Employment Creation and Basic Needs

- The Framework and the "New" Policies
- International Cooperation
- What Happened to the Ideas?

The 1970s were a creative decade for the UN system. Many ideas were launched—sometimes controversial, normally interesting, and often ahead of the curve. In reaction to the bittersweet record of the 1960s—better-than-expected economic growth but mounting unemployment, population growth, resource scarcity, and environmental pollution—the UN became the forum for several pioneering activities and debates during the 1970s. Employment creation and poverty reduction moved to center stage. Work by the ILO on this was groundbreaking.

The world economy came roaring into the 1970s, and this included developing countries. Never in economic history had so many countries grown so fast for so long. Over the 1950s and the 1960s (and indeed over the 1970s) the average annual rate of growth for the developing countries as a whole amounted to more than 5 percent, an altogether exceptional performance (see Table 3.1). But toward the end of the 1960s astute observers noted mounting problems in the developing world, including increased poverty, growing unemployment, grievous inequalities in income distribution, and a variety of deteriorating environmental indicators. This seemed paradoxical, although outside the neoclassical framework in the nineteenth century there had also been others who had doubted that growth was a panacea. Until the late 1960s, however, the mainstream view held—to paraphrase the Bible—that with economic growth everything else, including social advancement, would be added unto you. But this was not the case. High rates of economic growth were accompanied by worsening social and socioeconomic circumstances. Dudley Seers, who had worked for the UN in Latin America and Africa, emphasized the multidimensional character of the development process:

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<tr>
<th>Region</th>
<th>Growth of Gross World Product (%)</th>
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<tr>
<td>World</td>
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<td>Developed market economies</td>
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<tr>
<td>Economies in transition</td>
<td>6.3</td>
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<td>Developing countries</td>
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<td>South and East Asia</td>
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<td>China</td>
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Sources: Development Policy Analysis Division of the UN Secretariat, based on Statistics Division of the UN, National Accounts Statistics, and other national and international sources.

* Estimates
So a first reaction to problems in the 1970s was to point to the inevitable U-curve underlying the development process. All countries had to go through these stages, and therefore nothing was wrong with the observed shortcomings. Indeed, the deteriorating social trends were a positive sign that countries were actually passing through the second stage. Once countries reached the third stage, everything would fall into place.

With hindsight, we see that development is unlike death and taxes, because nothing is inevitable. Not only is there no general Kuznets Curve over time in all developing countries, but outcomes are not predetermined. They reflect political structure and resources—but also political will and policy design. The same level of achievement in life expectancy—and, more broadly, social development—can be attained by countries with a very different level of incomes per capita. For example, China and Sri Lanka have for many years performed well in the improvement of social standards despite a relatively low per capita gross domestic product (GDP).

The UN system in the 1970s identified an economic and social development strategy that combined high rates of economic growth with employment creation and equitable income distribution. This was undone during the 1980s and 1990s, when the simple belief came back in vogue that economic adjustment was the priority and with it would come growth and all other good things.

The ILO’s World Employment Program (WEP) during the 1970s established a framework of ideas within which “new” ingredients were fitted and which amounted to a new development strategy. What were they? The most important elements were: (1) a clearer definition of the nature of employment and poverty problems; (2) identification and stimulation of the informal sector; (3) identification and stimulation of appropriate technologies by sector of economic activity, by also giving consideration to the proper macro policies and incentives; (4) the importance of education as an investment in human beings and the crucial necessity of building bridges between the world of school and the world of work; (5) identification and stimulation of the virtuous circle between the creation of productive employment in hitherto low-productivity sectors, improvements in income distribution, consumption of labor-intensive, locally produced goods, and again creation of productive employment; and (6) emphasis on the consistency between macro, sector, and micro policies.

The Framework and the “New” Policies

The first discovery was that the employment problems in developing countries were distinct from those in advanced industrialized countries. The WEP distinguished three components, which in fact continue to frame approaches to addressing the problem. The first is open unemployment—defined as people “without work” yet willing to work at the existing wage rate. This is the industrial countries’ definition of unemployment, but it constitutes only a small component of the overall problem in developing countries, where most people cannot afford to be openly unemployed in the absence of social safety nets.

The second component is the working poor. This refers to people who are working but whose earnings in cash or in kind are below minimum needs, either because of too few working hours or (more frequently) because of low productivity combined even with long hours. The working poor are by far the most important component.

The third component is frustrated job seekers. Many of these are young people who have achieved a certain level of education and have high expectations about types of jobs and levels of remuneration. If they cannot realize these expectations immediately, they prefer to “queue” rather than to take on any other job. This small but often vocal group tends to get disproportionate attention from policymakers. The WEP christened the sum of these three components the “employment problem.” And the ILO sought to address this problem by framing an appropriate development strategy.

The second discovery, pioneering at the time was the existence of the informal sector. In the paradigm of modernization in the 1950s and 1960s, a strong dualism existed between modern and traditional sectors—which drew from Arthur Lewis but was developed by John Fei and Gustav Ranis. An emerging modern sector was seen as the hard core of modernity, rationality, and economic dynamism. The traditional sector was archaic and characterized by low productivity. According to productivist economic logic, development was associated with industrialization. And the priority was thus to emphasize the modern sector and reduce the traditional sector to a marginal part in the economic structure of a modern society. Human and capital resources were to be transferred from one sector to the other. The “steel and glass sector,” mainly in the cities, was to benefit from the transfer from the traditional and low-productivity sector, mainly in rural areas.

The discovery of the informal sector was the identification of an overlooked group in between the modern and the traditional. As the modern, formal sector started to develop, more and more people in the traditional sector became attracted by the bright lights of the city and the prospects for jobs there. They flooded into urban settings in search of a prize in the job lottery—and a lottery it turned out to be. Because of the relatively high productivity and capital intensity in the modern sector, few jobs were being created. Most rural—urban migrants were disappointed. Instead of returning to their villages, however, many installed themselves on the outskirts of cities, the origin of the informal sector that is situated both economically and geographically on the margins. Governments had tended to react negatively to the murkiness of that sector, its lack of modernity,
and its shameful appearances. They overlooked the wonders of small-scale innovation and economic imagination. The WEP proposed that governments start to view the informal sector positively and to help it establish links with enterprises in the modern sector.

This and many other ideas proved fertile. Research and debate on the informal sector has been lively ever since. Further work on the informal sector has revealed many more areas where it is important and active, including informal education, housing, health services, and insurance.

The third idea relates to the identification of appropriate technologies and their introduction by a shift in macro policies. There was intense debate during the 1970s about technologies—"appropriate," "labor-intensive," "intermediate," and the like. The quest was for technologies that used more of the abundant and less of the scarce factors of production. In the case of developing countries, the abundant factor obviously was labor, and the scarce one capital. However, there were two catches. One was that the use of technologies should be examined by sector. The appropriate technology may be capital-intensive for exports, but the room for technological choice and maneuver is greater for local consumption. The second was that the identification of the most appropriate technologies is meaningless without changing the relevant macro policies that have prevented their introduction in the first place. Entrepreneurs are not fools. If they use more capital-intensive technologies, it is often because incentives point in that direction. In other words, exchange rates, fiscal systems, and tax policies should be adapted if a change in the use of technology is desirable.

The fourth idea concerned the crucial role of education in any economic policy, but particularly in a more employment-intensive development strategy. At the beginning of the WEP, the renunciation of the economics of education was already ten years old. It was, therefore, already clear that education was not only a consumption good—to be afforded after a certain level of income was achieved—but also an investment and a prerequisite to achieving higher levels of income. This was an important rediscovery. Equally important, however, was the necessity to reduce the gap between the school and the labor market. As it was then—and to a large extent still is today—the education system was characterized by "cannibalistic" tendencies. Primary school prepared for secondary school, which prepared for the university, rather than for the outside world. Since only a very small percentage made it to the top of the educational pyramid, this meant that the large majority of young people left school without a proper preparation for the world of work. The remedy was not only to emphasize vocational and technical education, but also to make sure that it became easier to move from school into work and back into school. Education became a priority of policy-makers in the early 1970s. They progressively implemented ambitious programs with financial sup-

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<th>Table 3.2: Gross Primary Enrolment Ratio and Illiteracy Rates, 1970–2000</th>
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<td>Gross Primary Enrolment Ratio (%)</td>
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<td>World total 1970</td>
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* 1990 data is the latest for gross enrolment ratio.
AHEAD OF THE CURVE

Port from donors and the technical assistance from the UN system. Table 3.3 shows the substantial progress made during the 1970s regarding both primary education enrollment and the reduction of illiteracy.

The policy instrument that makes this passage easier is called recurrent education. The Ceylon (now Sri Lanka) employment report of 1971 and the Kenya employment report of 1972 illustrated how the idea of recurrent education could be applied to a developing country. Primarily, the idea behind recurrent education is that after a certain number of years of education early in life (depending on the circumstances in a given country), the remainder could be taken whenever an individual is motivated. The prerequisite is that a person’s return to the classroom is guaranteed. This starkly contrasts with the dominant model that makes it extremely difficult to return to the educational system once one has left it.

The fifth idea was the discovery of a virtuous circle between employment creation, income distribution, consumption patterns, and production structures. In the economic textbooks of the 1970s one could still read that a skewed income distribution was good for economic growth because the wealthy save while the poor do not. This was a variation on Kuznets’ U-curve hypothesis. During the second phase, the rich save and invest in order to be forthcoming to boost economic growth further. But it was not mentioned that the rich may put their savings not in their own country but in Miami, New York, Zurich, or Amsterdam. Moreover, the rich have consumption patterns that favor capital- and import-intensive goods.

Equally seriously, many failed to recognize that the poor do save, but for them the act of saving and of investing is one and the same. When they make tools, prepare land, build simple housing, build a feeder road, or restore a school, the poor are saving and investing at the same time. Hence, when productive employment is stimulated in the least productive sectors—by boosting the productivity of existing employment and thus the incomes there—not only does income distribution improve and poverty diminish, but a virtuous circle is set in motion. When the incomes of the poor are raised, they consume more labor-intensive and locally produced goods. This results in a shift in the production pattern toward more labor-intensive economic activities, creates more employment there, increases the incomes of the poor, and so on.

The sixth discovery was obvious but had been overlooked. How many times have so-called pilot projects been launched at the micro level that never could be generalized to the regional or national level? Inconsistencies in policies at different levels of decision making are major problems. With one stroke of a macro pen on the twelfth floor of a steel and glass building in the capital city, a minister can wipe out years of hard work at the micro level. So consistency is essential between macro and micro decisions.

EMPLOYMENT AND BASIC NEEDS

In brief, the WEP brought employment—and people and human needs—back to the center of development strategy. This was directly in line with the centralization of employment in the early days of the UN and of the IMF as well. But ILO work in the 1950s enriched and elaborated the earlier concept of employment and strategies to deal with it by relating both directly to the situations and needs of developing countries.

Box 3.1. Employment Policies in the Interwar Period

During the 1920s and 1930s, Arthur Pigou maintained that the causes of unemployment were both excessive wages and trade union pressures in favor of increased minimum wages. He stuck to this analysis by pointing to the role of strengthened trade unions in rounds of wage bargaining, the effects of unemployment insurance, and the growing attention to increases in the cost of living that made things more rigid than they used to be. This resulted in “wage stickiness” which largely explained the high percentage of unemployment that prevailed after the end of the First World War.

Pigou pleaded in favor of letting the market do the necessary adjustments with as little outside interference as possible. Keynes’s truly novel idea was that an economic equilibrium could be reached while unemployment was still high. There could be considerable levels of involuntary unemployment in the sense that many workers may be trapped in a state of unemployment even if they would be willing to work at existing or even lower levels of real wages. In such cases, there would be failure of market-clearing mechanisms. The economy would be stuck in a state of equilibrium at high levels of unemployment.

Keynes’s central argument differed sharply from those of the classical economists. In Pigou, who argued that in the absence of state interference the existence of any type of unemployment would have the effect of lowering wages. Keynes argued that having millions of unemployed showed that the classical economic mechanism was not working, especially when millions were willing to work for less than the current real wage and still could not find a job.

Keynes’s revolutionary General Theory analyzed the forces that determine changes in the scale of output and employment as a whole. He attacked the classical model of the labor market that starts with the determination of the real wage and the level of employment. For him, the level of employment is determined by the level of effective demand—that is, as the sum of the expected consumption and the expected investment—and not by changes in real wages. An important implication of this reasoning is the inelasticity of wage cuts in order to increase employment, because “the volume of employment is uniquely correlated with the volume of effective demand measured in wage units.”

Keynes established the view that there could be no presumption that in a laissez-faire economy, effective demand would be at a level consistent with the full employment of resources. He, therefore, recognized a necessary role for state intervention. The current economic and financial orthodoxy has reverted to the views prevalent before Keynes, which held sway in the 1950s and 1960s (see Box 3.2).
All of this led to major rethinking of the conventional development policies that for the previous decade had been mostly focused on achieving economic growth. By the middle of the 1970s, when the ILO was in the midst of preparing for the World Employment Conference—but with assistance from other UN organizations and the World Bank—the idea of a basic-needs development strategy was born. The idea of "basic needs" originated in the psychology literature of the 1940s. The best-known publication in this connection was the article by Albert Maslow in the American Psychological Review of March 1943. Later, in India during the 1950s, the concept of "minimum needs" had been used within the Indian Planning Commission, with the creative contributions by Pitubher Pant. But basic needs had never become a mainstream approach in development, even if the attractiveness of the concept was clear. Francis Blanchard spent a lifetime in the service of the ILO including fifteen years as its director-general. He noted that basic needs were an inherently attractive concept "because, in the final analysis, what is missing for the majority of our contemporaries and for those who will come later is a job, an income, a roof, adequate education, minimum health services, and access to culture."

In the 1970s, "suddenly" this economic application took place in three different places, practically simultaneously: in the Latin American Bariloche project; in the Dag Hammarskjöld Foundation publication What Now?; and in the WEP. It became clear that employment creation was not an end in itself but serves to fulfill the basic needs of individual human beings—more or less equivalent to Maslow's first five rungs. Many people were already on the second, third, fourth, and even fifth rungs, but an important proportion were not even in sight of the ladder. And so the idea arose of designing a development strategy that had as its main objective meeting basic needs, including those of the poorest 20 percent of the population.

Basic needs were defined in terms of food, housing, clothing, and public transport. Employment was both a means and an end, and participation in decision-making was included. The first task was to quantify basic needs for a target year—for instance, twenty-five years in the future. In other words, what must GDP be in 1975 if even the poorest 20 percent of the population would have enough to eat, decent housing, high-quality education? Without going into the details of all the numbers and calculations, this quantification was feasible. Having quantified GDP for the target year, one could calculate the annual rate of economic growth required between the base and the target years. This approach reversed conventional practice, which was to project a desirable annual rate of per capita economic growth into the future. The latter was a forward-rolling approach, while the basic-needs approach achieved more precision by setting specific production targets and deriving the desirable rate of growth implied.

Not surprisingly, in most cases the required rate of economic growth to fully meet basic-needs targets was unrealistically high by historical standards—well over 8 percent per annum over twenty-five years. East Asia has subsequently achieved such rates, but in the mid-1970s the East Asian miracle lay ahead. And so the only alternative to achieving the targets of basic needs was to work at two levels: the rate of economic growth and income distribution. Indeed, if income distribution improves, the overall rate of economic growth need not be so high. It was shown that with "redistribution from growth"—that is, marginal redistribution of future increase of income rather than redistribution of existing wealth—basic-needs targets could be reached with an annual rate of economic growth of 6 percent.

When this package was presented at the 1976 ILO World Employment Conference, it was greeted with enthusiasm. The two exceptions were the American delegation and some of the employer representatives from other industrialized countries. Opposition may have reflected ideological suspicions rather than well-founded fears. And with the election of President Jimmy Carter a few months later, Washington's official views changed so much so that the U.S. Agency for International Development (USAID) started preaching aggressively the gospel of "basic human needs." The president of the World Bank, Robert McNamara, adopted the basic-needs approach wholesale and tried hard to steer his operational departments in that direction.

By the end of the 1970s it looked as though a more appropriate development strategy had been designed that effectively combined economic growth, productive employment, and basic needs. At the core of the strategy was the shift to a pattern of economic growth that is more employment-intensive, more equitable, and more effective in the battle against poverty.

International Cooperation

The design of new strategies brought controversy, inside and outside of the United Nations family. Within the UN it centered on the question of why this work was done by the ILO and not by the UN Department for Economic and Social Affairs (DESA). Indeed, comprehensive proposals for full employment and for development had been prepared under the auspices of that department in 1949 and 1951 (see Chapter 1). Basic needs should have been a prime responsibility of the UN proper. But in the absence of appropriate action, the ILO filled the vacuum and turned itself into a broader development agency without losing its narrower preoccupation with labor matters.

The ILO referred to the 1944 Declaration of Philadelphia, which had become an integral part of the organization's constitution. Written and adopted toward
the end of the war when the League of Nations was moribund and the UN not yet born, this declaration was hardly noticed in San Francisco. But it gave the ILO a broad mandate in the employment field as a part of general economic and social development. It took the ILO another twenty-five years—until 1969 to be exact, when the ILO won the Nobel Peace Prize—to move from its narrower labor preoccupations to broader employment-creation strategies.

This step was taken because of the urgency of the problem, because orthodox development strategies had been found wanting, and because decisive action by the UN was absent. It was also important that the initiative emanated from David Morris, the then-long-serving director-general of the ILO and former New Dealer. Part of the task was to overcome Washington's indifference to and negligible support of, not to say hostility toward, American trade unions.

Once the WEP was under way, it became clear that this idea's time had come. Resources were mobilized—financial, institutional, and administrative. Donors provided substantial extra-budgetary financial contributions because employment was seen as a crucial problem that had been largely ignored in development theory and practice. But it was further stimulated because after October 1970, when Washington stopped paying its obligatory financial contributions in response to what was dubbed a "broken promise" by C. Wilfred Jenks—Morris's successor as director-general—not to appoint an assistant director-general from the Soviet Union. The fatal appointment came after Jenks's election. George Meany, the influential leader of the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) who could dictate American policy toward the ILO during the Cold War, reacted predictably. Twenty-five percent of the ILO's budget disappeared. From this vantage point, writing at the turn of the century, the UN has grown all too accustomed to American arrogance. But this "first" and shocking experience can be seen in retrospect as a harbinger of what Edward L. Lask had called "exceptionalism" in the multilateral arena.  

Box 3.2. ILO and Employment in the 1920s and 1930s

The International Labor Organization (ILO) was formed in 1919 as a direct response to the First World War at the signing of the Treaty of Versailles. The new institution was affiliated with the newly emerging League of Nations. Both had to confront almost immediately the mounting levels of unemployment in the early 1920s, which was followed by the even more serious unemployment crisis of the following decade.

In 1924 the ILO was central to a conference held in London on unemployment at which various aspects of the problem were discussed by "speakers of special competence." Those discussions, three-quarters of a century ago, focused on issues that are only so far

central to the contemporary public policy agenda: long-term unemployment; youth unemployment; the impact of imports on the displacement of workers; the level of unemployment benefits; and the downward pressure on wages of trade and global competition. When the Great Depression hit in 1931, the ILO published a seminal document that combined the usual report of the director (the title "director-general" came later) to the fourteenth session of the International Labor Conference with substantive studies by scholars from Brussels, Oxford, Frankfurt, and Geneva. The number of unemployed "throughout the world" in 1930 was estimated at ten million. That number had doubled by the end of February 1931, and unemployment stood at ten million in Germany and the United States alone. The report reviewed possible causes and identified "the general lack of confidence as a key one." It stated, "Europe ... is held in an abyss of unemployment by a spirit of universal distrust." On the question of international trade and protectionism, the report took a clear and unequivocal stance. The Smoot-Hawley Tariff on U.S. imports, a highly protectionist measure, had come into force 17 June 1930. Far from stabilizing employment among U.S. workers, the tariff had become a new element of disruption. American exports had in fact fallen, "partly as the result of reprisals and partly from a natural reaction. . . . At the end of 1930, 6 months after the erection of the new tariff wall by the United States, the number of unemployed was still on the increase."  

The ILO was an early advocate of public works schemes. The director's report emphasized that it was not enough to organize employment exchanges and to pay unemployment benefits. Public authorities should do everything to ensure that the unemployed get work, if necessary creating jobs for them. Instead of paying unfunded benefits, surely it is preferable—even if the cost is greater for a time—to ensure to the community the advantage of work voluntarily organized. The question of international public works also was raised but not fully developed.  

The length of the work week, wages, and unemployment were also important topics. In those days the demand was for either a forty-four-hour week, or a forty-hour week, or a five-day week. Already the reasoning was that the same amount of work could thus be distributed among a larger number of workers.

In the increasingly globalized and regionalized economy of the new millennium, the importance of a clear and rational international division of labor should be more obvious than it was when the "countries of Western civilization"—the focus of the ILO's attention—reigned supreme and the rest of the world was largely under colonial domination. Yet the discussion seventy years ago was in some respects more forward-looking and more conducive to a rational division of labor than what passes for debate today. The dawn of the twenty-first century finds the "West" still often opposed to the "rest." Much protectionism remains in place. On the employment issue, there are few imaginative proposals on the horizon. The old prescriptions are repeated: more economic growth, more labor market flexibility, the inevitability of lowering salaries and social security benefits, and so on. The refrain is monotonous. Moreover, no one really believes in the ef-
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In these circumstances, many governments came to the ILO’s rescue and, more particularly, to the rescue of programs deemed priorities. The WEP benefited. But before saying more about bilateral reactions, a word is in order about the multi-lateral response.

As just mentioned, the WEP filled a vacuum left by the UN proper. But once it was launched, the reaction by the rest of the UN system was admirable. The first two policy activities implemented by the WEP were to send high-level employment missions to selected countries and to establish regional employment teams in Latin America, Asia, and Africa. The high-level missions broke new ground in development theory and practice as they explored the form and nature of employment problems in particular countries—and what could be done to deal with them. The regional teams provided concrete follow-up and assisted other countries within a particular region to design more employment-intensive development strategies. Both of these instruments were financed to an important extent by the UNDP. Moreover, many other organizations contributed in kind, particularly by seconding personnel to the missions and regional teams. In addition to the core UN itself, participation came from the FAO, United Nations Educational, Scientific, and Cultural Organization (UNESCO), United Nations Industrial Development Organization (UNIDO), UNICEF, United Nations Population Fund (UNFPA); and others.

The UNDP, together with the ILO, invested substantially in the WEP, as did the UNFPA, then under the leadership of Rafael Salas from the Philippines. For instance, when it became clear that a WEP research component would be essential to thresh out the ideas explored initially by the high-level missions as well as to explore other ideas, the UNFPA was the first to help overcome the miniscule ILO budget and gave more than $1 million to establish the research capacity. As Arri

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9th Onassis is reported to have said, "The first million is the most difficult; once you have achieved that the rest is easy.”

And in a sense it was. Individual countries weighed in. Sweden matched the UNFPA contribution and repeated that gesture many times. The Netherlands, Denmark, Germany, and other countries contributed, often annually. During the 1970s the research component of the WEP became one of the best-financed efforts in the world of policy research. Without the intellectual sparkle, however, money alone would not have sufficed.

Both multilaterally and bilaterally, therefore, the WEP became an impressive showcase of a UN systemwide effort to try to shift the development focus back to people and to respond to a widely felt problem. Cooperation with the academic community, both in the basic research and in the applied field missions, was an important explanation for success. The role of the Institute of Development Studies (IDS) at the University of Sussex was especially distinguished. Its director, Dudley Seers, led the first two missions, to Colombia and to Ceylon (now Sri Lanka) in 1970 and 1971. Its director-to-be, Richard Jolly, and Hans Singer together led the third mission to Kenya, which launched the debate about the informal sector as well as about the redistribution-from-growth strategy. The Colombia mission had defined the employment problem as set out earlier in this chapter and had pointed to the errors inherent in the “rich save and poor don’t” thesis. The previously cited Ceylon report broke new ground because it drew attention to the importance of educational restructuring in addressing development and employment problems, and to the mismatch between the supply of educated people and the demand for them.

Other individuals and institutions played important roles. Gustav Ranis of Yale University’s Growth Center led the mission to the Philippines, and Just Faaland of the Chr. Michelsen Institute in Bergen, Norway, headed the mission to the Sudan. The Ceylon mission benefited from the skillful support of Lal Jayawardene (who later headed the World Institute for Development Economics Research, or WIDER) and the Kenya report from Philip Ndegwa, each distinguished economists occupying senior positions in their own governments at the time. Many other academics, from North and South, who had never been associated with the ILO joined in the effort that was directed by Louis Emmersi.

As always, the role of specific individuals in the UN was crucial. The ILO senior deputy director-general, Abbas Amor, firmly believed in a comprehensive effort by the UN family. He recruited and protected “his employment people” within the ILO secretariat, many of whom were not conventional international civil servants. He understood the importance of fundamental research within an international organization in attracting world-class researchers and gaining re-
spect in the wider academic community. Because of this attitude, Nobel laureates such as Ian Tinbergen and Wassily Leontief, and future winners such as Amartya Sen, were involved in research.

The role of the leaders of the high-level missions was critical, as was their independence. Without diminishing the importance of others, the role of Seers should be singled out. Here was a man with ideas and convictions, an outstanding leader, and an editor supreme. He also had the experience and standing to insist that each of the mission reports was issued under the responsibility of the team leader, thereby avoiding any risk that the clarity of the messages would be stifled by bureaucratic interests or caution. Without such strong and clear-headed individuals and a team effort, the WEP would have been far less prominent.

What Happened to the Ideas?

The idea of a more employment-intensive development strategy leading to a basic needs strategy was on the whole very well received by both the academic and practitioner communities. This was also true for both developing and developed country governments. In Congress and in the USAID there was much positive interest that led, as already mentioned, to strong American support after 1972. And so the bulk of bilateral development assistance of the industrial countries was turned to basic needs fulfillment as a top priority, including Washington's "basic human needs." The Development Assistance Committee (DAC) of the OECD issued policy papers on the theme, as did the organization's Development Centre. The World Bank joined the ranks of the enthusiasts, in part because of the great interest taken by Hollis Chenery, who was then the chief economist and vice president. Mubahul Haq and Paul Streeten developed the basic needs strategy further, and McNamara pushed his operational people to start making loans in this area. Chenery together with the IDS in Sussex produced a seminal book, *Redistribution with Growth*, which was published by Oxford University on behalf of the World Bank. The UN family jumped on the bandwagon as well. For example, the WHO, FAO, and UNESCO produced policy papers on basic needs, showing how they were qualified to foster one or more of them.

In short, during the second half of the 1970s the idea was embraced by the entire donor community as well as by the UN family, including the World Bank, with the IMF as a sympathetic onlooker. The sensitivity of McNamara regarding basic needs policies resulted from the acknowledgement in the early 1970s of the lack of impact previous economic growth had had on the actual living conditions of the most vulnerable groups. At the Annual Meeting of the Governors in Nairobi in 1973, McNamara pointed out that "despite a decade of unprecedented increase of the gross national product of the developing countries, the poorest segments of their population have received relatively little benefit." He continued, "Policies aimed primarily at accelerating growth, in most developing countries, have not benefited 40 percent of the population and the allocation of public services and investment funds has tended to strengthen rather than to offset this trend."25

This general enthusiasm, perhaps predictably, meant that the initial positive reaction of developing countries was tempered and became skeptical. The G-77 was still calling for the establishment of the NIEO, approved only in April 1974. One of its central objectives was a radical improvement in the international distribution of income. And now, all of a sudden, the donor phalanx—the industrial countries, the DAC, the World Bank, and the UN system—clamored for basic needs and a better *internal* income distribution. Instead of seeing these two objectives as complementary, there was an initial and not entirely unfounded fear that the industrial countries would push for a better income distribution in developing countries as a prerequisite for what turned out to be a largely hypothetical commitment to the other goals of the NIEO.

Thousands of articles, hundreds of books, and countless theses were written on possible and impossible aspects of a basic-needs development strategy. The concept was rapidly on its way to becoming a fad, with all of the accompanying dangers. One of them was that basic needs became all things to all men and women. The concept was defined and redefined in myriad ways, as were the policies to achieve it. In other words, the distortion of the concept began almost instantly. This is the moment to remind the reader that a basic-needs development strategy is a comprehensive economic and social policy that demands quite crucial changes in macro and micro measures in order to steer the economy in a more employment-intensive and equitable direction with emphasis on a less unequal income distribution. There were two different approaches to a basic needs–oriented development strategy:

- A "strong" approach that emphasized the need for major structural reforms (in particular, land reform) aiming at redistributing resources and power more equally in developing countries. According to this approach, development strategies should strengthen the capabilities of populations to determine their own development priorities and to become the promoters of improvements in their own living and working conditions and not only the simple beneficiaries of top-down strategies. Empowerment as a political, economic, and cultural objective was at the heart of this muscular approach.

- A "weak" approach was advocated by the World Bank, which tended to focus on growth, limit redistribution, underplay participation, and pursue basic needs strategies in a centralized technocratic framework. The structural causes of poverty were not addressed. Basic-needs strategies were reduced
to the definition by international experts and national administrations of basic-needs objectives—in terms of calories per day, doctors or teachers per inhabitant, drinking water, and the like—and policies to achieve them. Such objectives were formulated from the top down, without participatory process including the poorest groups of the population.

**Box 3.3. Disarmament and Development**

Efforts at reducing arms and defense expenditures are not new. The Covenant of the League of Nations emphasized that armaments should be reduced to "the lowest point consistent with national safety." Part of the work of the league after World War I aimed at formulating plans for a reduction of national armaments. The league was at the heart of important but unsuccessful efforts to increase international security, such as the Geneva Disarmament Conference in 1932.

After the Second World War the UN’s mandate was less clear. Arms control was not as prominent in the UN Charter. The use of collective military force was envisaged, albeit as a measure of last resort, to maintain international peace and security. The UN aimed more at regulating the armament process than disarmament per se.

Atomic weapons were different. After Hiroshima, General Assembly resolution 1 (10) in January 1946 established the UN Atomic Energy Commission, to propose, or explore, measures for "the elimination from national armament of atomic weapons and of all other major weapons adaptable to mass destruction." In spite of this, the number of nuclear powers has risen to include China, India, Pakistan, and others.

For the most part, the superpowers have not chosen to use the UN as a forum for disarmament negotiations, which have often been conducted elsewhere—for instance, the Nuclear Test Ban (NBT) negotiations in 1963 and the bilateral efforts between Moscow and Washington on Strategic Arms Limitation Talks (SALT) in 1969.

In the mid-1970s the General Assembly took back the initiative. The Disarmament Commission was revived, and an Ad Hoc Committee established under the chair of the Swedish minister Inga Thörnqvist, to review the role of the UN in the field of disarmament. The UN Center for Disarmament was established.

One of the UN’s clear successes—where it has been ahead of the curve—is in exploring the link between disarmament and development. The documents on the First Development Decade in 1962 emphasized the desirability of a reallocation of resources from military uses to development. Resolution S-10/2 of the Tenth Special Session of the General Assembly (1978) stressed the necessity to release real resources now being used for military purpose to economic and social development. The UN played a major role in documenting the economic costs of the arms race and its social consequences.

With the new committee and supporting publications, it quantified the challenge and explored other issues, such as the problem of the conversion of the resources employed for military purposes toward the civil sector.

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**Employment and Basic Needs**

The UN explored internationally the idea of a "disarmament dividend." The Thorson Report published in 1982 was a major attempt by the system to conceptualize the connections between disarmament and development. Already several studies published in the 1970s showed the economic and social costs of armaments. Some underlined the reduction in the rate of economic growth and the lower investment levels associated with increased military spending. They concentrated more particularly on the desirable shift of resources from the domestic military sector to domestic sectors for social and economic development. The Thorson Report argued that the need for such a reallocation was shared by all countries. Arms spending was seen as a dramatic waste of resources, damaging the process and potential of development and leading to a poor allocation of scarce resources. Using Leontief’s calculations, the Thorson Report showed that shifting resources from military to civilian uses could increase consumption, investment, economic growth, and employment.

The end of the Cold War altered the prospects for arms control. Military spending worldwide was reduced to levels which today are about two-thirds those of their peak in 1988. A major accomplishment of the UN was the 1995 Chemical Weapons Convention. Moreover, the Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons was held in New York in April-May 2000. The General Assembly had called upon all states that were party to the treaty to intensify their efforts toward reaching an agreement on nuclear nonproliferation and disarmament, and to reaffirm the decisions and resolutions adopted by the 1995 Review and Extension Conference.

Notwithstanding, in most parts of the world large amounts of scarce resources continue to be spent on arms. In 1998 more than 100 countries spent more than 1 percent of their GDP on military, 36 percent spent more than 3 percent. Only twenty-eight countries spent 1 percent or less. In Asia overall expenditures have increased. Few countries have followed Gost Ricks’s example in abolishing their armies. The final document of the Social Summit +5 in 2000 called, once again, for reallocating resources from excessive military expenditures to social programs. The Conference on Disarmament held in June 2000 lamented the difficulties of making international progress.

Viewed from the distance of a quarter-century, the employment and basic-needs strategies were weak on gender, the environment, and to a lesser extent international dimensions. But a historical context is important, because they had only just started through the 1972 Stockholm conference and the 1973 Mexico City conference (see Chapter 4).

Employment, basic needs, and much else were pushed to the sidelines with the debt crisis and the new pressures for structural adjustment. The succeeding "lost decade" in terms of growth was enforced by mean and lean policies that made it a tragic loss for millions. This led to the neglect of the employment question in the 1980s and 1990s at the very moment that it became truly a world problem, with high and often rising rates of unemployment in both Western and Eastern Europe.
With the advent of the 1980s and the Reagan and Thatcher administrations, economic and financial orthodoxy once again emphasized financial balance and low inflation over employment creation and income redistribution. The belief was propagated that with adjustment and sound economic policy, economic growth, from which everything else would flow, was the key. With the rate of growth of 8 percent a year for a sustained period, employment and basic needs goals could be achieved, as has been demonstrated by the fastest-growing countries in East Asia. But what about less fortunate countries? They would have to wait several generations, an irresponsible and unjust approach if alternatives are available. But the new orthodoxy emanating from the Bretton Woods institutions (and applauded loudly in Washington, London, and Bonn) succeeded in downplaying and discrediting most of the ideas that were launched during the 1970s. They were lumped together with a warning label, “danger: socialist ideas!”

The return of “faisez-le-prier” in the early 1980s constituted a strong political and academic offensive against “the predatory state” and led to the delegitimization of all interventionist policies. According to the new political economy based on rent seeking and collective choice, market failures were less costly in terms of welfare that state failures were. As state intervention was bound to make matters worse, the priority was to reduce the scope of its activities, pure and simple. Development strategies, including basic-needs strategies, that implied an activist state had no more raison d’être because the magic of the market would bring back rational growth and prosperity.

The idea of basic needs lived on, but without the strategy. The teeth were taken out of the concept. What remained were specific items that could or should be attained. For example, governments and institutions aimed to achieve universal primary education by year X, or to eradicate a certain illness by year Y. These were not unimportant goals, of course, but this approach had little in common with the idea as originally conceived. Even the employment-creation objective was downplayed in the financial and economic orthodoxy of the 1980s and 1990s. Other policy objectives—inflation, budget equilibrium, external balance, and interest rates—were considered higher or prior priorities. Moreover, the Washington consensus even held that employment creation should be left entirely to the private sector.

It took some time for policy-makers to realize once again that they should not be concerned solely with inflation, balance of payments, and GDP, but also with employment, individual incomes, income distribution, nutrition, food balances, and human growth. The role of the World Bank and the IMF in shaping and enforcing the new orthodoxy—in the shape of structural adjustment policies—was essential. The World Bank, in particular, went from one extreme to the other—