on the land and its rate of growth is large, the need for rapid agricultural transformation can be equally acute. The need springs in this case, among other reasons, from the necessity to prevent an overflow of population to the cities, in a futile search for employment.

Agriculture can play a variety of roles in economic development, and not just sit back while the development process spurs industry. "In the first place, it can provide workers to industry. Second it can furnish demand for industrial output. Third it can provide savings for use in industry or by government in forming social overhead capital. Fourth, it may pay taxes to government, rather than lend to it, agriculture can earn foreign exchange through exports to pay for imported capital equipment and raw materials needed in other sectors. Sixth, it can supply food for consumption by workers in industry or in capital formation."² The more efficient agriculture is, the better it can perform these various functions.

The programme for agricultural development, while one of the most crucial is also the most complex to think through and carry out. In many developing countries, efforts at agricultural progress have failed because of inadequate attention to one or more of the many components of a successful policy.³ This has resulted in frustration, waste of limited resources and halting progress in other complementary activities.

² Charles P. Kindleberger, Economic Development, Kogakusha Company, Ltd., Tokyo, 1965, p. 218.

³ Besides other reasons, the low status of agriculture in most developing countries is also indicated by the disinterest of ambitious young officers. How to use manure and skin animals, for example, are not subjects likely to help them professionally. Some of these men are only a generation or so removed from village life themselves, and they wish to make good their escape by securing a government post in some provincial or national capital. It has been aptly remarked that "agriculture is regarded as an unprofitable and undesirable career, with little prestige value, small chance of promotion, and few of the other regards that go to attract young men into public service" — United Nations Food and Agricultural Organization, "Millions Still Go Hungry," (Rome, 1957), p. 6.

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An effective agricultural policy requires simultaneous action on three principal fronts. (1) Because of the primitive nature of techniques in use on the land, provision must be made for the effective transmission of new techniques to the farmers. This is a matter of supplying the "knowledge": an activity which is now commonly known as 'Extension Service', (2) Further, steps must be taken to make the farmers 'willing' to adopt these new techniques. This is a question of creating the conditions which will provide sufficient incentives and inducements to farmers to invest in progress. These conditions relate chiefly to marketing facilities, price expectations and the system of land tenure (whose effect on the farmers' ability to reap the reward of his efforts is of great significance). (3) Finally, it is necessary to ensure that the implementation of new techniques by willing farmers is not frustrated through lack of inputs and finance. Water, fertilisers, and better seeds must be supplied on time. And the farmers must be given the necessary credit facilities so that they can make the required investments. This 'supply' aspect is so clearly necessary to a coherent programme that it is surprising how often it is ignored in the developing countries.

To sum up, the importance of agriculture is exceptionally great in the developing countries. It is, therefore, imperative that agricultural production does not lag behind the general tempo of development in these countries.

THE ROLE OF GOVERNMENTS

Governments in developing countries must play a positive role to accelerate the tempo of industrialization in these countries. To mobilize and employ all the forces available in the struggle for development requires that each government of developing countries prepares and puts into effect a general economic plan. The heart of such a plan is to procure the necessary capital in order to raise the amount of investment and so to increase productivity, utilising both internal and external

sources. Given the capital the plan should allocate proportions of it to the various sectors of the economy; transport, communications, power production, manufacturing industry both 'heavy' and 'light', agriculture, health and education. In turn, detailed proposals for these should be made.

No developing country can hope to raise anything like the total capital it needs entirely from external sources;⁴ increasing quantities must come from investments and savings of its own population, and governmental policies become shaped to encourage and often to enforce this. The discipline of an under-developed population becomes most tried after the first fruits of development gradually appear. Expanding incomes lead to an increasing demand for consumer goods, and government measures designed to encourage saving and reinvestment attempt to damp down this demand in order to keep control over the development process. There is the further advantage that keeping demand for consumer goods in check allows for more investment and for the growth of the more expensive capital goods industries. Some of the enhanced demand will be for imported goods, and this has the added disadvantage of affecting the foreign exchange position. Consequently developing countries invariably impose import restrictions in one form or another, and these have the further effect of working to protect home manufacturers.⁵

Policies of protection are frequently criticised, yet if a developing country is ruthlessly determined to dedicate its powers to development such a policy becomes necessary. While the aim that new industries should pay their way is laudable, it should also be clear that these standards have less immediate application in under-developed lands where investments are being made that for a long period may be unprofitable, yet are necessary to create external economies for subsequent industries. Much early investment in manufacturing industry is on a similar basis: it

⁴ See, for discussion, regarding the problems which might affect the formation of capital, R. Nurkse, "Some Aspects of Capital Accumulation in Under-developed Countries," (Cairo, 1952), p. 1.

⁵ Ian Little, Tibor Scitovsky and Maurice Scott, Industry and Trade in Some Developing Countries. — A Comparative Study, Oxford University Press, 1970, pp. 206–221.

would not take place if some protection or inducement were not afforded, for the disincentives to manufacturing at that stage are too great, this being the reason why the investments were not made earlier.⁶

New industries in developing countries take some time to become going concerns; they must train their labour which will affect both quality and quantity of production; they may have to pay high rates for services and power; with few other industries operating there will be few external economies; they may find difficulty in breaking into the market, probably supplied by imported goods, and may work below capacity for a considerable period. Not surprisingly, costs of production are likely to be high during this initial period and these industries are in a competitively weak position. All these difficulties should lessen as development proceeds and, provided there is reasonable chance that the industry will duly pay its way, there is a good case for protection or some form of government help.

The range of government help and methods that can be employed are very great. Frequently tariffs are levied on selected categories of imported goods roughly in the form nil on machinery, low on raw materials, moderate on semi-finished goods and heavy on finished manufactures. Internal freight rates to and from ports and factories also may be adjusted on similar lines, with especially favourite rates for moving indigenous raw materials. Other forms of help may be as loans at low interest rates; subsidies especially to goods seeking export markets; exemptions from certain taxes for a stated period and, in some developing countries, preferential treatment by government order departments.

INDUSTRIALIZATION POLICIES

Between 1950 and 1967, the average growth of manufacturing in less developed countries was over 7 percent per year, compared to almost 6 percent for the world as a whole (excluding communist countries).

⁶ For further discussion on this topic, see Pakistan's Economic Policy in: Stephen N. Lewis Jr., Pakistan — Industrialization and Trade Policies, Oxford University Press, 1970, pp. 20—35.

TABLE — 3
Average Annual Rate of Growth of Manufacturing Output
1950 — 67

	per cent
DEVELOPING COUNTRIES	7.3
Africa	6.0
South Asia	6.9
East Asia	7.5
Southern Europe	10.1
Latin America	5.5
Middle East	10.8
Industrialized Countries	5.6

Source: World Bank

This was achieved despite their shortages of foreign exchange and domestic skills, the small size of domestic markets, and the barriers against export. Progress was shared by all regions and brought about a significant change in the structure of many economies.⁷

All varieties of industrial policy have been tried by different countries. Much of the industrialization has been fostered through policies involving very large subsidies in the form of tax rebates and high tariff protection. The main device used was the restriction of imports of manufactured goods. Most governments adopted large public investment programmes. Some, in particular India and Pakistan, established comprehensive central planning machinery, and attempted to control the allocation of both public and private investments.⁸

⁷ Lester B. Pearson, Partners in Development, Report of the Commission on International Development — Praeger Publishers, New York, 1970, pp. 63–64.

⁸ Ian Little, Tibor Scitovsky and Maurice Scott, Industry and Trade in Some Developing Countries, A Comparative Study — Oxford University Press, 1970, p. 3.

The main tool in the service of industrial policy was, almost everywhere, the protection of the domestic market through import restrictions. This began, in many countries, as an emergency measure designed to deal with balance of payments crises, restricting primarily inessential imports, and with no thought at first of encouraging their displacement with domestic products, which must often have seemed an unexpected if not unwelcome by-product. Only gradually was the significance of this latter consequence fully realized and import restriction turned into a policy deliberately aimed at encouraging the establishment and expansion of domestic industry by protection of the domestic market and the gradual exclusion of competing imports.

Only as the difficulties and limitations of the import-substitution policy were becoming manifest was there a tendency also to explore export markets for manufactures. Taiwan and Pakistan were the earliest, in 1958–9, to encourage the export of manufactures; then India (in 1961) and Brazil and Mexico (in 1965) have also followed suit. In addition to the restriction of imports, tax holidays, accelerated depreciation, credit guarantees, cheap government credit, and making available of imported capital equipment duty free, have also been used to encourage investment in manufacturing industry.

CHAPTER IV

THE OPERATION OF THE LABOUR MARKET

SECTION A:

ORGANIZATION OF THE LABOUR MARKET IN DEVELOPING COUNTRIES

Labour markets are important components of industrial relations systems, both conceptual and operational. In general, labour markets are the meeting places of the many forces affecting man in the working phase of his life. There are many kinds of forces: social, psychological, political, and economic, to name a few. Because economic factors are so important, they receive special attention here.

“A labour market can be pictured broadly as an area where employers and workers meet and work out the terms and conditions of employment. The employers are doing the buying. They buy the effort, the ability and the skills that workers have to offer. The workers are doing the selling.”¹ Although, “the function of a market is to bring buyers and sellers into touch with one another, the fulfillment of that function by labour markets has never been more than partial and imperfect.”²

Labour markets provide the principal means of access to jobs in a free society. People who want to work find and choose among various jobs in labour markets. Employers find the men and the women for their jobs in these same markets.

¹ Abraham Gitlow: Labour Economics and Industrial Relations, Richard D. Irwin, Hamewood, 1957, p. 10.

² E.H. Phelps Brown: The Economics of Labour, Yale University Press, 1964, p. 93.

Labour resources are disposed or allocated to the work to be done through the labour marketing process. This process and the complex of individual labour markets in our society play a major part in determining which jobs we take and many of the conditions under which all of us work.

Several of our major labour problems are closely related to this process of labour marketing. If the marketing processes operate smoothly and if supplies of and demands for labour are balanced with prompt agreement on price, those who want jobs find them. Those who seek help get it. On the other hand, if job-seekers in a particular market are more numerous than jobs, potential job-seekers may face a delay in finding employment, for they may have to enter other markets. In some markets jobs may go unfilled; in others, people who want to work may not find jobs. Moreover, what takes place in labour markets influences the conditions of work. The labour marketing process largely determines wages, hours, and economic security.³

An efficient labour market is needed in any economy developed or underdeveloped. Even in the highly developed countries the market mechanism is far from ideal. In developing countries, labour markets are less efficient than in developed countries. Workers in these countries offer their labour under serious handicaps of ignorance, misinformation and uncertainty. "The typical worker has no sensation of being in a 'labour market'. He has no idea of the full range of jobs, wage rates and working conditions prevailing in the area."⁴ In the search for the best available workers, employers also encounter similar handicaps. The matching of jobs and job-seekers, in developing countries is haphazard, unsystematic and disorderly. Labour mobility is low, job information poorly disseminated, hiring practices most varied.

³ For an interesting and informative picture of local labor markets, see Irving, Sobel and Richard C. Wilcock, "Labor Market Behavior in Small Towns," Industrial and Labor Relations Review, Vol. 9, No. 1 (Oct. 1955), pp. 54-76.

⁴ L.G. Reynolds, "The Structure of Labor Markets," (New York, 1951), p. 85.

THE RECRUITMENT OF LABOUR

The area of hiring practices provides a good example of the type of defects to be found in many aspects of the labour market. The absence of a co-ordinated and systematic method of recruitment of labour has resulted in a myriad of hiring techniques in developing countries.

Efficiency of labour force is seriously impaired in developing countries by the lack of more rational recruitment and screening of workers. Employers over-estimate the capacity of some employees, and place others at jobs beneath their ability. Both groups develop into dissatisfied workers, who offer less than their best effort and add to workers' protest movements. More carefully planned hiring would increase efficiency and reduce costs by a considerable margin.

Recruitment of labour shows both in source of labour and methods of recruiting the same. The problem is in a way related to the employment situation both quantitatively and qualitatively. In developing countries there is a large supply of labour flowing from the villages to the towns creating also reverse streams of the movements of labour back to the villages. Consequently both organised and unorganised industries have been depending upon intermediaries known by different names such as, jobbers, sardars, and contractors for their supply of labour from the village areas.

The process of recruitment is closely linked to commitment. If we assume that entrepreneurs are able to organize their operations to maintain a steady flow of work, and do not prefer to rely on casual labour, hired daily (as in a few remaining industries in advanced countries, notably the docks), recruitment may take place indirectly through a system of compradors, or village foremen, who guarantee to supply so many hands. Or hiring may be direct. With either the comprador system or direct hiring, if there is no commitment on the part of labour to town and factory life, recruiting becomes a continuous problem. This is a common serious problem, faced by many developing countries.

THE CONTRACT LABOUR SYSTEM

There is hardly any type of labour in some developing countries (specially in India and Pakistan) which is so exploited and low-paid as contract labour. In every province of India and Pakistan (and some other emerging countries), there is a public works department, with an irrigation and a road-building branch under which the Government employs labour on a large scale. Almost invariably public works undertaken by the Government are entrusted to contractors under the general supervision of the department. Employers of labour in constructional work do not deal directly with their workers, but through middlemen or contractors. The statement applies to public works, building and roadwork, irrigation and bridge construction, to the loading and unloading of ships and work of several kinds in docks, harbours, railways, etc. Payments of wages are made generally through the contractors, who are given lump sums out of which they pay a portion to the workers and retain the rest for themselves.

From the point of view of Government, as of local bodies like district boards and municipalities who are also large employers of such labour, this arrangement is no doubt convenient, since no consideration need be given to the requirements of the many thousands of workers employed; and also it is more economical. But, the objectionable feature of contract labour, however, is the absence of any safeguard against the non-payment of wages. And non-payment is of frequent occurrence. Even if payments are made, contractors by the very nature of the work, are bound to offer to the workers the lowest possible rates of wages. Thus a worker under this system may easily be a victim of the whims of a contractor and be subjected to undue exploitation. So, the conditions of labour would be far better if employed by the department direct.

The I.L.O. Mission was very much hopeful that public opinion would become a positive source of its abolition in most industries. And in those industries in which it must be temporarily continued it should be strictly controlled by making the principal employer jointly responsible with the provisions of the payments of Wages

Act and other labour laws.⁵ In the words of the Mission, “in those works or undertakings where this type of labour predominates, there was an entire absence of thought that welfare provisions in any form should be supplied.” Similar views were expressed by the Royal Commission on Labour in India as early as 1931. They were definitely of the view that workmen employed by salaried managers received more consideration than those employed by contractors and they recommended that managers should have full control over the selection, hours of work and payment to the workers.

RECRUITMENT THROUGH JOBBER

The practice of recruiting labour through jobbers has a powerful hold on the employment market of some developing countries (particularly India and Pakistan). In this process jobbers are the deciding factor in the engagement of labour.

In developing countries, when a worker arrives for the first time in a city in search of employment from his native village, he is generally without any money, skill, or influence. He spots out a relation, near or distant, or an acquaintance in a factory and works through him. Recruitment of new workers is particularly everywhere left to the MAISTRIE, or the SIRDAR, or the jobber (as they are called in different parts of these countries). Even to get inside the mill to be employed as a substitute is not easy; the jobbers must be paid for his piece of service, perhaps the first month's earnings, supplemented in many cases by personal service in the house of the jobber, or a supply of vegetables, milk or so.

Especially in the early stages, while the new recruit is still learning his work — making mistakes, some of which may be at the expense of the employer — it is essential that he should maintain harmonious relationships with the subordinate

⁵ I. L. O. Comprehensive Labour Survey, 1953, pp. 30–31.

staff, and in particular with the jobber. Even later, when he has been placed on a permanent footing, he is dependent on the jobber for leave, promotion or transfer from one piece of work to another. A jobber is generally a well-paid man in a mill. But what he earns through "other sources" is much more than his wage. After a few years of service as a jobber he has enough money for purchasing his own house and jewels for his wife and children; and very frequently he also becomes a moneylender to the workers in his mill and builds quarters for them which he rents out at exorbitant rates.

The jobber in the factory is primarily a chargeman, responsible for the output in his department and supervision of the workers under him. He acts sometimes as a mechanic and generally assists the unskilled worker. But quite apart from his normal and legitimate duties, his importance is due to his being an intermediary between the employer or the factory manager and the body of the workers. It is more convenient for the management to deal with a handful of jobbers who know their work and in many ways are capable men than to establish direct contact with the workers. In a number of factories the manager and many of the heads of departments are Europeans and Americans, ignorant of the ways and habits of the workers; the gulf is so wide that even after many years of life in these countries, they know very little about them and find it almost impossible to understand, much less appreciate, the workers' ways and habits and difficulties. The jobber thus becomes an indispensable link in the chain of officials. He interprets the workers' requirements to the manager and conveys, in turn, the latter's directions and instructions to the rank and file. If there is trouble of any kind, the jobber's co-operation is essential for the restoration of normal conditions. Through anonymous petitions, written in quaint English, the manager is acquainted with the iniquities practised by the jobber on the workers — with, generally, though in varying degrees, a solid substratum of truth. But even then a sympathetic and conscientious manager (or head of a department) finds it too embarrassing to follow

up the particulars in any case to their logical end. He knows that the smooth working of the factory is dependent on the good will and the hearty co-operation of the jobber. If in his anxiety to do justice to the workers he should alienate the sympathies of the jobber, the work of the factory as a whole can and will be made extremely difficult for him.

But the system prevails even where these things are not so. The basic reason may be found in the poor quality of the available labour, and its lack of adaptation to the factory. Underfed, accustomed to underemployment, unfamiliar not only with machinery but also with the continuity of attention it demands, the labour will work only in fits and starts unless it is under close control. So the jobber has to be held responsible for getting the work out, and must be armed with the power to hire and fire. Managers can not take that power back from him until they have workers to employ who will perform their tasks under supervisors who have no such whip hand.

RECRUITMENT THROUGH EMPLOYMENT EXCHANGES

The main work of employment exchanges in developing countries should be (i) dissemination of information concerning available labour and jobs, (ii) the procuring of jobs for persons registered with the exchange and the procuring of workers for the requirements of employers; (iii) appraisal of training needs and review of existing training plans; (iv) employment counselling and vocational guidance; (v) providing general information on employment useful to the employers, Government agencies and the public, by way of issuing Employment Market Information.

But unfortunately, "employment exchanges have remained weak mainly due to their inability to integrate their activities closely with the changing economic life of the country, and their failure to win the confidence of employers and workers. To many a worker the employment exchange is a cheerless place where he has

registered for work without expecting to find it, and to many an employer it is an agency of which he has little direct experience. The employment exchanges themselves take a narrow view of their responsibilities and are content to register massive numbers of unskilled job seekers without concentrating on the problems of the country's labour market. The image of the employment exchanges requires to be improved not only in the eyes of the employers and workers but also in the eyes of the personnel of the employment exchanges themselves."⁶

This is perhaps the most realistic statement about the failure of employment exchanges, not only in Pakistan but in almost every emerging nation.

The existing employment exchange system in various developing nations has been established along Western lines suitable for relatively advanced stage of industrialization. The routine registration of large numbers of unskilled workers has not been effective as a means of finding employment for a substantial number. The solicitation of notices of vacancy from employers for unskilled jobs has brought little co-operation from unemployers.

In 1953 the International Labour Office made available an expert who surveyed the employment exchanges in Pakistan and made some recommendations. Among these the following are worth noting:

- (a) To provide more adequate staff both in quantity and quality.
- (b) To install a systematic programme both for training new employees and for retraining those already employed.
- (c) To improve managerial methods and procedures by reorganising the exchanges, particularly in respect of clearly defining duties of all officers, providing a system of regular inspection, forming advisory committees at regional and local levels, etc.
- (d) To develop employment counselling within the existing framework of employment exchanges in order to guide school and college students and their parents in the wise choice of careers.

⁶ Government of Pakistan, The Third Five Year Plan: 1965-70, p. 227.

(e) To improve labour clearing, employer–employee relations, statistical reporting, agricultural and seasonal employment services and other special functions of the exchanges.

The above I.L.O. recommendations are most appropriate and realistic, and calling for implementation in all emerging nations for the smooth operation of the employment exchange system. But because of obvious limitations and hindrances the task is by no means so easy as it might appear to be. Registration of masses of unskilled and uneducated persons is not the vital issue in these countries. Emphasis should be placed on the establishment of working relations with employers, analysis of jobs, identification of expanding fields of employment and continuing estimates of man-power needs in total areas. The exchanges must establish employment counselling services for youth and new entrants to the labour market. "It would not be advisable to spend money on setting up new employment exchanges until the present ones are made to run efficiently."⁷

SECTION B:

THE EMPLOYMENT SITUATION IN DEVELOPING COUNTRIES

Employment may be defined as, "the means by which human resources are applied and made useful and valuable through their combination with other factors in providing goods and services that people want and will buy."⁸ The employment process brings human resources into combination with capital and management to provide products and services.

In developing countries, employment problems are not only multiplying rapidly, and exerting considerable pressure on their feeble economies. It has become an admitted fact that, "widespread unemployment – surrounding the major cities in vast

⁷ Government of Pakistan, The Third Five Year Plan: 1965–70, p. 228.

⁸ Herbert G. Heneman and Dale Yoder, Labor Economics, South Western Publishing Company, New York, 1965, p. 362.

vast slums, choking the public administration with make-work tasks, and squatting on the land in seasonal idleness — is one of the great social and economic problems in the underdeveloped countries.”⁹ Unemployment is synonymous with wastage of economic resources which could be utilised for further production. For example in Pakistan, “almost one-fifth of the available manpower, the country’s most valuable resource, is wasted every year for lack of opportunities for useful work. In actual numbers, almost half the labour force is affected, as unemployment in Pakistan generally takes the form of an under-utilization of at least half of the available manpower.”¹⁰ The following table will show the details for the period 1950–70. From Table 4 it is obvious that the gravest problem confronting Pakistan is unemployment. One can say that the similar state of affairs exists in almost every emerging country.

TABLE — 4
Labour Force and Employment: 1950–70

	1950–51	1954–55	1960–61	1964–65	1969–70
Employment in:					
Agriculture	16.25	16.90	17.85	19.30	21.80
Other	5.45	6.65	8.30	10.40	13.40
TOTAL EMPLOYMENT	21.70	23.55	26.15	29.70	35.20
Man-year equivalents of Partial Employment	5.60	6.55	7.55	7.55	6.25
LABOUR FORCE	27.30	30.10	33.70	37.25	41.45
Unemployment as a % of Labour Force	20.5	21.8	22.4	20.3	15.1

Source: Third Five Year Plan of Pakistan, p. 151.

⁹ Keith B. Griffin and John L. Enos, Planning Development, Addison-Wesley Publishing Company, London, 1970, p. 362.

¹⁰ Government of Pakistan, The Third Five Year Plan: 1965–70, p. 149.

In the developing countries the vital employment problem is not similar to that in the advanced industrial countries. The major employment problem in most developing countries is usually one of underemployment rather than of unemployment. In other words "underemployment becomes unemployment" in these countries. A basic characteristic of the employment situation in the developing countries is that although most of the working populations are engaged in productive pursuits, the total amount of work done, measured in man-hours, is far below what the population is potentially capable of doing. While in the advanced industrial countries like the United States and United Kingdom, the problem is one of the mass unemployment in recession, in the developing countries it is one of underemployment; the phenomenon is chronic rather than cyclical; it is primarily agricultural rather than industrial.

It is generally claimed that, to a larger extent, overpopulation is responsible for the underemployment of the labour force in these countries (although this situation is also found in the underdeveloped but thinly populated areas of Africa and Latin America). Another evidence is the overabundance of the labour factor in relation to the other factors of production. W. Arthur Lewis has described this redundant supply of labour as "unlimited supply of labour" and defines it as under:

"... an unlimited supply of labour may be said to exist in those countries where population is so large relative to capital and natural resources, that there are large sectors of the economy where the marginal productivity of labour is negligible, zero or even negative."¹¹

Prof. W.A. Lewis' model provides for the shift of population from the subsistence to the modern sector of the economy. The assumption that the surplus manpower in the rural sector whose productivity is at the moment very low, should be shifted to the non-agricultural sector and employed in industrial activities by implication means that the door is wide open for the surplus rural labour to be

¹¹ W. Arthur Lewis, Economic Development with Unlimited Supply of Labour, The Manchester School, May 1954, Reprinted in The Economics of Underdevelopment by Agar Walla and Singh, Oxford University Press, 1970, p. 402.

absorbed in non-agricultural activities, not valid in countries like India and Pakistan and against the empirical fact available on this proposition. The transfer of surplus agricultural population to the non-agricultural sector, where there is a considerable volume of working force looking for jobs, will not only involve great strain on organization, be wasteful and non-growth promoting but also pose the problem of ensuring speedily increased marketable surplus of foodgrains for a growing urban population.¹²

Further, some writers reject the possibility of redundant agricultural labour and assume that marginal productivity of labour in agriculture is always positive. Prof. Schultz has refuted flatly the extreme version of the view that there is a surplus of labour in the agricultural sector in developing countries, i.e., the doctrine of agricultural labour of zero marginal value.¹³

Morton Paglin presented data on Indian agriculture in an attempt "to show that large-scale opportunities for additional employment exist within agriculture, and that the output of the current labor force could be increased by redistribution of labor within the sector. Chronic or disguised unemployment of family labor, presumably because of small landholdings, will also be called into question as a generalization applicable to farms in the smaller size classes. Finally, the common assumption that economic development will produce a large exodus of labor from agriculture is shown to be in need of drastic revision."¹⁴

From his interpretation of this data he concluded that they "throw doubt on the validity of the dual economy models which assume a free transfer of labor from agriculture to industry without loss of agricultural product. The evidence also negates those formulas which suggest a maximization of output via the maximization of the average productivity of capital . . ."¹⁵

12 A.K. Khusro, Economic Development with No Population Transfer, Delhi, 1969, pp. 24–25.

13 T.W. Schultz, Transforming Traditional Agriculture, Yale University Press, 1965, p. 70.

14 Morton Paglin, "Surplus Agricultural Labor and Development: Facts and Theories", American Economic Review, Sept. 1965, p. 816.

15 *Ibid.*, p. 831.

On the basic issue of the zero marginal product of labour and disguised unemployment, Paglin's evidence supports the position taken by Viner, Schultz and Oshima, against the more generally accepted views of many others, that Indian agriculture suffers from a redundant labour force with a zero marginal value product. The data indicate not only a positive marginal product of labour, but also lend support to the hypothesis that the rationalization and improvement of agricultural techniques, generated by development efforts, will exert a strong upward pull on the demand for agricultural labour.¹⁶

The growth models of Lewis and others in so far as they base their policy of industrialisation on the exploitation of the saving potential inherent in the disguised unemployment associated with agriculture in the underdeveloped economies are not applicable in the countries like India and Pakistan.

Further, it is believed that there can be no net absorption of surplus labour from the agriculture into the non-agricultural sector for the next few years. "Only when demand for labour in the modern sector exceeds supply of labour does a net shift of workers from agricultural sector become economically justified. Otherwise, the result is only an addition to the pool of unemployed in the modern sector."¹⁷

Therefore, any attempt to encourage transfer of labour from agriculture to the non-agricultural sector is positively wasteful and thus the surplus labour will have to be employed within agriculture.¹⁸

EMPLOYMENT POLICY AND PLANNING

Whatever concepts and definitions may be used to measure and analyse unemployment and underemployment in developing countries, or more generally,

¹⁶ Ibid., pp. 831–32.

¹⁷ A.K. Khusro, Economic Development with No Population Transfer, Delhi, 1969, p. 25.

¹⁸ For a detailed discussion of this topic, see The World Employment Programme, Report of the Director-General to the 1969 I.L.O. Annual Conference, Geneva, 1971.

the difference between the supply of labour and its satisfactory utilisation, or in other words the underutilisation of labour, there can be no doubt that this is one of the major problems which will continue to confront the developing world in the 1970–80 decade.¹⁹

The formulation of an employment strategy needs to be seen as part of the formulation of an over-all development strategy. Such an approach is imperative in devising medium and long-term policies to attack unemployment; such policies would, if divorced from economic growth considerations, be self-defeating, since employment growth with rising incomes over a long period can not be achieved in economically stagnant countries. There may be a case for independent short-term employment programmes as an interim emergency measure, but such crash programmes entail a price to be paid in terms of long-term growth and employment creation, and should soon be integrated into a longer-term employment-oriented development strategy.

The essence of an employment-oriented approach to development would be for these countries to plan increases in those sectors, and based on those types of technology, which offer the greatest scope for employment creation, coupled with a reasonable rate of increase in output. These sectoral increases in production would, of course, add up to a certain rate of growth of the GNP — but that growth rate would not be the basic goal, it would be the result of an employment-oriented policy.

Within the general framework, close attention needs to be focused on rural development and the growth of rural employment opportunities. Low utilisation of labour due to lack of land, calls for changes in land tenure and in land distribution; low utilisation of labour due to the low intensiveness of the use of land calls for improved irrigation and agricultural extension work, larger supplies of high yielding seeds and fertilisers, wider provision of credit and marketing facilities, better training of farmers. Changes in land taxation may also be necessary; the introduction of

¹⁹ The World Employment Programme, Report of the Director-General to the 1969 I.L.O. Annual Conference, Geneva, 1971, p. 15.

heavy agricultural machinery needs to be scrutinised carefully; rural activities outside agriculture – in industry, crafts, services, construction – will have to be fostered systematically. Unless such measures are taken as part of comprehensive programme for rural development, there will be no relief in the widespread unemployment and massive underemployment now prevalent in the countryside and which leads large and growing numbers of people to leave the land and seek – although often in vain – a better life in the cities.²⁰

A dynamic agricultural sector is increasingly recognised by most countries as a precondition not only to overcoming food shortages but also to the successful implementation of various employment policy measures. The absolute numbers in agriculture are so great – and will, indeed, continue to increase in most of these countries during the coming decades, no matter how fast the industrialisation rate – that, in order to provide increases in income and employment for a large sector of the population, development must take place in agriculture. In rejecting the more general view of some prominent Economists that the surplus and expanding population should be shifted to the non-agricultural sector – the I.L.O. now finds that, in developing countries, possibilities of labour absorption in restructured agriculture is very possible. Most of the expanding population, therefore, must be absorbed in agriculture.

It is the agricultural sector itself that must be developed in order to provide remunerative employment for those now in the agricultural labour force and those expected to join it in the coming years, and that complementary programmes of rural development (including public works projects) alone can not meet the requirements for jobs and incomes.²¹

At present an important segment of the agricultural population is underemployed, seasonally unemployed or suffering from “disguised” unemployment. Data on underemployment, broadly defined as an inadequate

²⁰ Ibid., p. 17.

²¹ Zubeida, M. Ahmad and Marvin J. Stenber, “Agrarian Reform and Employment with Special Reference to Asia”, International Labour Review, Vol. 99, 1969, p. 161.

utilisation of available human resources and capacities;²² are scanty and not readily comparable as between countries. However, our purpose here is to establish that it exists in most of the densely populated countries of Asia. In respect of India, for example, it has been estimated that the rate of unemployment in the rural areas was 6 percent (15 percent among agricultural labour households as compared with 3 percent among other rural households) and that of those employed in rural areas 24 percent worked less than 28 hours a week and 7 percent worked much less.²³ A similar situation as regards unemployment and underemployment appears to exist in other developing countries.

Despite the unfavourable characteristics of agriculture in these countries there is scope for improvement. While on the surface it may appear that only one resource is underutilised — namely labour — in fact a number of others — land, water, capital — though scarcer than in other regions of the world, are still underutilised. In other words, agriculture in these countries is operating below the production possibility curve.

In many countries a capital-intensive approach emphasising tractor mechanisation of farm operations in order to raise agricultural productivity is discernible at present. This is encouraged by such policies as zero or low import duties on tractors, overvalued exchange rates, and subsidised government credit. While in some cases agricultural mechanisation can help to create additional employment opportunities, for example by increasing the number of crops which can be raised in one year, its use tends to be confined to large-scale farms whose operators can afford the investment involved, when it may reduce the need for agricultural wage labour and this results in increased rural unemployment.

²² See International Labour Organization, Eleventh International Conference of Labour Statisticians, Geneva, Oct. 1966, Report IV: Measurement of Underemployment: Concepts & Methods, Geneva, 1966, p. 5.

²³ Zuheida, M. Ahmad and Marvin J. Stenber, "Agrarian Reforms and Employment with Special Reference to Asia", International Labour Review, Vol. 99, 1969, p. 162.

While industrialization has been repeatedly emphasized as a means for employment creation, the need for a detailed examination of the potential for employment in agriculture itself has not been given due attention. Ceylon alone has attempted to estimate in some detail the employment potential of agriculture, and to approach the problem of manpower utilization with reference to it. China (Taiwan) which has not worked out an elaborate plan, has, in practice, exploited the scope for employment in agriculture to a considerable extent. In Japan, manpower was intensively utilized in agriculture during the crucial periods of its development.

The application of the inputs and labour-intensive methods of cultivation has brought up the average gross agricultural output per hectare in China (Taiwan) to over seven times the average for India. The number of persons per hectare of farm land in China (Taiwan) is now four times as great as in India. It is estimated that the index of gross agricultural output per hectare in the Republic of China is about 550 with Thailand as 100. The index for India is about 80. The number of persons per hectare in the Republic of China is 10.5 as compared with 2.4 in India.²⁴ Thus, the labour-intensive techniques do not only provide much larger employment per hectare of farm land, but also provide employment at a higher productivity per man-years.

Underemployment in urban areas can be fought by fuller utilisation of existing industrial capacity, introduction of multiple shifts, employing unskilled unemployed in public works. Educated unemployed in urban areas can be employed by expanding and improving the quality of social services in urban areas such as in teaching jobs in primary and secondary school, in jobs in local health centres and in jobs requiring execution of welfare activity programmes in urban and rural areas.

As regards to the industrial sector, there appears to be scope for a more rapid growth of employment than was the case in the past, if special measures are adopted and policies implemented to raise industrial output and employment through fuller utilisation of existing productive capacity, reduction of excessive capital-intensity of

²⁴ U.N., The State of Food and Agriculture, 1969, F.A.O., pp. 110–111.

the processes of production and facilitating the export of labour-intensive industrial products.²⁵

The under-utilisation of capital capacity reaches serious proportions in most developing countries. In certain modern industries the degree of capacity utilisation is as low as 40 to 50 percent.²⁶ It would seem desirable for national and international action to be taken to eliminate bottlenecks in the way of fuller utilisation of capacity. These bottlenecks include a shortage of foreign exchange to purchase spare parts, raw materials and similar intermediate inputs, due in part to the "tied" nature of foreign aid; to lack of skilled labour; and to inadequate final demand for industrial products.

Some countries have also taken measures to promote employment through small-scale industries, e.g. by providing tariff protection, subsidies and reserved markets. The Indian example is a classic case of granting small production units in traditional industries subsidies that are usually financed out of levies on modern firms. To the extent that such protective measures tend to keep non-competitive enterprises in existence, they conflict with the expansion of export of labour-intensive products, and may not lead to an over-all expansion of productive employment. It is for that reason that the Indian planners have proposed that subsidies should be progressively lowered and that more positive forms of assistance to small industries and handicrafts, viz. improvement in the standard of skills, better credit and marketing facilities and improved quality of equipment be considered.

To sum up, the problems to be solved in defining and implementing policies for full employment are complex; the size, nature and causes of unemployment and underemployment are imperfectly known and the instruments and concepts for analysing them are still inadequate; action is needed in many fields, but the impact of various measures on employment and on economic growth respectively is far from having been clearly identified; the conditions for successful implementation of

²⁵ The World Employment Programme, op. cit., p. 38.

²⁶ *Ibid.*, pp. 38–39.

these measures are not well known, or not fully met; and while many developing countries have taken some steps with a view to creating employment opportunities, these have often been of a piecemeal nature – they have grafted onto existing development policies, and in most cases no clear relationship exists between them and employment targets stipulated in the development plans. All this suggests that a great deal of fact finding and analysis will be needed as a basis for formulating sound policy recommendations aiming at promoting a faster growth of employment opportunities.²⁷

SECTION C:

WAGES IN DEVELOPING COUNTRIES

It is an admitted fact that in almost every developing country, unskilled workers live at a subsistence level. It is, therefore, often argued that the chief role of the trade union movement in these countries is to press for improved living conditions and remuneration. The outcome of the union's efforts to achieve this end may affect the progress and direction of industrial development in different ways, depending on the conditions existing in the particular country at the given point of time.

It is obvious that the objective of raising the general wage level is not in conflict with the goal of economic development. Indeed, the ultimate aim of development efforts undertaken by most governments is to improve the standard of living of the population. Increased capacity to consume among wide layers of the people is necessary both for maintaining social harmony and for creating markets

²⁷ Ibid., p. 83.

which can provide a basis for further economic expansion. Too great disparities in the distribution of income between those who own the means of production and those who are employed may put a brake on economic development, as has been the case, for example, in some of the Latin American and Asian countries.

But it is also clear that there are limits beyond which wage increases may become such a burden to production that they create an impediment to industrialization. Since industrial product prices in developing countries are mainly determined by international competition, excessive wage increases may either price the local producers out of the markets or reduce the capacity for further investment. Moreover, if labour costs per unit of production increases faster than unit capital costs, there will be an incentive for employers to substitute machinery for labour. In countries where labour is abundant and capital scarce, this may mean a wasteful use of the national resources, and thus be contrary to the objectives of balanced economic growth.

However, the increasing demand for higher wages poses a problem for economic development planning. How much of the increase in national income should go to industrial wage-earners, in the form of higher wages, and how much to agriculturalists, businessmen, and other claimants? Will a money wage increase come at the expense of industrial profits: if so, will this curtail the capital formation necessary for economic development? These are agonizing and complicated questions to which nobody has definite answers.

WAGE LEVELS AND WAGE DIFFERENTIALS

The general level of real wages in any country is limited by the country's capacity to produce, of which the size of output and income per head is a generally accepted indicator. In the developing countries, where output and income per head are so small, it is inevitable that the general level of wages should also be extremely low.

At present the lack of adequate comparable wage data makes it virtually impossible to analyse systematically the differences in the real wages and earnings received by different groups of wage earners in different sectors of the economy in developing countries. In spite of the lack of comprehensive wage statistics and recognising the magnitude of difficulties, it still seems instructive to analyze whatever information is available.

TABLE — 5
Agricultural and Industrial Wages In Certain
Developing Countries
1969 (unless otherwise indicated)

COUNTRY	AVERAGE AGRICULTURAL WAGES	AVERAGE INDUSTRIAL WAGES
Argentina	adult male: 90.92 pesos hourly wages	139.75 pesos average hourly wages
Barbados	adult male: \$0.56 adult female: \$0.42 hourly wage	\$37.38 average weekly wage
Burma	adult male: 204.59 Kyats monthly wage	males: 155.97 Kyats female: 130.45 Kyats monthly wages
Ceylon	males: Rs 3.31 females: Rs 2.75 daily wage	Rs 7.65 average daily wage
India	Rs 2.69 average daily wage	Rs 208.2 (1968) monthly wage
Pakistan	- - -	Rs 127.8 (1966) average monthly wage

Source: Year Book of Labour Statistics, 1970
figures calculated

Most of the available data tend to indicate that the average earnings of agricultural wage earners are lower than those of industrial wage earners (see Table 5). The commonly held view is that the level of wages in factories is higher than those paid by cultivators. In other words, money incomes have a tendency to decline the more one moves from town to village or from the modern factory system to traditional handicrafts.

Most developing countries are characterised by a general unevenness in their economies, and by the existence of one or two high-paying firms, often mining enterprises tied to the export market, or highly protected monopolies. The reasons why such firms pay high wages are well known: it allows them to recruit the best local workers and form them into a quiet and contented labour force: and it costs them little – especially when marginal tax rates are high.

The result of all these incentives to pay higher wages by big export firms and internal monopolies is a distorted inter-industry wage structure, with a few enterprises paying rates way out of line with those in the rest of the economy. There is no good economic reason why men doing similar work in different industries should be paid vastly different wage rates, the existing differentials in almost all cases being far beyond necessary to recruit workers of desired quality. Nor is there any economic justification for allowing higher than normal profits to be shared only by workers who happen to be in the highly profitable firms or industries; profit should rather be shared by the society as a whole through government taxing and spending.²⁸

In most developing countries, there tends to be a bunching of the lower end of the manual wage structure, largely because of rises in minimum wages that are not followed to the full extent at rates above the minimum. In contrast, the differentials for truly skilled craftsmen tend to be very wide, wider than in developed market

²⁸ Elliot J. Berg, "Wage Structures in Less-Developed Countries" in Wage Policy Issues in Economic Development, edited by A.D. Smith, St. Martin's Press, New York, 1969, p. 289.

economies. Fringe benefits do not appear to have led to a narrowing of these skill differentials, mainly because the principal benefit which is not proportional to wages is the family allowance and skilled workers probably receive relatively large family allowances because they are more stable and have larger families.²⁹

Two opposing forces seem to have been operating on manual-skill margins in developing countries since World War II. There have been market forces tending to widen such differentials in countries at early stages of development, because post-War industrial development has raised demand for scarce skilled workers more rapidly than demand for the plentiful unskilled workers.³⁰ In the less-developed countries unskilled labour supply at existing wage rates is highly elastic, unemployment is widespread, the demands for unskilled workers increase relatively rapidly as output increases. There is thus no obvious reason why market forces should induce a narrowing of differentials until late in the development process.³¹

There is a conventional wisdom that white-collar workers are paid too much in developing countries. In fact, this view may not be justified. An important fact that is not always taken into account is that in the early stages of development the market tends to favour white-collar workers. Countries just beginning the process of development need administrators and clerks much more than they need machinists and fitters, and this fact is reflected in the salary structure. The issue which has received most attention in developing countries, and has been the subject of numerous salary reports, is the differential between the highest and the least paid public servants.

²⁹ Ibid., pp. 305–307.

³⁰ For interesting discussion of supply of skilled and unskilled labour in less-developed countries, see H.A. Turner, Wage-Trends, Wage Policies, and Collective Bargaining: the Problems for Underdeveloped Countries, Cambridge University Press, 1966, pp. 18–20.

³¹ Elliot J. Berg, "Wage Structures in Less-Developed Countries", *op. cit.*, p. 308.

There is also the problem of geographical wage differentials within the public sector and of differentials between local and central government employees. The general practice has been for the central government to fix such wages by its own criteria and to pay little attention to wage levels and structures in the provinces. The result is that, in India for example, unskilled workers employed by the central government and working side by side with an unskilled state employee may be paid 30 percent more.³²

If attempts are made to compress the wage structure by raising minimum wages, it must be recognised that a likely effect is that differentials towards the bottom of the scale are narrowed. The problem is rarely posed in terms of holding minimum wages constant, and reducing the higher earnings. In practice, it is changes in minimum wages which have the most important impact on the wage structure.

DETERMINANTS OF WAGES

A study of wage determination in developing countries reveals that, it has assumed several forms. In the following section several important factors will be taken into consideration which play a crucial part in the process of wage determination in these countries. However, it is an open fact that no single factor is solely responsible for wage determination.

Although a high correlation was found between the movement in cost of living and wages, it is not possible to establish causal relationships between these two variables. Under certain circumstances the cost of living may induce the workers or the unions to demand a wage increase. On the other hand, a general increase in wages might provoke the employers to raise the general price level.

³² Ibid., p. 318–320.

However, the correlation coefficient between wages and the cost of living movement appears to suggest that in many developing countries, Government-paid wages are mainly determined by the cost of living.

Professor Reynolds lists three main reasons why even a carefully prepared consumer's price index does not provide an entirely satisfactory measure of changes in living costs.³³

First, it measures only the cost of living to a limited extent, i.e. the way in which certain families lived during the base period. As people's income rises, however, there is also an increase in their standard of living, i.e. their idea of the way in which they should live. The second limitation of the index is that it measures the change in living costs for people at one income level. A third limitation of the retail price index is that it does not include changes in the quality of items on the budget list.

Generally, labour and management attitudes in the industrialized countries have been against an automatic tie between wages and cost of living. Labour's representatives are opposed to an automatic tie because it implies the acceptance by labour of a constant standard of living.³⁴ Moreover, an automatic formula for wages poses an implicit threat to a union's functions. If wages are adjusted automatically, workers may question the importance of their unions and collective bargaining. Management representatives are opposed to an automatic tie between costs of living and wages, firstly, because a national or local costs of living index is not a good index of a particular firm's wage payments, since it ignores other significant variables influencing the individual firm's economic position (productivity, ability to pay, comparative wages). Secondly, an automatic, economy-wide tie between the cost of living and wages would greatly add to inflationary and deflationary movements.³⁵

³³ L.G. Reynolds, Labor Economics and Labor Relations, Prentice-Hall, Inc., 1970, pp. 174-76.

³⁴ A.L. Gitlow, Labor Economics and Industrial Relations, Richard Irwin, Hamewood, 1957, p. 436.

³⁵ *Ibid.*, p. 437.

Although the above arguments contain some strong points, there are some good points in an automatic tie between the cost of living and wages. This argument reduces the frequency of collective bargaining negotiations, which involve the serious possibility of industrial strife. It may also reduce the time and trouble involved in collective bargaining during periods of rapid price change, and long term contracts are possible since labour is freed from the pressure of declining real living standards. Such a device may be useful in the present state of industrial development in most developing countries, since the cost of living wage adjustments aim at correcting reduction in real wages and since the trade unions are still very weak in these countries.

To establish the influence of supply and demand of labour on wages the index of placement was used in some developing countries as an indicator of demand for labour and the index of unemployment registration was used as an indicator of supply. The index of placement and the index of unemployment are, however, poor indicators of supply and demand of labour because not all employers make use of placement services and not all unemployed workers are registered. Also those who secured jobs on their own may not notify the placement office.

Apart from these weaknesses, perhaps one cannot expect wages, particularly in underdeveloped countries, to be significantly influenced by the supply and demand for labour. The forces of supply and demand, however, can show their full effects only in an economy without institutional control. Nowadays situations in most developing countries have been dominated by state regulation, and one of the main reasons given for such regulation has been the evil consequences of the free play of market forces and the need to nullify them in the determination of wages.³⁶ Consequently the market forces of supply and demand now play very little part in the determination of wages in these countries.

Wage movements are determined not only by the particular conditions prevailing in the labour sub-market, but by more pervasive social and economic forces. Among these, it is generally agreed that the level of national income is the

³⁶ T.S. Papola, "Wage determination in the Indian Cotton Textile Industry," in International Labour Review, Geneva, Jan. 1968, Vol. 97, No. 1, p. 18.

most important. There are other forces at work. One is government policy, which may be actively sympathetic to labour, — as is the case in most of the underdeveloped countries, and is seeking to raise the wages of all labour through minimum wage laws. At any particular point in time in any country the wage level and existing differentials may be established through the combination of several variables such as specific market factors, unionism, the level of national income, the general condition of the economy and the Government policy. Wage-rates in any case have to be adjusted to changes in the demands for different kinds of labour, changes in the purchasing power of money, changes in the general prosperity and activity of industry. Economic forces may press wages downward and social forces may hold them up. As Professor J.R. Hicks has most aptly pointed out: "It has never been the general rule that wage-rates have been determined simply and solely by supply and demand."³⁷

THE PROBLEM OF MINIMUM WAGES

In almost every industrialised country the government had to take up the task of fixing minimum wages for special groups of wage earners such as those of the unskilled workers who are in receipt of specially low wages or those who are unorganised. The same conditions are also present in developing countries. In these countries, most of the unskilled workers receive very low wages in some industries, services, and especially in agriculture.³⁸

The immediate need in developing countries is, for a minimum wage structure which would secure reasonable living standards and a fair share for labour, in the

³⁷ J.R. Hicks, "Economic Foundations of Wage Policy", The Economic Journal, September 1955, p. 389.

³⁸ See, for instance, Government of Pakistan — The Third Five Year Plan: 1965—70, pp. 155—56.

process of rising productivity, and that, in determining wage rates, the capacity of industry to pay should be taken also into account.³⁹

A minimum wage policy should have both economic and social goals. For even if it is ill-suited to raising the lowest living standards in developing countries, a wage-policy should not be demonstrably unjust and, indeed, it can serve important equity objectives. In fact, it is imperative for a wage policy to promote social justice not only because of the intrinsic desirability of this goal but also to ensure support for the policy from the community at large, thereby immeasurably improving its chances of achieving the economic goal.

The basic objectives of wage policy are, first, to raise the general wage level and standards of living, and secondly, to stimulate the quantitative and qualitative growth of the labour, influence its location and, thereby, to promote general economic growth and welfare. These objectives are achieved by changes in the total wage bill, the average wage level and the wage structure, each of these elements being related to particular economic and social phenomena and being determined by certain decisions in the plan. For example, the total wage bill prescribed depends on the level of national income and investment and the distribution of consumption between socialised and individual consumption. The average real wage is determined by the number of wage earners, the level and structure of employment and by certain demographic factors. And the desired wage structure varies with the qualifications, skills and education of the labour force and with the sectoral and regional pattern of development. Thus, the integration of wage policy in the plan requires that it be harmonised with investment, production, labour, employment, fiscal, monetary, education, demographic and social policies.

Specifically, a low-wage policy would require the accompaniment of fiscal (or alternative) policies, especially where, as is common in developing countries, there

³⁹ N.N. Franklin, "Minimum-wage Fixing and Economic Development", in Wage Policy Issues in Economic Development, edited by Anthony D. Smith, St. Martin's Press, New York, 1969, p. 347. — For detailed discussion of this topic also see, I.L.O., Minimum Wage Fixing and Economic Development, Geneva, 1969, pp. 59–76.

are marked inter-firm and inter-sectoral wage disparities. And in the longer run measures which can do most to help wage policy rationalise inter-sectoral labour income differentials are those which promote a more balanced structural development:⁴⁰ perhaps the widest set of support policies are those measures which affect the labour market other than by the direct regulation of wages; in order to achieve its longer-term goals, wage policy must be accompanied especially by education and manpower policies which accord with the desired wage structure. Should it be decided to override market forces and establish the required differentials directly and more immediately by means of wage policy, the need for manpower rationing must be recognised.⁴¹ Arrangements for the formulation of wage policy, too, require supporting action. It is necessary to develop more competent leadership in developing countries and to ensure that this leadership is more widely spread over the various groups in society.

Increases in wages have effects on production costs, productivity, prices, the balance of payments, the distribution of expenditure between consumption, investment and government spending, employment and the rate of economic growth. Therefore, those who fix minimum wages without trying to estimate and take account of these effects, they risk the economic well-being of their country. Given the need for rapid economic development and the fact that it is only through such rapid growth that the majority of workers in developing countries can hope to have well-paid jobs in this generation, it is dangerous to fix minimum wages at levels that impede economic growth. Let minimum-wage fixing be used as one among a number of instruments for easing poverty (alongside measures to provide more jobs for the unemployed and health and social services to the extent that the country can afford

⁴⁰ Mr. Pinto referred to the 'homogenisation' of the economic system as facilitating the use of national wage policies, see Anibal Pinto, "Economic Structure, Productivity and Wages" in Wage Policy Issues in Economic Development, edited by A.D. Smith, New York, 1969, p. 263.

⁴¹ Elliot J. Berg, "Wage Structures in Less-Developed Countries", in Wage Policy Issues in Economic Development, edited by A.D. Smith, New York, 1969, p. 324.

— measures which can probably make a more important contribution to the relief of poverty in developing countries than minimum-wage fixing), but let this instrument be used within the limits of the constraints imposed by the need for economic development.

The extent to which minimum-wage fixing may be damaging to growth depends to a substantial extent on the criteria which the minimum-wage fixing authorities have in mind when they fix these wages. In many countries criteria or guidelines have been formulated for the guidance of minimum-wage fixing authorities and most of these are variants of three considerations: the needs of workers; capacity to pay; and wage rates paid elsewhere in the economy for similar work or, more generally, the level of living of other groups of people performing comparable work.⁴²

As regards the wage policy instrument, some Economists argue in favour of minimum-wage regulation while others think, collective procedures, reinforced by appropriate government institutions, constitute a more fruitful wage-policy instrument than minimum wage regulation. However, both have their advantages and limitations.

The minimum-wage fixing is one of the main instruments at the disposal of governments in developing market economies which want to influence the level, and perhaps the structure of wages actually paid. Its shortcomings stem partly from the fact that its impacts, and therefore the goals which it promotes, are not known with any certainty; in part they reflect the fact that the goals which it might promote may not be desirable in developing economies.

Broadly, minimum-wage regulation can have one of the three possible impacts on the wage level and structure. First, a rise in minimum wages may be followed by few increases in other wage rates. In this case minimum wage regulation might be regarded as an instrument of social policy, intended to protect low-paid workers

⁴² I.L.O., Minimum Wage Fixing and Economic Development, op. cit., p. 59.

from exploitation and to raise the lowest living standards — the role in which it is mainly used in developing countries. Secondly, minimum wage regulation may tend to raise all wages, but those above the minimum less than proportionately so that it causes wage differentials, especially occupational differentials. Thirdly, a rise in minimum wages might simply lead to an increase in the average wage level, an impact which would be most pronounced if all rates moved more or less in proportion to the rise in minimum wages leaving pre-existing differentials undisturbed. This outcome, especially, would raise important wage policy issues in the context of economic development.

In short, whilst minimum wage regulations might prove to be an important — indeed a strategically vital — instrument of wage policy once the desired equilibrium in the rural–urban differential has been attained, it has serious disadvantages as a means of reaching this position.⁴³ In any event the use of minimum-wage regulation as an instrument of wage policy requires that more be discovered about the nature of its impact in different conditions.

Wage determination by means of collective bargaining procedures is acceptable only if the two interested parties are equally strong. Although, workers in the modern sector may be better organised than rural labour, they are not always strong vis-a-vis their employers. Atomistic bargaining is by no means unknown, and where trade unions exist, their non-recognition, a loss of their best officials to politics and government and/or the internment of their leaders, seem to be almost natural features of the developing scene.⁴⁴

A second relevant issue is whether a centralised or decentralised collective bargaining structure is best suited to conditions in developing countries. Some Economists lean towards a decentralised system of collective bargaining on three

⁴³ N.N. Franklin, "Minimum-Wage Fixing and Economic Development" in Wage Policy Issues in Economic Development, op. cit., p. 351.

⁴⁴ P.P. Narayanan, "Trade Union Attitude to Wage Policy Issues in Developing Countries", in Wage Policy Issues in Economic Development, op. cit., pp. 390–91.

scores: a combination of high-wage islands and centralised collective bargaining is conducive to wage rises that are totally too large; centralised collective bargaining in conjunction with weak governments is also conducive to wage rises that are too high; and a decentralised system helps to disperse discontent, a desirable result it is claimed in communities which are politically fragile.⁴⁵ The case for centralised wage determination is based on the ground that, in developing countries, decentralised collective bargaining systems make for exploitation, inflation, underemployment in the traditional sector and the emergence of privileged groups in the modern sector.

The type of collective bargaining system which evolves, centralised or decentralised, has two kinds of implication for its use as an instrument of wage policy. First, where there is a centralised system of wage determination does the question of a nationally formulated wage policy arise?⁴⁶ Secondly, the degree of centralisation in the wage determination system will have implications for the means by which a nationally formulated wage policy is transmitted to, and taken into account in, the collective negotiations.

It is essential that any wage policy should be supported by public opinion and therefore the first step in the implementation of the policy should be measured and aimed at improving the public understanding of the issues involved. A government may also make a general plea to unions and employers for moderation in wage increases at times when a developing country is passing through a critical phase of its development.

To sum up, although the social objectives are important, the primary goal of wage policy in developing countries should be the promotion of economic development. Prof. Kerr identified "improving worker efficiency and performance, encouraging the acquisition of skills and providing an incentive to labour mobility" as the real purpose of wage policy in developing countries.⁴⁷

⁴⁵ Elliot J. Berg, "Wage Structures in Less-Developed Countries, op. cit., p. 298.

⁴⁶ H.A. Turner, "The Formulation of Wage Policy" in Wage Policy Issues in Economic Development, op. cit., pp. 357-60.

⁴⁷ Prof. Kerr's view in Wage Policy Issues in Economic Development, edited by A.D. Smith, New York, 1969, p. 156.

SECTION D:

PRODUCTIVITY OF LABOUR IN DEVELOPING COUNTRIES

Considerable attention has been focused, in recent years, on the productivity of labour in developing countries. Employers in these countries have, very often, complained that productivity per worker has been declining.

It has been said that the developing countries have economically backward populations in the sense that the quality of the people as productive agents is low.⁴⁸ Instead of acquiring the greatest possible control over their physical environment, the people have struck a balance with nature at an elementary level. They have been relatively unsuccessful in solving the economic problem of man's conquest of his material environment. It has also been claimed that for manufacturing as a whole, the level of productivity prevailing in poor areas is 20 percent and less of that in the United States.⁴⁹

But it will be highly misleading if we confuse productivity of labour with efficiency, which is primarily a measure of the worker's efforts. The worker is not a complete master of his productivity. The tools and machines used, the techniques followed, the nature of the raw materials consumed and the technical organisation of the factory where he works, have in most cases, more influence on productivity than the physical or mental efforts the workers make. A distinction should also be made between machine-paced and man-paced work. When there is an automatic machine, productivity or even efficiency is controlled more by machine than by the man. Negatively, increase in productivity should not always be identified with harder work on the part of labour, nor decrease in productivity with slackness.

⁴⁸ This characteristic is particularly emphasized by H. Myint, "An Interpretation of Economic Backwardness", in *The Economics of Underdevelopment*, edited by A.N. Agarwala and S.P. Singh, Oxford University Press, 1970.

⁴⁹ W. Galenson and H. Leibenstein, "Investment Criteria, Productivity and Economic Development", *Quarterly Journal of Economics*, LXIX, No. 3. August 1955, p. 355.

What are the factors which affect the productivity of labour? These may be classified broadly under three heads: (a) general factors, (b) technical factors and (c) human factors. Under "general factors" would come influences such as climate, geographical distribution of raw materials, organization of the labour market, degree of unemployment, labour shortages and labour turnover. "Technical factors" will include standardisation of work and material, wear and tear of machinery, quality and amount of machinery available, distribution of labour as between different operations, degree of integration within the factory, and control over raw material. Equally important are the "human factors" such as labour management relations, social and psychological conditions of work, wage incentives, physical fatigue, composition of the labour force and trade union practices.

Let us consider the operation of these factors in developing countries. Shortages of food, inadequate medical facilities, the poor state of the physical health of workers, and bad living conditions have led to a high degree of absenteeism. Lack of capital equipment and absence of industrial integration also hamper productivity, and so do the old and antiquated equipment and machinery with which labour has to work.

Hardly any data are available about the productivity of labour in different industries of developing countries. Still less are there any data to show whether this productivity has been rising or falling or has remained stationary. Even ordinarily, measurement of labour productivity is not an easy matter: it becomes particularly difficult in the absence of statistics in regard to most of the factors affecting production.

Notwithstanding the difficulties mentioned above, some people have sought to make out that the productivity of labour in several developing countries has been on the decline. It has been asserted by many employers that both productivity and labour efficiency have diminished and that higher incomes, far from providing an incentive towards greater productivity, have encouraged absenteeism and indiscipline among workers which are alleged to be the principal cause of deterioration in the quality and volume of output. Some of them have ascribed the absence of higher

productivity to the increasing tendency on the part of labour (a) to enjoy the leisure⁵⁰ (b) to share the available volume of work with all rather than reduce employment by individual intensive efforts. Even the Indian Fiscal Commission, which reported in July 1950, has remarked that there has been a fall in labour productivity in India.

It is not denied that, in few industries today, (especially in India and Pakistan) the number of men employed in various production processes is more than the optimum number required for a given output. It is also obvious that such "Excess" over the required optimum tends to diminish individual productivity which in turn depresses wages and increases the cost of unit output. But there is no conclusive evidence to show that labour productivity as a whole and in the true sense of the term has been on the downward grade in developing countries.

Productivity depends not merely on the number employed in particular industries, but also on the general quality and overall size of a country's labour force. For example in India and Pakistan, as usually in other developing countries, large populations and limited avenues of employment have made the problem of labour productivity much more intricate and complex than in countries with smaller populations. The very pressure of population on the means of subsistence tends to reduce productivity per head. An important condition for higher productivity and greater labour efficiency, therefore, is the creation of additional employment opportunities through economic development.

For the effective implementation of plans of greater employment, it is essential that there should also be plans for the control of population growth. Population, however, is least amenable to control. In developing countries, the proportion of

⁵⁰ In its extreme form, this consists in the phenomenon known as a backward-bending supply curve, results from a preference for leisure over income once customary real standards of living are achieved, and hence the absenteeism. For interesting account, see — E.J. Berg, "Backward-Sloping Labour Supply Function in Dual Economies: The Africa Case," Quarterly Journal of Economics, August 1961, pp. 468—492.

available labour to the material means of production is already very high and a steady reduction of that ratio can be achieved only on a long-term basis.

But it is not the size of the working population alone which affects productivity; it is also the capital and the capital-intensive methods employed therewith. Notwithstanding facile assertions to the contrary, the fact remains that the individual worker in developing countries is not inferior in capacity or in the ability to apply technical skill, to his compeer in the west. The standard of living which has an important bearing on the efficiency of the worker is also higher in the U.S.A. than in India. According to the British Cotton Weaving Productivity Team that visited the U.S.A. in 1950, the high productivity of the American textile industry was largely the result of efficient utilisation of suitable machines. Among the other reasons mentioned were: good labour relations, keenness on the part of management to increase efficiency, good working conditions and the importance attached to quality control, mill testing and research.

In most developing and developed countries, increased productivity per worker has been achieved through technical improvements. In the U.S.S.R., increase in productivity during the period following the First World War was due to such causes as better utilisation of machines, introduction of new equipment, more even supply of raw materials, organisational improvements, extension of technical processes for obtaining raw materials, and specialisation of production. In New Zealand, the rapid increase in farm productivity after 1920 has been ascribed to intensified top dressing and improved drainage, water supply, irrigation and farm shelter; to the supplementation of animal power by tractors and the increasing use of electric motors and to the extended use of milking plants, trucks, railroads and motor cars.

These instances could be multiplied several times. The instances already cited, however, amply show that increased labour productivity could be achieved in developing countries also, if industry were able to secure better capital equipment and effect certain much-needed technical improvements. Nor should we lose sight of such human factors as labour management relations, social and psychological conditions of work, wage incentives etc. Finally, the state must take a lead in

creating those physical conditions of life and living which have a direct bearing on the efficiency of the worker and hence on the productivity of labour.

What then should be done? First and foremost, the social enthusiasm of the workers for organised effort must be aroused. This can happen only if the economic and social effects of higher productivity are properly put across to them. They would also need to be assured that the fruits of higher productivity would be shared by them in terms of higher wages, greater leisure and great material comfort and that higher productivity would not be achieved by putting physical and economic pressure on them.

The second pre-requisite is the provision of improved equipment and proper training of workers so that they may acquire the technical know-how. In organising training, efforts should be made to direct the flow of technical skills into the requisite channels so that the labour force may be distributed in different occupations in a manner best suited to the requirements of the country.

Thirdly, there should exist the maximum possible cooperation between organised labour and management at all levels. At the factory level, this should take the form of mutual discussions on specific problems of productivity and experimentation with new methods or machines approved by both parties. The experience of all countries during the last war has shown that the practice of industrial democracy at the factory level is the most effective means of increasing productivity.

A word may be said about productivity and the wage level. There is a relationship between the wage level (or income level) and productivity. The amount of work that a worker can be expected to perform depends on his health, on his energy and vitality, which in turn depend on his consumption level. And the consumption is a function of income. So, one of the reasons for low productivity of labour in developing countries is the low level of wages. Wage incentives do play a prominent part in raising the productivity of labour, but an attempt to peg wages to productivity will neither be feasible nor acceptable to organised labour. Only if prior

agreement is reached between labour and management on the question of linking output with wages, may it become possible to apply the principle of payment by results over a large field of industry. But the success of any experiment of this kind would depend largely on the existence of harmonious relationship and understanding between labour and management.

To conclude, low level of productivity in developing countries is attributable to many factors: poor industrial organisation, lack of adequate educational training, bad working conditions, low wage levels, poor living conditions, and inadequate industrial capital and mechanical equipment. It is also due to the excessively high proportion of the working population to available employment opportunities. If the required tools were given, workers in these countries, could and would produce more,⁵¹ If they could be encouraged to think out new techniques and to share in the responsibility for increased output, there is no doubt whatsoever that they would respond with enthusiasm.

⁵¹ Jacob Viner, "The Economics of Development", in The Economics of Underdevelopment, edited by A.N. Agarwala and S.P. Singh, Oxford University Press, 1970, p. 17.

CHAPTER V

SOME LABOUR PROBLEMS OF DEVELOPING COUNTRIES

NATURE OF THE LABOUR PROBLEMS: A GENERAL VIEW

Labour problems are social problems. In most human communities, relationships among individual or social groups tend to become hostile and consequently social problems do often arise. Continuous struggle occurs among opposing social groups and between the managers and the managed, each trying to maintain and promote its social and economic status. One of these problems is industrial conflict, the conflict that arises out of differences over pay and other disputes between labour and management of enterprises.

Labour problems are complicated, as "no simple social action will remove them and solve all difficulties. Numerous factors contribute to the creation of the problem; numerous values must be appraised and balanced in any reasonable and appropriate proposal for its solution."¹

It is impossible to solve labour problems completely or forever. If one is solved, another would emerge. They have always been pressing in all societies, asking for cure. Whatever approach one may adopt to find their solution, most labour problems are complex. As no single situation can explain the depth and quantum of the problem, similarly no simple social action can eliminate it or solve all difficulties or one difficulty forever. Since many elements are involved in the creation of the problem, appraisal of innumerable values are necessary to reach any suitable suggestion, in order to have its solution. Moreover, labour problems are dynamic. They change from year to year, generation to generation. Since the goals of a growing community change and the social and economic structure undergoes

¹ Dale Yonder, Manpower Economics and Labor Problems, McGraw-Hill Book Co. Inc., New York, 1950, p. 13.

changes, modifying old structures, attitudes and problems and thereby creating new ones.

As Richard A. Lester has so aptly put it:

“When people sell their services and spend their working lives on the premises of the purchaser of those services, a varying amount of dissatisfaction, discontent, and industrial unrest are likely to occur. Employees are especially interested in higher wages, healthy working conditions, opportunity to advance, satisfying work, some voice in industrial affairs, and protection against loss of wages, overwork, and arbitrary treatment. From these issues arise such particular problems as unemployment, hours of work, minimum wages, work accidents, promotion, the settlement of grievances and labour organization.”² From this statement, it is obvious that, there are no labour problems when persons work for themselves and sell the articles they produce. Labour problems arise when persons sell their services for a wage and work, as directed on the premises of an employer. In other words, labour problems center around the purchase, sale and performance of labour services.

The issue of wages has always been vital in a growing society. In most cases, this has been responsible for creating a chaotic situation in the industrial world. Struggle starts, as the interests of the workers and employers clash furiously in labour market. It is just like a tug of war, since workers make every endeavour to raise wages for obvious reasons, and employers leave no stones unturned to defy this workers’ attempt.

A commodity or service is the result of joint collaboration of both workers and management (of course, in conjunction with capital). The distribution of income derived from this joint collaboration has always been a greatest source of tumult or tussle in any country, whether developed or underdeveloped. What should be the fair share of the worker and how much should be “pocketed” by management is a disputed question and has never received a satisfactory answer. Anyhow, this is not

² Richard A. Lester, Economics of Labor, New York, p. 3.

the sole issue, which constitutes the bulk of labour problems. There are some psychological factors as well, which play a crucial role in providing sources for industrial conflict. They maintain that the problems facing workers and management can be eventually stated in terms of the individual's ambitions for respect, esteem, security and self-improvement.

Genuine human desires need to be satisfied in order to have peaceful industrial atmosphere. Most employers deliberately overlook the root cause of conflict, which, if psychologically handled, can easily be eliminated. Although they are fully aware of the situation in which industrial conflict occurs, they also know that workers are not provided with better living conditions, social amenities and better conditions of work, even though it makes their blood boil when workers raise their voices before them. Instead of adopting a harsh attitude toward their employee, they should make the workers self-content and loyal and create a favourable working condition. Stiff attitude is very hazardous for the process of smooth industrialization. It has negative implications. In the modern world, the managerial approach should become "constitutional" rather than dictatorial or paternalistic.³

It is therefore, clear that if a successful system of industrial relations is to operate, it will be necessary to establish a cordial atmosphere where labour and management could jointly produce a product or service. Many problems can be alleviated if management allows trade unionism to work freely than to put hurdles in its ways. Labour unions mean more to their members than merely devices for securing higher wages or satisfactory working conditions. Conflict arises because of human or psychological factors, or because material or market forces have collided with utmost explosion. Furthermore, division of labour is a characteristic feature of modern industry, which involves monotonous routine tasks that are boring and require little thought. Physical factors such as light, noise and cleanliness of the work place may affect the psychological or mental well-being of workers. These factors should also be taken into consideration when we try to explore the appropriate solution of labour problems.

³ Kerr, Cunlop, Harbison, Myers, Industrialism and Industrial Man, Harvard University Press, 1960, p. 154.

The problem of insecurity is closely linked with other labour problems. This arises out of the economic, social and personal difficulties that are a product of the inability of individuals to find gainful employment. Failure to find work means a sharp decrease in or a complete stoppage of income. The loss of income in turn results in a decrease in the consumption of goods and services – Every curtailment of consumption means a decrease in the demand for labour to produce goods and services and further unemployment or underemployment.

Unemployment means wastage of those human resources which could have been channeled to some productive purpose, and hence human suffering. This may result in sickness, mental and physical illness, feeble living opportunities, social crime and perversion which could badly affect the whole structure of the economy.

SPECIFIC LABOUR PROBLEMS

Some of the great labour problems we have noticed are shared equally by both industrialized and less industrialized countries. But countries which are still in the process of painful transition and trying hard to reach the take-off stage, have some additional problems: workers' keen attachment to agriculture or non-industrial work, the problems of committing the labour force to industry, high absenteeism and labour turnover. These problems are very delicate and often have detrimental effects on the speed of industrialization in these countries. Many developing countries are finding themselves in a state of grave dilemma, as on the one hand they are over ambitious to bring about rapid industrial development, and on the other hand these problems have become barriers in the path of satisfactory industrialization.

ABSENTEEISM

A feature of labour in developing countries is absenteeism; absence from work both avoidable and unavoidable. Absenteeism is harmful to the worker as this reduces his income as "no work, no pay" is the rule (holidays with pay is not to be treated as absenteeism). The employer suffers in terms of discipline and efficiency on account of absenteeism. The maintenance of ready surplus labour to cover absenteeism increases the importance of recruitment of casual labour which by enabling new workers to be "played off" against regular workers creates discipline problems for both trade unions and employers alike. In the opinion of the Bombay Textile Labour Inquiry Committee Report, page 364, "proper conditions of work in the factory, adequate wages, protection from accidents and sickness and facilities for obtaining leave for rest and recuperation constitute the most effective means of reducing absenteeism." The ambition to maintain an income for maintaining a standard of living will reduce non-essential causes of absenteeism. In the early stages, it was observed that in the case of labourers who were content with satisfaction of static minimum wants, increase in wages tended to lead to increase in absenteeism. The backward-bending supply curve of labour, resulting from a preference for leisure over income once customary real standards of living are achieved. Hence the absenteeism.

Furthermore, recruitments to industrial employment secured by labour contractors, the attraction of factory jobs or a push off the land and the recent arrivals in urban areas in the early stages of industrialization all reflect a high degree of absenteeism in industrial employment. Thus, 71 percent of Bombay textile workers in 1953–54 visited their villages at least once a year. They went to escape the city and factory routine, on account of homesickness, to visit kinfolk, for religious festivals, to help with the harvest, and to attend to personal business.⁴ It is probably impossible to separate in these high rates of absenteeism the relative

⁴ Charles A. Myers, Labor Problems in the Industrialization of India, p. 44.

roles of the dissatisfaction and frustrations arising from the new industrial and urban work place from the ties to the old village and extended family. "The high absenteeism of the uncommitted and the semi-committed worker often reflects both a form of individual protest against the impact of industrialization as well as attraction to the pre-industrial society. The accommodation to the new work place and work community is evidenced by a significant drop in absentee rates as industrialization proceeds, although wide differences may remain among industries and types of workers."⁵

ADJUSTMENT PROBLEMS

In most developing countries, the worker is a first generation factory worker having no industrial background. As the worker comes to industry, he leaves the social and economic pattern which has nurtured him and offered security, and at first the industrial scene appears chaotic. The backward peasant bound to the family and the village, his horizons limited, his activity governed by the seasons and the weather, is suddenly thrust into a world of new incentives and different types of exacting rules. He must report for work at a fixed time each day. His routine is determined by technological rather than natural phenomena. The rewards which he receives for his labour bear a much closer relationship to his own skill and effort. Furthermore, he becomes lost in the tempo of city life, its indirect effects, impersonal ways and indifferences. The adjustment process is not an easy one, and is often cited as a major obstacle to development.

A large number of workers in these countries are utterly disinterested in factory work.⁶ While visiting factories in several developing countries, it is very

⁵ Kerr, et. al., Industrialism and Industrial Man, Harvard University Press, 1960, p. 203.

⁶ For more detail, see Charles A. Myers, "India" in Labor and Economic Development, edited by Walter Gelenson, 1959.

easy to see workers left their machines, frequently, without permission, to go outdoors for a smoke, to chat, or just to sit. Attempts to discipline them are either resisted by the workers, with the help of union representatives, or are ineffective. These are the extreme examples of maladjustment to factory work which could hamper rate of economic growth which is so vital for developing countries.

From a survey in East Pakistan, it was concluded that "a majority of the workers are more or less maladjusted to factory life. To some the degree of maladjustment is so considerable that they are anxious to quit at the earliest opportunity — The most important sources of maladjustment are in matters of working conditions, food, housing, sanitation, contact with one's family and treatment by the supervisors."⁷ One can hardly expect a committed labour force from such maladjusted workers.

Whatever may be the reasons for this maladjustment, it is very hazardous to economic development in developing countries. In recent years, most countries have sought the help and assistance of I.L.O. and other agencies to overcome this problem. But it might take a long time to eliminate this menace, because of the prevailing economic and social patterns in these countries.

LABOUR TURNOVER

There is ample evidence that in several developing countries the rate of labour turnover is very high. This represents a picture of workers forced into factories because of necessity, accepting industrial employment only because traditional village work will no longer support them. They are pushed into factories because of the poverty and drabness of the village, not drawn into industry because of its attractiveness.

It usually arises from dismissals, desertion, resignation and retirement. Some

⁷ A.F.A. Hussain, "Human and Social Impact of Technological Change," (Dacca: Oxford University Press, 1956), pp. 310—311.

70.
amount of labour turnover is natural and even beneficial and recognises freedom of the workers to change jobs for better prospects or personal satisfaction or of the employer to change or reduce workers because of the need to bring out "rationalization" of production. But high labour turnover is a measure of dissatisfaction and has obvious disadvantages and frequently the current level of production of the firm, involves direct and indirect financial costs while involving loss to the workers.

Improvement in methods of recruitment is one of the principal remedies for excessive labour turnover. More radical and effective methods such as establishment of employment exchanges, restriction of the powers of jobber and organization of a personnel department are required. Improvement of working conditions, adoption of an enlightened policy of management in respect of wages, transfers and promotion of welfare work, introduction of employment and sickness insurance – these will contribute to make the labour more stable than it is at present in these countries. Not the least important factors contributing to stability will be "attitude of the employers to workers' organisations and the provision of effective machinery for the ventilation and redress of the grievances of workers."⁸

THE PROBLEM OF COMMITTING THE LABOUR FORCE TO INDUSTRY

The commitment of labour to industrial employment is of immense importance for industrial development of developing countries. A characteristic feature of all advanced industrialising societies is the existence of a fully committed industrial work force, whereas there are innumerable problems involved in transforming primitive tillers of the soil into a disciplined industrial labour force, and of ensuring permanent commitment to a drastically new way of life.

⁸ Bombay Textile Labour Enquiry Committee Report, page 363.

The commitment of workers to industrial employment is a more complicated process than recruitment. Hiring workers may be relatively easy, but keeping them consistently at work tends to be more difficult. "A committed worker is one who stays on the job, and who has severed his major connections with the land. He is a permanent member of the industrial working force, receiving wages and being dependent for making a living on enterprise managements which offer him work and direct his activities at the work place.⁹

A pertinent question may be asked as to why commitment is so important. Labour commitment in any occupation is of paramount importance for several reasons.

- 1) The committed worker requires less supervision, and certainly less disciplinary supervision, and his performance is more likely to be at the upper end of the tolerable range than at the lower.
- 2) The worker who has accepted the norms appropriate to his particular role behaves more predictably in optional or choice situations than the one who appears to be governed entirely by external circumstances.
- 3) This reliability of behaviour is especially noteworthy in crisis situations.¹⁰

There are some obvious hindrances, in the process of commitment to the industrial way of life in developing countries. Transformation of agricultural labourers into energetic and satisfied industrial workers is by no means an easy task. Although in these countries workers in organized industries constitute a small fraction in comparison to total population but many of this small group are still villagers at heart. They have been pushed to the cities and industrial centers under pressure of over population on land and the urgency of eking out a living and supplementing the very meagre earnings in the rural areas. In 1931 the Royal Commission reported: "Few industrial workers would remain in industry if they could secure sufficient food and clothing in the village, they are pushed, not pulled,

⁹ Kerr, Dunlop, Harbison & Myers, Industrialism and Industrial Man, Harvard University Press, 1960, p. 17.

¹⁰ Feldman & Moore: Labour Commitment and Social Change in Developing Areas, New York, 1960, p. 2.

to the city.”¹¹ So great is the strain of transformation that, in the initial stages of industrialization, at least, the ability of many workers to adapt to industrial work **proves** inadequate. This initial difficulty in adjustment contributes to high labour turnover, excessive absenteeism, inadequate work performance and resentment against factory discipline. Their motivation and prestige systems are village oriented. Until this is changed, and workers feel themselves a part of industrial life, they will not seek to progress within the new system by contributing their ability and increasing their efficiency.

When the workers arrive for the first time in an industrial city in search of employment, they usually face many difficulties. The acute shortage of houses for workers in industrial centres, the high rents, the alien social surroundings of the city, may add to their problems. He finds the discipline of industry, the rhythm of technical civilization difficult to follow and is perplexed by the specific type of industrial work which is, of course, not in accordance with his aptitude. Thus the evolution of a class of workers belonging to the industrial labour group with permanent stake in the cities is a very slow growth.

It has also been maintained that the development of a stable committed industrial labour force is more a consequence of “managerial pulls” than of “pushes” from the impoverished rural regions. In fact, the push from the land can create a discontented industrial labour force if nothing is done to adapt it to factory and urban requirements.¹²

To sum up, commitment of labour has a profound impact on the process of industrialization in developing countries.

¹¹ Report of the Royal Commission on Labour in India, p. 16.

¹² Charles A. Myers, “India” in Labor & Economic Development, edited by Walter Galenson, New York, 1959, p. 31.

INDUSTRIAL DISPUTES

Neither side of industry welcomes labour disputes. It is recognised that if there is a work-stoppage both sides must suffer some economic hardship – industry is deprived of labour which is essential for its successful operation and labour is deprived of the wages earned by continuous work. But in spite of the patient, constructive work that goes into building up good relations in industry, disputes sometimes do arise and exert detrimental effects on the growing economy of developing countries.

A conflict may arise from misunderstandings or ignorance about the present conditions of an industry, its profits and prospects of employment. Again, “there may be failure to estimate the balance of forces between the two sides, or a clash of personalities may be responsible or a demand may have been made in such a way that agreement on less favourable conditions would involve “loss of face” and be interpreted as weakness”¹³ In most disputes there is a margin or range between the two sides within which agreement can be reached, but these limits may not be recognized, or there may be lack of skill in making a concession. Sometimes conditions are unfavourable because of uncompromising tempers resulting from an accumulation of real or fancied grievances.

There are various reasons for the industrial disputes in developing countries. These may relate to wages, hours of work, holidays, bonus and other facilities. The statistics of many countries show that wages have been the greatest cause of disputes. But in some developing countries, one of the chief causes of industrial conflicts is the claim of the workers that they should have the right to organize themselves into trade unions. Although this right has been recognised by the many Governments in these countries, but many employers still deny it, and has led in many cases to victimisation of the office holders of the unions for legitimate trade union activities.

¹³ J. Henry Richardson, An Introduction to the Study of Industrial Relations, London, 1965, p. 244.

Furthermore, in many developing countries, workers are generally not conversant with the statutory provisions and practices of other democratic countries, and are under the impression that they should have unfettered right to strike at any time. Though the right to declare a strike or lockout is an essential and ultimate safeguard in collective bargaining, even the strongest advocates of this principle would concede that work stoppages are disastrous for the community as a whole, particularly in a developing economy. Whichever party is the victor, both sides (and the consumer too) suffer heavily. It often happens that neither side has the satisfaction of gaining complete victory, and the result is a compromise which could also be reached by negotiations without resort to strike.¹⁴

How disastrous are the industrial disputes, for a developing economy, can be estimated by the Table (5) which shows the work stoppage in some selected developing countries, and hence increasing loss of working time which could have been channeled to productive purposes otherwise.

TABLE – 5
Industrial Disputes in Selected Developing Countries

<u>COUNTRY</u>	<u>CODE</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Argentina	D/C	6	7	8
	W/T	547	1,609	6,697
	D/J	2,702	15,502	150,256
Chile	D/C	1,114	1,124	1,277
	W/T	225,470	292,794	362,010
	D/J	1,989,534	3,651,569	1,178,706
India	D/C	2,815	2,776	2,270
	W/T	1,490,346	1,669,249	1,580,056
	D/J	17,147,951	17,243,679	16,678,714
Nigeria	D/C	89	29	49
	W/T	40,785	11,551	20,624
	D/J	92,373	18,444	81,268
Pakistan	D/C	172	138	---
	W/T	257,180	116,576	---
	D/J	2,491,954	417,428	---

Source: Year Book of Labour Statistics, 1970.

D/C: Number of Disputes
W/T: Workers Involved
D/J: Working Days Lost

¹⁴ The Third Five Year Plan: 1965–70, Government of Pakistan, p. 234.

With regard to industrial disputes, governments in developing countries should pursue an active policy with a view to maintain industrial peace, endeavouring all the time to see that the workers obtain a fair deal. It should be the intention of government to provide legislation aiming at the prevention of unfair strikes and lock outs as far as possible. The basis of this legislation should be the requirement that no reduction in wages or other change in conditions of employment to the disadvantage of workers should take effect till they have sufficient time and opportunity for having the facts and merits of the proposed change examined and all avenues of peaceful settlement of disputes explored either through the channel of voluntary negotiation, conciliation, or arbitration or by the machinery for the law.

In short, government should make every endeavour to reduce industrial disputes and maintain industrial peace which is indispensable for the accelerated economic growth in developing countries.

CHAPTER VI
THE ROLE OF STATE IN
INDUSTRIAL RELATIONS

THE SCOPE OF STATE INTERVENTION

In the nineteenth century, when theories of laissez-faire yet upheld the sacredness of individual liberty, there was little intervention by the state in the economy and industrial relations. Today, the whole world is caught up in the web of government intervention. As one modern philosopher puts it, government has become "the vastest of all human enterprises. No private organization of any kind, however world-embracing, no economic corporation or cartel, no cultural organisation such as a universal church, compares with governments in scale, multiplicity and variety of the tasks it performs."¹

Whether in a free or totalitarian society, whether in a communist, socialist or democratic community, whether in a developed, underdeveloped or developing country, the basic fact remains that the advances of technology, the increasing interdependence of communities and nations, and the ever-increasing complexities of social and economic life; it is these which, today demand, impose and apparently justify the increasing participation of the state in practically all activities of the citizens; and it has become outmoded to suggest that the government is best which governs least.

In recent years, in many developing countries, the state has assumed an important role in the sphere of industrial relations. State intervention has become necessary because of the failure of the parties to settle industrial disputes, in order

¹ R.M. MacIver, *The Web of Government*, (Macmillan, New York), p. 314. (1947).

to check the growth of industrial unrest and to gain for the working class some measure of improvement and security. For these purposes, in some developing countries, state introduced and progressively raised the standards of industrial safety and welfare by the Factory Acts. It also established systems for fixing minimum wages in industries where sweating existed and where there was lack of organization among employers and work people to regulate wages effectively.

In many countries laws have been passed to define the functions of trade unions and employers' organizations, to regulate collective agreements, and to impose restrictions on industrial disputes and conduct of persons taking part in them.

The State has a direct interest in preserving industrial peace. Unrest may cause disorder which would be costly to control, and stoppages of work may reduce prosperity and cause the national revenues to fall. Stoppages in some industries may interfere with the success of the government's armament programme, and this could involve grave risks in periods of international tension. With the object, therefore, of removing or reducing such losses and dangers and of assisting employers and workers towards the settlement of disputes the State has set up machinery for conciliation and arbitration.

In the modern world, therefore, the States in the developing countries, as in the more advanced nations, find themselves inextricably concerned with industrial relations, because of the complexities of modern economic, political and social life, the expectations of the citizens and the requirements of international obligations.

PREVENTION AND SETTLEMENT OF INDUSTRIAL DISPUTES

In most of the developing countries, labour laws or labour codes are usually combined to the common ultimate aim of laying the basis for improved relations between workers and managers, by improving the conditions of work, building up

the institutions of collective bargaining and joint consultation, trade unionism, and the settlement of labour disputes. Labour Codes or similar fundamental legislation are common, most of them having been enacted in the colonial era.²

In this section we are specially concerned with disputes settlement techniques in developing countries. However, discussion will be based principally on the experience of India and Pakistan regarding which the writer is most intimately acquainted. It is considered that in other developing countries the state of affairs is not entirely different. In these countries, governments are taking appropriate steps to reduce industrial disputes and thus to create a smooth and ideal working condition.

While fostering co-operative relations in the industry the State, in India, placed equal emphasis on legal and persuasive measures to prevent and settle industrial disputes in industry. Broadly speaking, the measures were framed with three objectives, viz. (a) to eliminate basic causes of irritation or conflict between the parties; (b) to streamline the apparatus provided under the Industrial Disputes Acts to deal with cases more expeditiously and effectively; and (c) to promote a sense of mutual obligation towards each other as partners in common enterprise.³

Perhaps the most important event in modern industrial relations in India is the formulation of the Code of Discipline in 1958. The Code lays down "specific obligations for the management and the workers with the object of promoting constructive co-operation between their representatives at all levels, avoiding stoppages as well as litigation, securing settlement of disputes and grievances by mutual negotiations, conciliation, and voluntary arbitration, facilitating the growth of trade unions and eliminating all forms of coercion and violence in industrial

² Tijani M. Yesufu, An Introduction to Industrial Relations in Nigeria, (Oxford University Press, 1962), p. 20.

³ Dr. S.D. Punekar, Aspects of State Intervention in Industrial Relations in India: An Evaluation, Research Conference on Industrial Relations and Economic Development, Geneva, Aug. 24 — Sept. 4, 1964, p. 15.

relations."⁴ The Code forbids the parties to take recourse to (a) coercion, (b) intimidation, (c) victimisation or (d) go-slow and urges that they avoid (a) litigation, (b) sit down and stay-in strikes, and (c) lock-outs. In addition, managements and unions pledge to refrain from taking any action that would be detrimental to the rights and interests of each other. A union guilty of a breach of the Code loses its right to "recognition".

Settlement of disputes under the Industrial Disputes Act, 1947 is achieved through the following:⁵

- i) WORKS committees;
- ii) Intervention by conciliation officer or board of conciliation;
- iii) Constitution of a Court of Inquiry;
- iv) Voluntary arbitration; and
- v) adjudication.

In 1947, the Industrial Disputes Act was passed by the Government of British India, and in the same year along with partition, Pakistan inherited it. In 1959, a new Industrial Disputes ordinance was promulgated by the martial law regime. It was subsequently modified in 1960. In 1969 Government, after making positive changes in the earlier Labour policy, announced a new one which contained the procedures for the settlement of disputes between the workers and their employers. The Government policy is summarised as follows:⁶

- (a) disputes over matters of rights will be settled through adjudication in Labour Courts. The right of strike/lock out will not be allowed in such cases.

⁴ Planning Commission: Third Five Year Plan, 1961, New Delhi, pp. 250–251.

⁵ Teja Singh Sahni & S.C. Gupta, "The System of Prevention and Settlement of Industrial Disputes in India" in Labour Management Relations Series: No. 15, International Labour Office, Geneva, 1962, pp. 59–60.

⁶ Labour Policy of Government of Pakistan – July, 1969, p. 15.

- (b) disputes over matters of interest will be left to collective bargaining and its concomitant, the right of strikes/lock out will be allowed for the settlement of such disputes.
- (c) Strikes/lock out may take place only after bilateral negotiations have failed, and a strike/lock out notice of 21 days has been given,
- (d) Conciliation before a strike/lock out notice will be voluntary at the request of both parties,
- (e) Once a strike/lock out notice has been issued, compulsory conciliation will take place,
- (f) conciliation effort will be deemed to have failed unless a settlement has been arrived at before the expiry of the strike notice.
- (g) On failure of conciliation, the parties concerned will have the option to go to arbitration the decision of which will be final and binding for both parties. Arbitration will only take place with the mutual consent of both parties,
- (h) a strike notice will be considered valid only if it has been issued after its approval by a majority of the workers as determined by a secret ballot among them,
- (i) no strikes will be allowed in Essential Services,
- (j) the Government may prohibit strikes in public utilities, and also in those cases where a strike/lock out has lasted for more than sixty days and no settlement appears likely,
- (k) a Tribunal will be appointed to settle any disputes arising out of conflicts of interest for the settlement of which the use of strike/lock out has been prohibited. The award of such a Tribunal will be final and binding for any period between one and two years,
- (l) Subject to (i) and (j) above, the procedures for settlement of disputes in the productive public sector will be the same as those for the private sector,
- (m) joint consultation on the Whitley Council model will be introduced to settle the grievances of the Government employees.

LABOUR POLICY

In recent time several developing countries have formulated labour policy which assert the importance of economic development, industrial peace and healthy trade unions.⁷ They promised speedy action to establish industrial courts for arbitration of industrial disputes, compulsory recognition of trade unions, a broader social insurance system, a more effective system of welfare officers in factories, and adequate housing for industry.

The objective of the labour policy is, therefore, to create an environment in which both the industrialists and the workers can work together to achieve higher productivity and equitable distribution.⁸ In this section we shall outline some broad principles which have been included in the different Labour policies of different developing countries in regard to industrial relations, wages and welfare of industrial and commercial workers. They are as follows:

- 1) The policy of the Government in the field of labour shall be based on I.L.O. convention and recommendations ratified by many developing countries.
- 2) The growth of healthy trade unionism is essential for a stable social structure, wherein there will be industrial and social peace, with greater production and equitable distribution of wealth.
- 3) A sound and healthy relationship between the employers and employees is a pre-requisite for the increased productivity.
- 4) Industrial peace is essential for economic progress. Agitations and tensions in industrial and commercial undertakings and other fields of human endeavour should be discouraged. The settlement of disputes between management and labour should be secured through constitutional

⁷ Government of India — First Five Year Plan, p. 571.

⁸ Labour Policy of Government of Pakistan, July, 1969, p. 1.

means, such as joint consultation, voluntary arbitration, conciliation, Mediation, and Adjudication.⁹

5) Simultaneously with the stepping up of production, suitable measures should be adopted for providing social amenities to workers of all categories, calculated to meet, as far as possible, their requirements of health, education, recreation, housing, wages and similar other needs in relation to their work.

6) Suitable measures should be adopted for reducing unemployment in the country.¹⁰

7) The State will continue to maintain employment agencies and work on a programme of employment information.

8) The Government would give due importance to research and collection of statistics concerning working and living conditions of the workers, and also encourage employers and employees to do the same.

9) The Government will take steps to ensure proper employment of seamen in the country and abroad. It will also take suitable steps to ensure their regularity of employment, fair wages and social amenities.¹¹

10) Social welfare is not the responsibility of the state alone. Private industries and organizations should also pool their resources in a co-operative manner to provide for social welfare on commercial, industrial and other private establishments in order to raise adequate funds to organize welfare measures for the employees.¹²

11) The Government will welcome scientific and technical assistance in the fields of labour and employment from friendly countries.

⁹ Pakistan Year Book, 1958–59, p. 82–83.

¹⁰ S. N. Sen, The Indian Economy, Bookland Private Limited, June, 1962, pp. 509–513.

¹¹ Pakistan Year Book, 1958–59, p. 83.

¹² Ibid.

Most of the above eleven principles usually constitute the objectives of the labour policy in developing countries. However, these principles are not binding for all times and the governments have reserved the right to amend or to alter them. Nor is it binding on authorities to implement them within any specified time.

ROLE OF CONCILIATION

State intervention in industrial disputes which is now widely applied throughout the world, usually begins after a period of severe industrial unrest. The losses of the disputants themselves, those suffered by employers and work people in other undertakings and industries, and the inconvenience to the public, lead to strong demands for the State to intervene by providing a system for Conciliation and arbitration.¹³ In most countries conciliation is tried before disputes are referred to arbitration.¹⁴

Conciliation service in Pakistan is provided by the government for the direct and immediate benefit of both employees and management. Conciliation before a strike/lock out notice will be voluntarily at the request of both parties. Once a strike/lock out notice has been issued, compulsory conciliation will take place.¹⁵ A conciliation officer may be appointed on a permanent or ad hoc basis.

Where any industrial dispute exists or is apprehended, the conciliation officer, for the purpose of bringing out a settlement of the disputes "without delay", is empowered to investigate the causes of dispute and endeavour to induce the parties to reach a "fair and amicable settlement of the dispute." If no settlement is reached, the conciliation officer will issue a certificate to this effect to the parties within 14

¹³ J.H. Richardson, An Introduction to the Study of Industrial Relations, Allen & Unwin Ltd., London, 1965, p.361.

¹⁴ Ibid., p. 365.

¹⁵ Labour Policy of Government of Pakistan, July, 1969, p. 15.

days, in the case of a public utility service, and within 28 days, in other cases, counting from the date of the commencement of conciliation proceedings. This period may be extended by mutual consent of the parties to the dispute. When a certificate of no settlement has been issued to a party, it may apply to an Industrial court for adjudication of the dispute.

In India, the conciliation officer shall have to send to the appropriate government a full report setting forth the steps taken by him for bringing about a settlement of the dispute and the reasons on account of which, in his opinion, a settlement could not be arrived at. Once the failure of the report has been given by the conciliation officer it is up to the appropriate government to decide whether the dispute should be referred for adjudication or not.¹⁶

In order to encourage direct settlement between the employers and workmen the Act recognises any written agreement between the parties as a settlement for the purpose of the Act.¹⁷

In many developing countries, the conciliation machinery functions somewhat in the same way as we have seen in the case of Pakistan and India. However, in some emerging nations, because of the peculiar industrial environment, emphasis has been laid on the compulsory aspect of conciliation.

INDUSTRIAL COURTS

When a system of compulsory arbitration is applied, the State requires the parties to a dispute to submit their differences to an arbitration tribunal, which, after considering the facts and arguments submitted to it, makes an award giving the terms of settlement.

¹⁶ Teja Singh Sahni and S.C. Gupta, "The System of Prevention and Settlement of Industrial Disputes in India," Labour-Management Relations Series: No. 15, International Labour Office, Geneva, 1962, p. 61.

¹⁷ Ibid.

In India, for example, the process of adjudication is carried out in one of the three courts, namely, labour courts, industrial tribunals and national tribunals, depending on the nature of the dispute.¹⁸ Whereas in Pakistan industrial courts have the sole right to act as adjudicator and impose a verdict on disputants. In the interest of expeditious disposal of the business before the court, the chairman may direct that any examination or cross-examination or re-examination be cut short or dispensed with. The Court not only adjudicates, but also is required to endeavour to secure an amicable settlement of the issues between the parties.¹⁹

Although the court is authorized to call for records and documents belonging to the parties, such records after inspection by the Court shall not be made public if so desired by the party.²⁰

The decision of Industrial courts are final, and no appeal is allowed against them. The decisions and awards of the court are given in writing signed by the chairman and are immediately forwarded to the Government. The decision of the Court is considered to have been given on the date on which it was communicated to the parties. The court may indicate on its award the time within which the award shall be implemented. If it is not implemented within the specified date, this will constitute a breach of the award. The party committing such a breach is punishable under the law.

The adoption of compulsory arbitration involves no departure from democratic principles. It would be just as false to argue that compulsory arbitration takes away democratic freedom as that compulsory education or taxation are inconsistent with

¹⁸ Teja Singh Sahni and S.C. Gupta, "The System of Prevention and Settlement of Industrial Disputes in India," Labour-Management Relations Series, No. 15, International Labour Office, Geneva, 1962, p. 61.

¹⁹ M. Ali Reza, The Industrial Relations System of Pakistan, Bureau of Labour Publications, Karachi, 1963, p. 54.

²⁰ Ibid.

democracy. No countries are more democratic than Australia and New Zealand, both of which have had compulsory arbitration since the early years of the present century.²¹ In developing countries, however, where employers and work people are not strongly organized and do not have wide scope for freedom of action, it is hard to apply compulsory arbitration successfully if it is not fully supported by employer's organization and trade unions. There are other reasons as well which give rise to certain difficulties in regard to this system, in these countries. We shall deal with this matter in more detail in the next section when we shall discuss the appraisal of conciliation process in developing countries.

CONCILIATION PROCESS IN DEVELOPING COUNTRIES: AN APPRAISAL

In almost every developing country Industrial courts enjoy immense authority. As has been stated before, the decisions of Industrial courts are final, and no appeal is allowed against them. Fair administration of justice requires that some forum of appeal should be constituted. The present status of the Industrial courts as the final place of appeal, no doubt, gives them highest status when the parties are compelled to present cases with all the supporting material they can use. But it would be far more desirable to constitute another Industrial tribunal to which appeals can be made on points of law and interpretation. The final court should be constituted entirely of Government appointees well versed in law and industrial relations. Usually an appeal of this sort should take only one or two hearings to decide, since only points of law are argued. In this instance, the legal practitioners should be allowed to argue the cases.²²

²¹ J.H. Richardson, An Introduction to the Study of Industrial Relations, Allen & Unwin Ltd., London, 1965, p. 36.

²² M. Ali Reza, The Industrial Relations System of Pakistan, Bureau of Labour Publications, Karachi, 1963, p. 60.

Furthermore, the chairman of Industrial court — usually a High Court judge — may tend to be guided more by the legal niceties than the complex human relations involved in industrial disputes, it may be advisable to enlarge the personnel of the Industrial court in order to minimize human failings. The matters that sometimes came before the Court may have far-reaching effects on the economy and the society as a whole. The governments of developing countries in this instance may follow the Swedish example. The Labour Court in Sweden is composed of seven members appointed by the Crown. Two each are nominated by management and labour, and three, including the Chairman, by the Government. The chairman and vice-chairman must have legal training and judicial experience, and the third public member must be a recognized expert in labour relations. Members or their alternates usually disqualify themselves in cases where they have a direct business or trade union interest.

The conciliation officer, too, has been given sweeping powers. He can intervene in any industrial dispute not only when a strike or lock out has begun but also when such a situation is apprehended. If no settlement is reached, the conciliation officer will send to the government a full report setting forth the steps taken by him for bringing about a settlement of the dispute and the reasons on account of which a settlement could not be arrived at. He is also authorized to give his own views in the report.

The Industrial court and the conciliation service represent the State's chief participation regulating the labour market. Theoretically, there are only two parties to conciliation and arbitration proceedings but in fact the government is present as a third party in the person of the conciliator or the judge. The government, through its officials, exercises its enormous authority. These officers frequently warn the parties that some possible settlement would not be in the best interest of economic progress in the country, and thus discourage them. The net result is that tripartite bargaining has replaced the usual collective bargaining; labour deals with management through government.

It has also been alleged that the operational machinery of Industrial courts in developing countries has been slow-moving and has failed to cope with the disputes with speed and efficiency. Criticism is also made of the non-co-operative attitude of the members on the works committees, and the tendency of such committees to serve as a backdoor method to undermine trade unionism.²³ The Industrial tribunals have also been criticised because of their 'ad hoc' nature, their composition, their complex method of work. The I.L.O. Mission has rightly recommended that more competent conciliation officers should be appointed to keep in touch with industry in these countries. Also, it should be made obligatory on the parties to industrial disputes to take part in the conciliation proceedings, that permanent industrial tribunals should be established and provisions should be made to make their proceedings quick and efficient and to enforce the awards and collective agreements in industrial courts.

²³ S. M. Akhtar, Economics of Pakistan, Vol. II, Publishers United Ltd., Lahore, 1963, p. 85.

CONCLUSIONS

Industrial development has become a vital issue for developing countries. Many newly emerged nations have committed themselves to the rapid industrialization of their economies. These countries are underdeveloped, overpopulated and agrarian. They suffer from acute shortage of the capital, entrepreneurship, skilled manpower, advanced technology, and natural resources all of which are so vital for the industrial development of a nation.

In our study we have seen that industrial development was as much concerned with human resources and institutional aspects as it was with capital accumulation, exploitation of natural resources and technical know-how. Hence it was necessary to inquire into the problems of labour engaged in the difficult task of transformation from a traditional to an industrial way of life.

As has been noted, industrial workers comprise a small minority of the total labour force in developing countries. In spite of its relatively small size, the industrial labour force is growing in number and in importance with the industrial expansion.

In our analysis of the trade union development in developing countries, we have seen that only a small segment of the industrial work force has been so far unionized. The percentage of such workers who are gaining benefits from collective bargaining is minute. Rivalries among unions and union leadership, widespread illiteracy and the indifference of workers, serious unemployment, organizational weakness of unions, and the hostile attitude of employers all hinder the development of a healthy and vigorous trade union movement in these countries. In other words, the development of trade unions has failed to keep pace with the rapid industrial expansion. In this respect organized labour has failed to assist workers

when they needed it most. Hence unions frequently have to rely on the support of the government and public opinion in order to deal with employers.

Industrial development is hindered in developing countries, by the fact that modern industrialization has not yet created for itself a stable industrial proletariat. A large segment of workers, mostly those recruited from villages, consider industrial work as supplementary to agrarian pursuits. They are still villagers at heart, and anxious to quit at the earliest opportunity. The commitment of the industrial labour is yet lacking. If developing countries desire to accelerate their industrial development and to transform their surplus agricultural labourers into efficient industrial workers, they will have to solve this crucial problem of labour commitment.

In developing countries, employers are largely indifferent to their workers' welfare. It has been noticed that in industries where management has provided their workers with housing, medical and other facilities, labour turnover and absenteeism have sharply declined, and the quality of performance has improved. This amply demonstrates that, given necessary incentives, workers, in spite of their background, can become an efficient and stable industrial proletariat. In industries in which management fails to do so, government should make provision, perhaps through the imposition of a welfare tax on these industries.

In addition to material benefits, much remains to be done in the field of human relations. The employer-employee relationship should be such that work helps employees to achieve some of their aspirations as individual human beings. Mutual respect is one of the vital ingredients of industrial peace. Unfortunately, too often management in developing countries is authoritarian and mistreat workers. It should be obvious that a favourable and healthy atmosphere is conducive to increasing output. The quality of management and supervision has to be improved for higher and more efficient production.

As we have studied, the matching of jobs and job-seekers, an imperfect process

even in mature economies, is haphazard, unsystematic and disorderly in developing countries. Job information is poorly disseminated, hiring practices are most varied. An examination of hiring practices in these countries has shown the abuses committed by intermediaries such as contractors and jobbers. In addition, neither the principal employers nor the contractor does anything to provide contract labour with housing, medical and recreational facilities. The writer fully agrees with the recommendation of the I.L.O. that the contract labour system be abolished wherever possible and that the organization of co-operative unions and working on piece rates be established. As for the jobber, his hiring power should be withdrawn and large business enterprises should establish their own personnel department to recruit workers and to look after their welfares.

Our study of the employment situation in developing countries has revealed, as is to be expected, the existence of chronic underemployment and unemployment. The phenomenon of underemployment is not confined to rural areas alone. It is widespread also in urban areas. The most effective remedy against growing unemployment in developing countries lies in the acceleration of industrial development. The speed of industrial development, however, will be governed by the supply of entrepreneurship, capital, industrial skills, and the gradual transformation of the labour force. The basic aim of the economic policy of developing nations therefore, ought to be to expand the supply of the necessary factors of production and also to assist in the conditioning and development of a truly industrial atmosphere. A lag in the supply of any one factor will retard the whole process.

The rate of industrial growth is not likely to be fast enough for a long time to absorb all the rural and urban unemployed masses. Any tangible success of birth control being ruled out, a short-run "solution" is to keep the surplus agricultural labour in the rural areas.

Measures may be taken to ensure effective utilization of surplus labour in rural areas. A considerable volume of employment opportunities can be created in

labour-intensive public works programmes such as irrigation, drainage, and road construction. In addition, the government should take steps to develop new rural industries and expand the existing ones.

As has been repeatedly emphasized, most of the labour problems that plague developing countries may be traced to a single phenomenon – their economic backwardness. The obvious suggestion for their solution, therefore, would be a rapid economic growth. Economic growth, among other things, is the result of human effort. Men will not make effort unless the fruit of that effort is assured to themselves. How much of the fruit of the efforts of industrial workers should go to them is a dilemma of the developing nations. Should the workers and their trade unions be concerned mainly in getting a bigger slice of the cake for themselves, or is it enough that they ensure that the cake itself grow bigger?

The workers in developing countries live at a low subsistence level. Higher wages may have a favourable effect on the worker's productivity through a rise in the standard of living reflected in better physical efficiency. The circular relation between low wages and low productivity may be broken by training workers to increase their efficiency and rewarding them accordingly. The necessity for higher wages does not justify the pursuit of a wage policy on the part of the Union, which may jeopardize the national economic growth at this critical time of transition.

In developing countries, the trade union wage policy should be consistent, with, and co-ordinated with national economic planning. Labour's demand for wage increases loses much of its validity and long term justification if it is not related to increases in productivity.

Essentially the problem is one of apportioning priorities between the distribution of a given level of income and a better distribution of the increased income.

From the preceding chapter on the role of the State in labour relations, we have seen that the States are vitally interested in labour problems because of their

bearing on economic development and play active role in order to maintain industrial peace.

The policy of the Governments of developing countries is to encourage growth of collective bargaining and development of a healthy and vigorous trade union movement. In many developing countries, it has been made obligatory for an employer to recognize a union as a bargaining agent if the union represents the majority of the workers in the establishment. If an employer fails to comply with the provision, the union can go to the Industrial court for redress. In essence, in these countries, the Government policy has been to establish a political and economic structure which will encourage industrial and social peace and ensure greater protection.

In spite of many measures adopted by the Governments, these countries are still beset by labour unrest. The early decades of industrialization present a paradox: while the society begins to grow richer, it simultaneously grows angrier. A rising working class and a rising capitalist class tend to be aggressive. Also the present wave of strife in some developing countries may, to a considerable degree, be a protest against the failure of these governments to industrialize at a pace acceptable to the rising aspirations of a growing population.

To sum up, labour problems grow out of, and in turn, influence many broader issues. The key to the solutions of labour problems in developing countries lies in their rapid economic growth, more specifically in their rapid industrial development. The need for it is urgent even desperate if developing countries are to survive and progress ultimately as politically democratic and economically viable nations. Problems are many: resources are meager: the task is difficult. The process of transformation is always painful. This is a challenge to the people of developing countries that they cannot afford to ignore. In fact, poverty, disease, illiteracy and unemployment must ultimately be defeated by the combined forces of unions, workers, management, Government and political parties in the developing nations.

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