

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523
BIBLIOGRAPHIC INPUT SHEET

FOR AID USE ONLY
Batch 94

1. SUBJECT CLASSIFICATION	A. PRIMARY Serials	Y-DA00-0000-0000
	B. SECONDARY Development and economics--General	

2. TITLE AND SUBTITLE
Decisionmaking and human captial in less developed countries; annual report, 1977/1978

3. AUTHOR(S)
(101) Rand Corp., Santa Monica, Calif.

4. DOCUMENT DATE 1977	5. NUMBER OF PAGES 11p.	6. ARC NUMBER ARC
--------------------------	----------------------------	----------------------

7. REFERENCE ORGANIZATION NAME AND ADDRESS

Rand

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

9. ABSTRACT

10. CONTROL NUMBER PN-AAG-083	11. PRICE OF DOCUMENT
12. DESCRIPTOR? Economic analysis Manpower utilization	13. PROJECT NUMBER 939059300
	14. CONTRACT NUMBER AID/otr-C-1432 GTS
	15. TYPE OF DOCUMENT

AID/otr-C-1432 GTS
Rand

939059300

PN-AAE-083

ADMINISTRATIVE REPORT

AR-1918-AID
JULY 1978

ANNUAL REPORT
15 May 1977 - 14 May 1978

R a n d prepares Administrative Reports to convey information to its clients on the status of work being done for them. They are not publications intended for distribution to other organizations.

Prepared for: AGENCY FOR INTERNATIONAL DEVELOPMENT

Contract No.: AID/otr-C-1432



HP

ANNUAL REPORT SUMMARY SHEET

Decisionmaking and Human Capital in Less Developed Countries

Project Title and Contract Number

No. AID/OTR-C-1432

Dr. Finis R. Welch, The Rand Corporation

Principal Investigator and Contractor

1700 Main Street, Santa Monica, California

Contractor's Address

January 1, 1976 to May 15, 1979
Contract Period (as amended) From-To

May 15, 1977 to May 14, 1978
Reporting Period From-To

Total Expenditures and Obligations
Through Previous Contract Year

\$404,399

Total Expenditures and Obligations For
Current Contract Year

\$527,587

Narrative Summary of Accomplishments and Utilization:

This report summarizes progress in the 12 months ending May 14, 1978 and discusses expected accomplishments between May 15, 1978 and May 14, 1979 when the project is scheduled to end.

Statement of Project Objectives and Reporting Requirements

Objectives of the project are summarized in a passage from our proposal (February 1975):

We propose to explore determinants of individual earnings and skill levels in developing countries using the human capital approach. In recent years, this approach has tied functional and personal income distributions in a simple and straightforward manner. We want to analyze schooling; family size; the allocation of family members time between such diverse alternatives as work on the family farm, work for hire, and work in the household; the shape of the full life cycle productivity profile of individuals; migration; unemployment; human fertility; and nutrition and health as though they are each instrumental in affecting human welfare and are each therefore subject to the ordinary optimization calculus.

The outcomes of the project are to include four or more background papers, nine or more empirical case studies, and four or more synthesis reports, all concerning the above topics. The outcomes are also to include research collaboration with scholars and students from less developed countries (LDCs), and the collection of additional LDC data as deemed appropriate.

Accomplishments in the Year Ending May 14, 1978

Accomplishments in this year are in three areas: collection, cleaning and documentation of survey data, continuation and extension of LDC collaboration, and research by project staff.

Concerning the first area, Survey Research Malaysia (SRM) has successfully completed an intensive survey of networks of economic support in a Malaysian sample of over 1,200 households. This work progressed under a subcontract between SRM and The Rand Corporation, and both organizations have collaborated in cleaning and documenting the resulting data. Research with these data is under way and described below.

We also suffered a major and costly disappointment in the area of surveying during this year. After on-again-off-again discussions and negotiations concerning the possibility of a Philippine household survey, the project finally collapsed in November 1977. The survey would have been financed from the AID-income distributions contract

part devoted to "LDC data and collaboration." Julie DaVanzo served as our representative during most phases of questionnaire design and contract negotiations and has filed a detailed memorandum "for the record" dated 5/12/78 which described the various steps involved.

The main features are:

1. Discussions began in April 1975 when Julie stopped by Los Banos to see Bob Evenson on a return trip from Malaysia.

2. Questionnaire drafts, comments, etc., were exchanged over a two-year period during which Bill Butz and I visited the Philippines to continue discussions with Evenson.

3. Evenson decided the Center for Policy and Development Studies (CPDS) of the University of the Philippines, Los Banos, which administered his Laguna follow-on survey should also administer our survey and recommended that (as with the Laguna resurvey) we use a modified BICOL instrument. Don MacClellan of AID delivered the BICOL instrument to us in April 1977 and brought us to date on Evenson's progress.

4. Julie went to Los Banos in May 1977 to meet CPDS personnel and discuss specific plans. Teresa Ho (a student from UPLB now at Stanford, Food Research) went as our representative to Los Banos to monitor progress and work on instrument design.

5. Following several false starts we received a signed contract on August 26, 1977 which at that time did not have approval of the Regents of the university. Unfortunately, we assumed that approval would be routine.

6. In early November we were notified (by phone, cable and a confirming letter) that the Board of Regents would not approve the contract. Reasons for this decision have not been offered.

7. CPDS returned all advanced monies and subsumed all of their own costs.

A budget of our costs arising from these Philippine efforts is included in the Expenditures section below.

Finally in the area of survey data, we completed in this year the cleaning and documentation of our Guatemala data, which have been made available to consortium members. The costs of this activity are also included in the Expenditures section below.

The second area of accomplishment is the continuation and extension of LDC collaboration. We have made two "small grants" to LDC scholars during this year, following procedures agreed upon in the May 1977 meeting of the Advisory Committee. One is to Roberto Rios, a student of Jacob Mincer at Columbia University. His dissertation entitled "The Demand for Children: With Emphasis on Latin America" will be delivered by September 30, 1979. He will be paid total a stipend of \$4,000 and \$1,000 in expenses, conditional upon acceptance of his dissertation or essay. He will investigate determinants of the lag between mortality declines and induced fertility declines.

The other "small grant" is to Helen Jaramillo who holds a Ph.D. from Yale. She will work at Yale and in Colombia on an "Analysis of Fertility Change in Colombia." She will be paid a stipend of \$11,250 and expenses up to \$5,025. Her Advisory Committee sponsor is T. Paul Schultz.

In addition, we are currently writing a contract with Guilhermel Sedlacek, a Brazilian Ph.D. student at the University of Chicago. His dissertation, under the supervision of James Heckman, is entitled "Married Women's Labor Force Participation, Fertility Behavior, and Earnings Determination." He will receive a stipend of \$5,400 and up to \$6,846 in expenses. Marc Nerlove is his Advisory Committee sponsor.

Dissemination and Utilization of Research Results

The third area of accomplishments in this year was research by project staff. Before listing the resulting papers, it is useful to review the categories of papers required in our contract. Four background papers are called for:

- (A) A description of income distributions in one or more LDC environments;
- (B) demographic and life cycle aspects of income distributions;
- (C) an LDC family decisionmaking model; and
- (D) a paper on economic functions of LDC families.

In addition, there are to be nine empirical case study papers on topics from the following list:

- (E) Life cycle profiles of earnings and labor supply;
- (F) personal distribution of human capital;
- (G) migration;
- (H) family economic support networks;
- (I) economic value of human time;
- (J) infant and child mortality; and
- (K) human capital determinants of earnings.

Finally, we are to deliver a series of summary papers covering data, research, and policy issues that have arisen during the project.

In listing the papers that have so far been delivered and the others expected in the near year, we identify each with one of the above topics by placing the topic's number in parentheses after the paper's title.

The following papers have so far been delivered:

- (1) "Recent Population Trends in Less Developed Countries and Implications for Internal Income Inequality" by Simon Kuznets (B)
- (2) "A Conditional Logit Model of Internal Migration: Venezuelan Lifetime Migration within Educational Strata" by T. Paul Schultz (G)
- (3) "Rural Wages, Labor Supply and Land Reform: A Theoretical and Empirical Analysis" by Mark Rosenzweig (E)
- (4) "Neoclassical Theory and the Optimizing Peasant: An Econometric Analysis of Market Family Labor Supply in a Developing Country" by Mark Rosenzweig (K)
- (5) "The Economic Value of Children in Rural India" by M.T.R. Sarma (I)
- (6) "Schooling, Allocative Ability and the Green Revolution" by Mark Rosenzweig (F)
- (7) "On the Political Economy of Development: Agricultural Research and Extension in India" by Joel Guttman (F)
- (8) "Labor Markets and Agricultural Production in Rural Guatemala: A Cross-Section Study of Economic Development and Incentives to Reduce Family Size" by John Stein (I and K)

Work Plan for the Coming Year

Work on the small grants discussed above will continue in the coming year. In addition to those papers, the following papers are expected:

- (9) Paper by Finis Welch on income distributional aspects of technical change in agriculture, due October 1978
- (10) Paper by Jim Smith on life cycle profiles of earnings and labor supply, due October 1978 (E)
- (11) Paper by Bill Butz on economic support networks, due mid-September 1978 (H)
- (12) Paper by Reuben Gronau, NBER, on time allocation and the valuation of home time, due the end of September (I)
- (13) Paper by Robert Willis on economic functions of families, due the end of September (C,D)
- (14) Paper by Robert Willis on life cycle earnings and labor supply (E)
- (15) Paper on full income distributions in Malaysia, due mid-September 1978 (A)
- (16) Paper by Marc Nerlove on the use of qualitative data in LDC analysis, due May 1978 (this paper is substituted for one of topics C and D, as agreed in the Research Advisory Committee meeting of May 1977)
- (17) Paper by Mark Rosenzweig and Ken Wolpin on trade-offs between numbers of children and investments in them, due August 1978
- (18) Paper by Paul Schultz on "Fertility and Child Mortality over Life Cycles: Aggregate and Individual Evidence," submitted in June 1978 (J)
- (19) Paper by Gary Fields and T. Paul Schultz on "Sources of Income Variation in Colombia: Personal and Regional Effects," submitted in July 1978 (A)
- (20) Paper by Simon Kuznets, "Size and Age Structure of Family Households: Exploratory Comparisons," submitted in October 1977 (B)

In addition to these background papers and empirical case studies, the required summary papers will be delivered during the last half of this next year. Finally, a third meeting of the advisory committee is planned for December 1978 in a location to be decided.

Following is the budget to support this planned research and publication:

ANTICIPATED EXPENDITURES

5/1/78 - 4/30/79

SALARIES	\$ 77,174
FRINGE BENEFITS	32,487
CONSULTANT	25,255
TRAVEL COSTS	2,402
COMPUTER COSTS	16,500
SUBCONTRACT COSTS	<u>269,941</u>
TOTAL DIRECT COSTS	\$440,687
INDIRECT COSTS	<u>86,900</u>
TOTAL ESTIMATED COSTS	<u>\$527,587</u>

PREVIOUS EXPENDITURESSummary of Expenditures from Project Inception to 4/30/77

SALARIES	\$ 21,050
FRINGE BENEFITS	8,269
CONSULTANTS' FEES	19,722
TRAVEL COSTS	2,795
COMPUTER SERVICES	7,629
OTHER DIRECT COSTS	128
SUBCONTRACTS	<u>50,373</u>
TOTAL DIRECT COSTS	\$110,016
INDIRECT COSTS	<u>34,435</u>
TOTAL COSTS	<u>\$144,451</u>

EXPENDITURESMay 2, 1977 to April 30, 1978

SALARIES	\$ 18,865
FRINGE BENEFITS	7,762
CONSULTANTS' FEES	24,585
TRAVEL COSTS	4,267
COMPUTER SERVICES	31,251
OTHER DIRECT COSTS	5,560
SUBCONTRACTS	<u>130,537</u>
TOTAL DIRECT COSTS	\$222,827
INDIRECT COSTS	<u>37,121</u>
TOTAL COSTS	\$259,948

Summary of Expenses Associated with Attempts to Formulate and Execute a Philippines Household Survey

Salaries	\$10,090.77
Fringe Benefits	3,316.17
Travel	4,518.52
Indirect	<u>8,627.60</u>
Total	\$26,553.06

Summary of Expenses Associated with Cleaning and Documentation of Data from the Household Survey for Guatemalan Villages

Salaries	\$16,548.00
Fringe Benefits	6,702.00
Computer Costs	22,091.00
Indirect Costs	<u>14,065.00</u>
Total	\$59,406.00

Involvement of Minority Personnel and Women

Julie DaVanzo has been instrumental in development of the Malaysian Networks questionnaire and revision of the Philippine instruments. She is now doing research on full income distribution in Guatemala. Henry Corona prepared a detailed users' manual for the Guatemalan data as well as assisting Consortium members in preparing to use the data files. Teresa Ho helped prepare the Philippine survey in the Summer of 1977. Cathy Kasala was instrumental in cleaning the Guatemalan data in income, wealth, and agriculture. Roberto Rios, Helen Jaramillo, and Guilhernel Sedlacek will do research under small grant support from this project.