

AGENCY FOR INTERNATIONAL DEVELOPMENT
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1. SUBJECT CLASSIFICATION	A. PRIMARY Serials	Y-DG00-0000-0000
	B. SECONDARY Development and economics--Labor economics	

2. TITLE AND SUBTITLE
Employment and unemployment in the developing countries; progress report, Jan.-June, 1972

3. AUTHOR(S)
(101) Yale Univ. Economic Growth Ctr.

4. DOCUMENT DATE 1972	5. NUMBER OF PAGES 9p.	6. ARC NUMBER ARC
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7. REFERENCE ORGANIZATION NAME AND ADDRESS
Yale

8. SUPPLEMENTARY NOTES (Sponsoring Organization, Publishers, Availability)
(Research summary)

9. ABSTRACT
~~(EMPLOYMENT R&D)~~

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ECONOMIC GROWTH CENTER

Interim Report to the Agency for International Development

CSD-2492: January - June 1972

. PROGRESS TO DATE

A. Papers Prepared and Distributed to AID

(See Appendix A attached)

Papers in Preparation

"Some Observations on the Economic Framework for Optimum LDC Utilization of Technology" by Gustav Ranis

"Minimum Wage Rate, Unemployment and the Theory of International Trade" by Richard Brecher

"Employment and Unemployment in Ghana" by Richard Brecher

"Productivity Change and the Demand for Factors in Indian Agriculture" by Robert Evenson

"Research Extension and Education as Factors in Increasing Agriculture Productivity" by Robert Evenson

"Research and Related Activities as Determinants of Agricultural Productivity: An International Perspective" by Robert Evenson

"Rural-Urban Migration, Urban Employment and Underemployment" by Gary Fields

"Educated Unemployment and Underemployment in LDCs" by Gary Fields

"Unemployment as a Social Welfare Problem in Urban Zaire" by James McCabe

B. Seminars and Workshops

On May 19 and 20 the second two-day conference on Employment/Unemployment was held at the Growth Center, again attended by project and other Growth Center staff as well as visitors from other institutions including AID.

The speakers and their topics were as follows:

- John Fei and
Gustav Ranis: "Export Orientation and Employment
Generation: Comments on Further Work
in Korea, Taiwan, and Mexico"
- "An Input-Output Methodology for the
Analysis of Implications of Export
Growth on Employment and Other Variables"
- Howard Pack: "Factor Substitution and Other Character-
istics of Industry in East Africa"
- Robert Evenson: "Factor Substitution and Employment in
Indian Agriculture"
- Ronald Soligo: "The Relation between Income Distribution,
Composition of Demand, and Factor Utili-
zation in West Pakistan"
- Richard Weisskoff: "Employment, Income Distribution and
Economic Growth in Puerto Rico: A Critical
Reevaluation"
- Albert Berry: "Interpretations of the Expansion of
Services in Colombia"

Discussion by all participants of useful lines for further research.

In addition, the Growth Center Seminar series, open to Yale faculty, research staff, students and visitors, continued to focus in part on employment-related topics including the following:

- Gary Fields,
University of Michigan "Rates of Return to Education in Kenya"
- George Johnson,
University of Michigan "Wages, Employment and Income Distri-
bution in Kenya"
- Constantine Vaitsos,
Acuenda de Cartagena,
Peru "Inter-country Income Distribution and
Transnational Corporations: Reasons
and Mechanisms"
- Joseph Stiglitz,
Yale University "Alternative Theories of Wage Determin-
ation and Unemployment in LDCs"
- James McCabe,
Yale University "Investment Composition and Employment"
- Hollis Chenery,
IBRD "A Comparison of Development Strategies"

George Rosen, New York University	"Political Economy of Development in Some Asian Countries"
Brian Pollitt, Cambridge University, England	"The Role of Agriculture in Cuban Economic Development"
Albert Berry, Yale University	"Trends in Income Distribution in Colombia"
Albert Berry, Yale University	"Controversial Issues in the Current Colombian Development Plan"
Ammar Siamwalla, Yale University	"Land and Labor in Three Rice-Growing Deltas of Southeast Asia, 1800-1940"

C. Changes in Approach

More emphasis has been placed on using micro data in order to make cross sectional comparisons of individual firms within countries. As a result, it has been shown that significant potential exists for labor-using adaptation in countries where relative factor prices are now, for the most part, unrealistic with regard to relative factor endowment. A good deal of work has been done looking across scales within LDCs which are, in the main, still heavily engaged in import substitution.

For example, Berry's work on Colombia indicates that small firms in the same industry have lower capital/labor ratios and are more productive in the sense of having higher output/capital ratios than do large firms. This phenomenon, found elsewhere as well, is undoubtedly related to the fact that small firms face more realistic (higher) interest rates and (lower) wage rates than do large firms. Further, Pack's work comparing factor proportions used in the same operation by different firms in Kenya indicates that foreign subsidiaries frequently employ more labor intensive techniques than do their indigenous competitors.

D. Staffing Progress

No Change

E. Difficulties Experienced

1. Data Collection:

No Change

2. Administrative Problems:

The increasing requirements effected under this contract, namely, more frequent conferences, financial reports, and projections, as well as the wider distribution of research papers and summaries have placed considerable stress on a system and a budget which were not initially geared to these procedures. While all demands have been met thus far, occasionally following minor delays, the administrative, personnel, and budgetary limitations are now severe.

3. Funding Problems:

The funding constraints experienced by AID have fortunately not yet seriously impaired the progress of this research, but the necessity for 3/4 fiscal year planning in combination with the delay in additional funding experienced for this period pose a serious threat for the future. On this occasion, only deliberate reduction and rescheduling of expenditures avoided serious delay. The result, however, is a much narrower margin for error or delay in the future.

4. Methodological Problems:

(Treated in detail in Center Discussion Papers)

II. SUBSTANTIVE PROGRESS

A. Country and Comparative Studies

and

B. Sectoral and Functional Studies

As stated in previous reports, progress and findings in both these categories have been reported frequently and in depth to AID through both the printed papers released regularly (see Appendix A) and the semi-annual conferences and seminars which are now routine activities under the contract. In addition, in June 1972, the program officer (John Eriksson, PPC/PDA) was provided with multiple copies of a 'Summary of Publications' containing abstracts of all Growth Center Papers released during this period under the contract. The abstracts were intended for transmittal to pertinent Missions in order to update their knowledge of the literature and stimulate further exchange between them and the project staff.

III. FUTURE COURSES OF ACTION

A. New Phases or Fields of Research

No Change

B. Proposed Meetings and Reports

In addition to continuing the flow of Center Discussion Papers as they become available, a further seminar and project review was scheduled for autumn in Washington. At this time, the most recent results of field investigations and data collection will be presented.

C. Application of New or Additional Research Techniques

No Change

D. Changes in Personnel

No Change

E. Contract Schedule

A rescheduling of effort and expenditure for the 1971-74 period was established in Amendment 5, dated June 5, 1972. This amendment recognized an additional country (Ghana) as the tenth in the series of country and comparative studies and scheduled the necessary additional effort under the contract.

Actual levels of activity and expenditure correspond closely to Amendment 5. Reports of actual expenditures were submitted quarterly to the office of John Welty/PPC and totalled \$109,496 during the referent period.

A budget summary for fiscal year 1971-72 is attached as Appendix B.

Appendix A

ECONOMIC GROWTH CENTER

Employment Studies Publications

CSH-2492: January - June 1972

Discussion Papers

Author

142. 'The Relevance and Prospects of Small Scale Industry in Colombia,' April 1972 Albert Berry
144. 'The Rate of Interest and the Demand for Labor,' May 1972 Albert Berry
145. 'Unemployment as a Social Problem in Urban Colombia: Some Preliminary Hypotheses and Conclusions,' May 1972 Albert Berry

Conference Papers, May 1972

- "A Model of Growth and Employment in the Open Dualistic Economy: The Cases of Korea and Taiwan" J.C.H. Fei and Gustav Ranis
- "Supplementary Analysis of Employment in Korea and Taiwan Based on an Input-Output Approach" J.C.H. Fei and Gustav Ranis
- "The Dropout Phenomena in Chile: A Preliminary Report" Marsha Goldfarb
- "Toward an Interpretation of the Rapid Post-War Growth of Services in Urban Colombia" Albert Berry
- "Employment, Growth and Income Distribution in Puerto Rico: A Reevaluation" Richard Weisskoff
- "Factor Intensity of Consumption Patterns in West Pakistan" Ronald Soligo
- "Employment in Kenyan Manufacturing - Some Micro-economic Evidence" Howard Pack

ECONOMIC GROWTH CENTER

Budget Report to the Agency for International Development

CSD-2492: July 1971 - June 1972

<u>Line Item</u>	<u>Firm Budget</u>	<u>Actual Expenditures</u>
SALARIES		
Professional	\$29,925	\$30,197
Research Assistants	29,624	32,985
Admin., Secretarial Clerical	38,364	34,704
FRINGE BENEFITS	10,575	10,027
OVERHEAD	64,623	63,781
CONSULTANTS	33,880	33,090
TRAVEL & ALLOWANCES	26,400	16,804*
PUBLICATION EXPENSES	1,000	--
OFFICE SUPPLIES	16,500	14,679
DATA PROCESSING	8,500	5,319
DATA COLLECTION (Overseas)	9,300	9,400
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	\$268,691	\$251,046*

* Plus \$9,370 in travel advances not yet billed to the account.