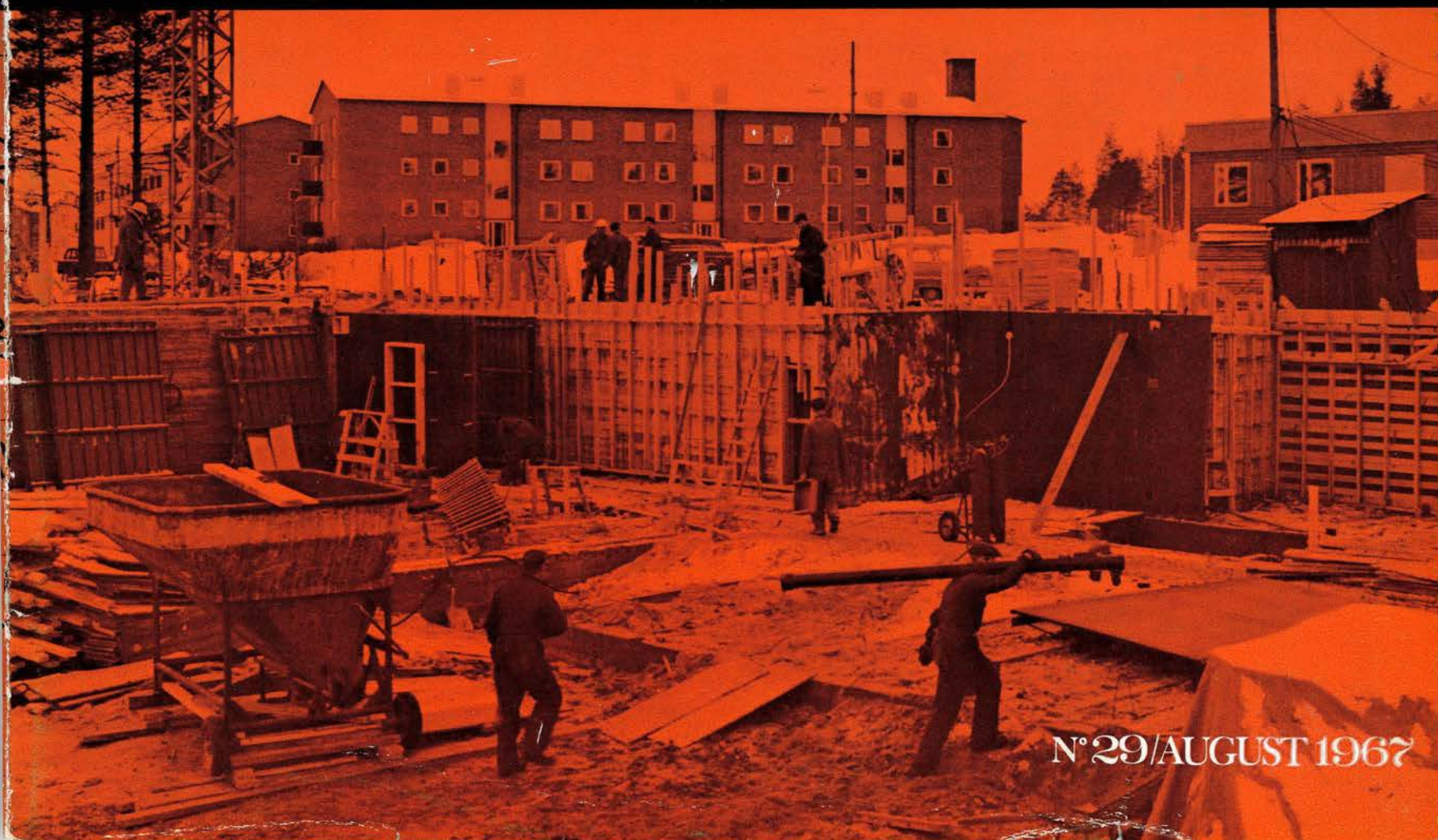


the O E C D O B S E R V E R

MANPOWER POLICY AND THE NEW SOCIAL GOALS
EVALUATION AND PERSPECTIVES OF INTERNATIONAL TECHNICAL CO-OPERATION
FISCAL AID TO SHIPPING ~ FORMULATING A GOVERNMENT TOURISM PROGRAMME
NEW PLANNING FOR EDUCATION IN SWEDEN ~



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INTERNATIONAL TECHNICAL CO-OPERATION: Evaluation and Perspectives

Unless political conditions deteriorate sharply, the next decade will see increasing importance attached to human resources in the development process. This calls for a much expanded effort in international technical co-operation between developed and developing countries. The mechanisms and expertise required to mount effective co-operative efforts now, generally speaking, exist. The difficulties in meeting the needs are in men, rather than in money. These needs call for a long-term sustained approach.

This was the keynote of a speech by Ernest Parsons, Director in the OECD Development Department, given at the IXth World Conference organised in Milan last June by the Society for International Development - the first of its kind to be held in a European setting. Europe has, Mr. Parsons pointed out, over generations made major contributions to the developing world through exporting its skills and its culture. Many hundreds of vigorous institutions in these countries (universities, schools, research stations, development and finance bodies, and so on) are the result of European initiatives, not only in former dependencies, but also in countries with a long history of independence, in Africa, Asia and Latin America. Europe today provides a greater volume of official technical aid to developing countries than North America, contrary to the situation in financial aid.



The Aid Environment

The massive, expanding aid effort which some expected at the beginning of the 1960's has not, so far, matured. This is disappointing but, from some points of view, not surprising. This has been a period of great disturbance in political relations and conditions, especially involving those developing countries which have been emerging

into independence. Population growth has swallowed up a large part of the not inconsiderable economic expansion of these countries.

They have gradually, with inadequate administrative capacity, been acquiring experience in the difficult arts of economic and social management under conditions of accelerated growth.

Aid giving under these conditions so as to make a real impact on growth is far from easy. And the richer countries have also generally failed to accord aid the political priority which their own economic prosperity

would justify; they have, on the whole, been more concerned with other pressing claims on their budgets and their balances of payments.

One of the major disadvantages of the failure of aid resources to expand is that it induces caution into co-operative relationships between developed and developing countries.

The distribution of aid and its uses becomes frozen into set patterns.

Donors become reluctant to engage in a constructive, practical dialogue with aid beneficiaries because they are afraid that this will lead to requests which they cannot meet.

Experimentation and support for newer institutions and approaches are discouraged.

Moreover, account is not always taken of the fact that many aid operations can only succeed if there is a certain minimum volume of resources available; economic development — as well as nuclear physics — has its minimum critical mass.

Yet, in spite of all this it needs to be clearly understood that the 1960's has seen unmistakable and solid progress in the aid relationship. We are in an infinitely better position now to take advantage of opportunities for international co-operation for development than we were seven or eight years ago. A few of the favourable trends may be considered :

- there is a consciousness among the developed countries of a common aid effort : this is no mean achievement considering the very divergent characteristics of the various programmes and the short history of international aid;
- new flourishing aid institutions to manage both bilateral and multilateral aid have been established; new ministries and agencies have been settling down and moving into operation;
- new forms of international aid coordination have been developed, such as the consortia and consultative groups of the World Bank; this multilateral institution has been exercising aid leadership;
- the growth of training and education has been spectacular in many developing countries and a very great volume of essential infrastructure has been installed; this has yet to have its main impact on economic growth;
- there has been a promising growth of regional co-operation among developing countries, mainly in Latin America, now increasingly in Asia and to a lesser extent in Africa;
- finally, much more is known about the development process than was the case a decade ago. Mistakes will still be made; but they will not, in the main, be due to ignorance.

It remains to be seen whether the political decisions will be taken by developed and developing countries which will permit co-operation to be built on this new, more favourable base.

The pressures to act are there — in the race between food supply and population expansion, in the growing demands for funds from multilateral and regional aid

bodies, in the confrontations of the Kennedy Round and of trade and assistance matters in the UN Conference on Trade and Development.

The Technical Co-operation Relationship

This relationship covers, in the widest sense, the transfer of skills and knowledge to developing from advanced countries.

It includes not only official "technical assistance" — the sending of experts and teachers, the provision of training and educational facilities and so on — but also the very important technological transfers that go with private investments overseas and the vast range of generally small-scale activities undertaken by the private, charitable bodies (churches, trade unions, foundations, etc.). The core of this effort is the large official flow; but both private firms and the charitable bodies are expanding their efforts and are making an increasingly direct development impact.

If the "international co-operation" aspects are to be fully realised, it is indispensable that large numbers of private individuals in the developed countries should be personally involved in it. This is one of the real bases of public support for aid.

The agreements made by private firms under direct investment or participation agreements with developing countries almost invariably include a specific element of technological transfer, whether through training schemes at headquarters at managerial, technical and supervisory levels or locally at lower levels, transfer of patents, or the supply of expatriate staffs.

They are frequently more adapted to local conditions than official programmes and may go well beyond the needs of the firms themselves.

Some developing countries — Mexico is a good example — have been wise to squeeze the maximum technical transfer from foreign private investments as a major element in their development policies. The scale of these efforts has not been fully recorded : but evidence from a pilot inquiry conducted in OECD suggests that, at least on the industrial training side, they are several times bigger than all the official aid efforts put together.

Nor has the growth of the private non-profit bodies been less impressive.

The main trends here have been the very marked swing towards projects which are designed to make a direct impact on development — and not only to meet emergency relief needs — as well as a very notable degree of co-operation which has been steadily built up among bodies which were formerly pursuing more sectarian approaches.

As to the scale of the effort, it is a fact that if the Ford Foundation were ranked alongside DAC Members (1) it would rank fifth in a list of sixteen technical assistance contributors.

Now, while official aid expenditures as a whole have shown little change in the 1960's, funds for technical co-

operation have risen sharply (total DAC Members' spending went up 70 per cent in 1961-65 and further in 1966). There is a clear disposition to put more money, better organisation and more thought into technical co-operation.

This is justified by the need both to accelerate growth and to make more effective use of capital aid : technical assistance has thus risen as a proportion of total aid (for DAC countries, from 10 per cent in 1961 to 18 per cent in 1961-65).

The greater part of the effort is bilateral : government-to-government technical co-operation is about six times as large as that through multilateral bodies. The numbers involved have actually risen much more slowly : what has happened is that more expensive, more complex methods have been used.

Thus teams of experts have replaced single individuals, more support has been given to institutions (universities, research institutes), consultant firms have been hired, high-level advisory services have replaced former operational personnel in newly independent countries.

There is, in fact, a big problem of rising *costs* — both for the donors and for the beneficiaries — reflecting the increasing scarcity of good personnel. The difficulties in supply are in men rather than in money.

The technical co-operation relationship is an extremely complex and difficult one. There are a large number of sources of assistance, very widely dispersed.

Unless the developing country concerned takes a firm line, programmes may overlap and even work at cross purposes. Since the needs are a multiple of what can in fact be supplied, there is a tendency to try to please everybody by scattering efforts over a number of small projects, with a consequent loss of efficiency.

The administrative burden of handling even a small programme is a heavy one in relation to expenditures; responsible institutions may be so busy keeping abreast of the paper-work that they have less inclination to think through the long-term aims of their actions.

Above all, the technical co-operant — the man to be sent into the field or to provide training for students from developing countries — is not (or should not be) just another expert or teacher : he should possess the personal qualities which enable him to adapt to the special requirements of the developing countries (or rather, of particular developing countries).

But who is the technical co-operant? He may be a teacher (the present dominant category); a civil servant who has agreed to stay on in a newly independent country under special arrangements (the next largest group); a more specialised adviser provided under bilateral or multilateral aid; or one of the new and rapidly increasing group of younger volunteers (of the Peace Corps type) filling middle-level skill gaps. He is more likely than not to be serving in Africa, if under a bilateral programme.

There are a number of significant trends which point the way towards future requirements. The phasing out of the detached civil servants is going much more slowly than had been expected and there is a strong trend towards the maintenance of posts of a more technical, advisory level. Most observers see the need for much increased numbers of operational personnel at the middle level — not only teachers, but also medical staffs, agricultural extension workers, teacher trainers, engineers and so on.

But these are precisely the skills which are in great demand in the developed countries. While the supply of teachers can be expanded through new devices such as the volunteer programmes and short period detachments, the other kinds of skills require new recruitment methods and adequate incentives for overseas service. It is to be expected that the working groups of this Conference which are studying the various sectors will pay special attention to this problem.

Relatively little is known about the full scale and character of the demands, other than rather fragmentary evidence. There is a major task for the UN agencies here — not merely to find personnel themselves; but to provide guidelines for both the aid-receivers and aid-givers. The pioneering work of the International Institute for Educational Planning has already been of great importance in the educational aid field.

Partly thanks to the intellectual stimulus of men like Professor Frederick Harbison, manpower planning is making progress in developing countries. But a big problem remains to make sure that these countries' own facilities are used to best advantage (e.g. there are too many under-utilised universities in Africa) and that they do not pursue policies which waste the services of their own scarce skilled manpower.

The Perspective

International technical co-operation cannot be simply a statistical aggregation of many unrelated activities. Neither can it be a marginal by-product of the domestic interests of the co-operating partners. It requires an act of *policy*: and the essence of that policy is threefold :

- first, the full *integration* of technical co-operation into national plans and programmes from both the giving and receiving sides;
- second, a willingness to take a *longer term view* of requirements and the necessary measures to meet them;
- third, establishment and reinforcement of the machinery to *co-ordinate and programme* an international effort in technical co-operation.

An integrated policy means, for the aid-givers, the specific earmarking of resources for technical assistance. Such aid cannot succeed if it relies wholly on utilising a marginal supply of people or of training facilities which it happens to be possible from time to time to put at the disposal of developing countries. It cannot, so to speak, be approached sideways. This is not arguing in favour of reducing the essential interchange between

(1) 14 OECD countries are members of the Development Assistance Committee (DAC) ; Australia and the Commission of the EEC also participate as full members.

the domestic professions and overseas service. But at least there should be a nucleus of more or less full-time professionals and specialised institutions, even if many of the demands are met by shorter-period consultants and the use of normal facilities. This involves the establishment of an *international network of capacity*, involving the bilateral agencies as well as the multilateral. It means also the necessary research to adapt methods and approaches in response to changing requirements.

We are probably some distance from the day when aid funds will be used extensively to pay for experts from, and training facilities in other countries. Technical co-operation is one of the most tied forms of aid. This is a very great pity from at least two points of view. First, it would be a good deal easier to match available financing with available resources if developed countries A and B agree to purchase from one another the skills needed for particular aid projects which each was supporting. Second, there is a growing pool of skills available in the developing countries themselves which they could usefully put at one another's service if financing were available.

The excellent Mills Report on the Colombo Plan area (1) pointed out, some years ago, that given the right inter-country financing arrangements the area could quickly become much more self-sufficient in meeting its training requirements. Of course, multilateral aid can overcome the problems of inter-country financing: but it remains true that we should try to make the best use of the much larger bilateral contribution.

On the side of the developing countries, technical co-operation (like aid in general) should not be treated simply as a windfall. In fact, it involves them in considerable costs (e.g. part of salary payments for foreign personnel). It requires, first, policies to make good use of the domestic skills they already have. And there should be careful planning in the use of foreign training facilities so as to avoid aggravating the already serious "brain drain".

It is still also true that only a very small part (around 5 per cent) of the training awards and study grants provided by DAC countries can be used in the institutions of developing countries themselves — in spite of the fact that they are also giving substantial financial support to the teaching facilities, equipment and buildings of those same institutions.

In various respects, it is possible to report progress. But there is still a very long way to go. A strong case can be made for a special effort in the African continent and, on a world scale, in the two sectors of agriculture and education.

The needs of the African continent are large and, as far as one can tell, rapidly rising; for example, Kenya has estimated a need for an additional 30,000 technical and professional personnel over the period of the current plan, while there were at a recent date only 2000 technical assistance personnel of all types in that country. There is moreover, a great risk of overlapping among technical co-operation agencies in Africa since there are so many of them, both bilateral and of the UN family.

There is a clear long-range need for technical co-operation, justifying the various attempts which are now being made to work out long-range manpower plans.

Institutions such as universities, vocational centres and research bodies will continue to need large-scale support. The barriers between countries caused by their attachment to various European cultural traditions need to be broken down and a greater degree of inter-country co-operation encouraged. All of this would imply a combined effort by the co-operating countries, African and non-African, to set up adequately thought out programmes to meet priority needs and ensure an adequate supply of external help. There has been some talk about a Marshall Plan for Africa: perhaps it would be a good idea to try it out in a modest way in the technical co-operation field, even if the capital aid field has to be tackled later.

A longer-term co-operation policy means that the purely *ad hoc*, short-term approach should be reduced to a minimum. It has been said for years that the various elements of the policy need to be built together so as to be mutually reinforcing. But much technical co-operation seems to be essentially of the "gap filling" variety. More time needs to be spent on the advance preparation of projects and on *ex post* evaluation. The links between technical aid and capital projects must be reinforced; a particularly good example of this is the co-operative arrangements now working between the World Bank on the one hand and FAO and UNESCO on the other. It is also encouraging that there is now a greater degree of selectivity — e.g. in development-oriented literacy campaigns and agricultural projects conceived on a regional or area basis.

"Co-ordination" is a sensitive word in aid matters: "consultation" corresponds more closely to reality. In technical assistance, with its diffuse and complex character, the main emphasis must be on local co-ordination, probably in most cases of a rather informal kind. The primary responsibility rests with the developing beneficiary country. But the aid-givers have come to realise — in spite of their national particularisms — that they cannot operate in isolation from one another and remain effective. The UN system has recently reinforced its local machinery and bilateral donors are co-operating more closely.

Can it be hoped that, in certain areas, regional institutions (such as the UN Regional Commissions and the regional banks) can also acquire a more active co-ordinating role?

To some extent, Latin American institutions have shown the way — for example, by their extra-Continental scholarship programme, by forging regional links with European and North American institutions, and by the use of trust funds in the Inter-American Development Bank. Again, without insisting on the capital aid field at least, in technical co-operation, the possibilities for a regional approach should be actively explored.

(1) Mills, H. R., Report on Training Facilities at the Technician Level in South and South-East Asia, 1961, Colombo Plan Bureau.

FINANCIAL AID AND FISCAL RELIEF TO SHIPPING



In its annual report, covering international shipping developments, freight markets, and the demand for and supply of shipping services, the OECD Maritime Transport Committee has included a special section on the financial aid and fiscal relief granted by OECD Member countries to their mercantile marine industry. The main findings of the enquiry on which this section was based are outlined in the following article; they form part of the Committee's extensive examination of its Member countries' shipping policies.

The annual report, which is to be published, contains 33 statistical tables dealing with all the main aspects of the shipping industry; some of these are reproduced here.

In their report on financial aid and fiscal relief to shipping in OECD countries, the Maritime Transport Committee have pointed out that the effects of such assistance are entirely different from those which may be caused by practices of flag discrimination. The latter physically limit or exclude the possibilities of other vessels to compete with those in favour of which flag discrimination is practised; it is thus incompatible with the OECD Code of Liberalisation. Financial and fiscal measures, on the other hand, are to some extent regarded by OECD countries as acceptable means of alleviating particular problems of the national shipping sector.

It is a fact, however, that a majority of OECD countries are giving no, or only insignificant, assistance to shipping, and only a small fraction of the OECD fleet is receiving direct operating subsidies.

Eighteen of the 21 OECD Member countries, including all the principal shipping countries, have supplied information on financial aid and fiscal relief for the Maritime Transport Committee's enquiry. Finland, represented by an observer on the Committee, also provided this information. As regards financial aid, Member govern-

ments were asked to give full details of any respective laws, directives or other governmental or government-guaranteed private agreements and to explain any preferential measures by the State or a state agency in which one or other of these had a share. Investigations as regards fiscal relief covered the various national taxation systems in general as they relate to shipping.

The Committee's enquiry only covered aid to shipping as distinct from the shipbuilding industry. As regards aid to coastal shipping the report points out that a number of OECD countries (1) reserve coastal trade entirely or partially to national vessels, and consequently that aid in these cases does not affect international shipping. Aid to vessels operating international services, on the other hand, is designed to improve the international competitive position of vessels receiving such aid or make possible construction and operation of ships which otherwise might not be able to face international competition.

Reasons for financial and fiscal relief

The Maritime Transport Committee has been able to identify a variety of reasons which have led governments to grant aid to their shipping industries. Aside from the question of compensation for special services in the public or national interest, governmental assistance to shipping is motivated either by problems of the national shipping sector, or, even more frequently, by particular conditions of the national economy which are outside the shipping sector.

- The need for reconstruction or renovation of fleets is mentioned by a number of countries — notably Germany and Japan — as a reason for post-war government assistance. France and Sweden have aided the modernisation of their coastal fleets; others, including the United States, have granted assistance to ocean shipping with the specific purpose of promoting the construction of modern vessels.
- Financing problems are mentioned most frequently as reasons for government assistance. The high proportion of capital cost in the total cost of shipping makes the industry particularly sensitive to conditions on the capital markets. High domestic interest rates and tight credit conditions are a major problem for the shipping sector of some countries; and the high risks of the industry have led even countries with a well-developed capital market to grant assistance in order to encourage private investment in shipping. Finland and Sweden called attention to the special problems of small shipowners who may have insufficient access to the capital market.
- Exceptionally high operating costs can be due to a number of reasons: a high national wage level, for example, puts the operations of US vessels at a particular disadvantage; while France mentioned her special maritime system of social security as a contributing factor.
- Besides capital costs and operating costs, the fiscal conditions of the country of registration may be a reason for competitive disadvantage, though such fiscal reasons were not mentioned specifically as being at the origin of government assistance.
- Public assistance is sometimes granted in return for special services in the public or national interest, such as

(1) Canada, France, Germany, Greece, Italy, Japan, Portugal, Spain, Sweden, Turkey and the United States.

the provision of coastal shipping services or of services between the mainland and outlying islands. This is the case with Canada, Italy, Norway, Spain, Sweden and the United Kingdom. Special service obligations are also imposed in most cases of direct subsidies for international ocean services.

Financial aid or fiscal relief has been described, in practically all cases, as due to particular conditions within the country or its shipping industry. In one case, however, a country was obliged to extend special aid to a number of shipping companies hit by depressed world market conditions.

FORMS OF FINANCIAL AID AND FISCAL RELIEF

Financial Aid

- operating subsidies, allowances or grants.
- subsidies or grants for construction or repair.
- break-up premiums or trade-in allowances.
- loans by governments or public financing institutions.
- interest subsidies.
- credit guarantees.

Fiscal Relief

- permission to carry back or forward losses.
- special depreciation allowances exceeding the total original cost of the vessel.
- various possibilities of deferring tax payments, e.g. through free or, accelerated depreciation of assets or through the formation of tax-free reserves.

In recent years, *direct operating subsidies*, allowances or grants have been granted by nine OECD countries. Five of these gave subsidies for vessels engaged in overseas trades, to certain overseas lines or for certain overseas services. In the US, operating differential subsidies are granted to ships in foreign service declared essential by law; they are subject to reimbursement after ten years with half of all profits in excess of a certain limit; France, Italy and Spain reserve operating subsidies to a few companies, semi-public or private, in return for specific contractual services; Japanese operating subsidies compensate for financial losses incurred by emigrant vessels. In other countries direct subsidies are limited to coastal or other domestic services in the public interest, e.g. in the United Kingdom for services to islands off the coast of Scotland; or in Norway in order to prevent depopulation of areas otherwise unconnected with the national transport system.

Canada, Spain and the United States tie *construction subsidies* to construction in domestic yards in order to approximate costs to those of foreign builders; it can be assumed that these subsidies do not include any element of assistance to the shipowner concerned. Shipbuilding allowances in Germany, on the other hand, may be assumed to constitute aid to shipping; the same is true of the recent system of investment grants available in the United Kingdom, not only to shipping, but to a number of other industries.

Break-up premiums or trade-in allowances are granted with the object of stimulating the construction of modern vessels; they have been granted in Germany and

1. DEVELOPMENT OF WORLD SEABORNE TRADE OF MAIN BULK COMMODITIES (In million metric tons)

Year	Iron Ore	Grain	Coal	Manganese Ore	Bauxite and Alumina	Phosphates	Total
1960	101	46	46	5	17	18	233
1961	98	57	48	5	17	19	244
1962	103	53	53	5	18	20	252
1963	112	59	64	5	17	22	279
1964	141	71	60	7	19	26	324
1965	159	70	59	9	21	26	344

Source : Fearnley and Egers Chartering Co. Ltd.

2. DEVELOPMENT OF TOTAL WORLD SEABORNE TRADE

Year	DRY CARGO		OIL		TOTAL	
	Million Metric Tons	Per Cent Increase / Decrease over previous year	Million Metric Tons	Per Cent Increase / Decrease over previous year	Million Metric Tons	Per Cent Increase / Decrease over previous year
1950	300		225		525	
1951	360	20	255	13	615	17
1952	350	— 3	285	12	635	3
1953	360	3	295	4	655	3
1954	390	8	320	8	710	7
1955	450	15	350	9	800	14
1956	490	9	390	11	880	10
1957	510	4	420	8	930	6
1958	480	— 6	440	5	920	— 1
1959	490	2	480	9	970	5
1960	540	10	530	10	1,070	10
1961	550	2	590	11	1,140	7
1962	570	4	660	12	1,230	8
1963	620	9	710	8	1,330	8
1964	690	11	800	13	1,490	12
1965	720 ¹	4	880 ¹	10	1,600 ¹	7

(1) Provisional.

Note : Excluding international cargoes loaded at ports of the Great Lakes and St. Lawrence system for unloading at ports of same system. Including petroleum imports into Netherlands Antilles and Trinidad for refining and re-export.

Source : UN Statistical Yearbook.

Italy, while the US authorities may acquire obsolete ships at market value in exchange for an allowance of credit to the builders of new vessels.

Loans by governments or public financing institutions for vessel newbuilding, purchasing or repairs were granted in ten countries, making this the category of aid most frequently given. Interest rates vary between 2.5 percent and 6.5 percent, repayment periods are between five and 25 years and loans of up to 30 percent — 80 percent of the ship's value are granted. Loans at advantageous terms have in some countries played a considerable role in stimulating investment in certain types of shipping; in the case of the Swedish Ships' Mortgage Bank, while the Government contributed the original stock, the institute raises capital on the open market and gives mortgages on commercial terms for vessels under 3,000 gross registered tons.

3. WORLD FLEET AT MID - 1966 (Ships of 100 g.r.t. and over)

Country	Total '000 g.r.t.	Increase/Decrease over Mid-1965 '000 g.r.t.	Non-Tanker		Tanker	
			'000 g.r.t.	Per cent of Total	'000 g.r.t.	Per cent of Total
Belgium	875.6	43.6	618.0	71	257.6	29
Canada ¹	704.7	80.8	627.2	89	77.5	11
Denmark	2,839.4	277.8	1,719.1	61	1,120.3	39
France	5,260.2	61.8	2,848.0	54	2,412.2	46
Germany	5,766.5	487.0	4,676.9	81	1,089.6	19
Greece	7,163.2	26.0	5,269.4	74	1,893.8	26
Iceland	133.9	4.9	116.5	87	17.4	13
Ireland	149.5	— 23.5	131.4	88	18.1	12
Italy	5,850.9	149.6	3,688.1	63	2,162.8	37
Japan	14,722.8	2,751.6	9,664.4	66	5,058.4	34
Netherlands	4,980.0	89.0	3,378.4	68	1,601.6	32
Norway	16,421.1	779.6	7,579.7	46	8,841.4	54
Portugal	748.8	51.2	564.6	75	184.2	25
Spain	2,241.6	109.6	1,550.2	69	691.4	31
Sweden	4,399.6	109.5	2,894.1	66	1,505.5	34
Switzerland	177.2	— 2.4	177.2	100	—	—
Turkey	640.3	— 31.4	535.9	84	104.4	16
United Kingdom	21,451.7	11.4	13,554.9	63	7,986.8	37
United States ²	18,955.8	— 658.5	15,518.2	77	4,337.6	23
OECD Countries	113,472.8	4,317.6	74,112.2	65	39,360.6	35
Argentina	1,279.4	— 9.3	739.6	58	539.8	42
Australia	744.4	17.4	606.3	81	138.1	19
Brazil	1,279.3	26.3	846.7	66	432.6	34
China (People's Republic)	669.3	118.2	582.7	87	86.6	13
Finland	1,027.8	18.3	697.0	68	330.8	32
Soviet-occupied Zone of Germany	642.3	51.2	546.9	85	95.4	15
India	1,794.6	271.9	1,621.2	90	173.4	10
Indonesia	582.4	77.3	506.7	87	75.7	13
Israel	558.2	9.6	545.5	98	12.7	2
Lebanon	745.0	— 37.0	745.0	100	—	—
Liberia	20,603.3	3,063.8	8,486.0	41	12,117.3	59
Mexico	305.8	37.2	89.9	29	215.9	71
Pakistan	434.1	34.4	418.3	96	15.8	4
Panama	4,543.1	77.7	2,021.5	44	2,521.6	56
Philippines	604.5	104.0	579.7	96	24.8	4
Poland	1,109.1	69.1	1,027.6	93	81.5	7
South Africa	398.7	96.4	385.6	97	13.1	3
Taiwan	770.0	131.7	705.6	92	64.4	8
USSR	9,492.0	1,254.2	7,007.8	74	2,484.2	26
Venezuela	314.5	1.1	115.4	37	199.1	63
Yugoslavia	1,079.4	88.6	1,005.1	93	74.3	7
Rest of World	5,317.4	775.1	4,343.3	81	974.1	19
World Total	167,767.4	10,594.8	107,735.6	64	60,031.8	36

(1) Excluding Great Lakes fleet.
(2) Excluding Great Lakes fleet; including reserve fleet.

Source: Lloyd's Register of Shipping.

Closely related to public loans under advantageous conditions are *interest subsidies* usually for commercial loans, reported by Japan, Italy, France and Belgium.

Credit guarantees were reported by Belgium, the United States and Denmark, the last-named country reserving the guarantee to building or converting freighters of 500 gross register tons and less.

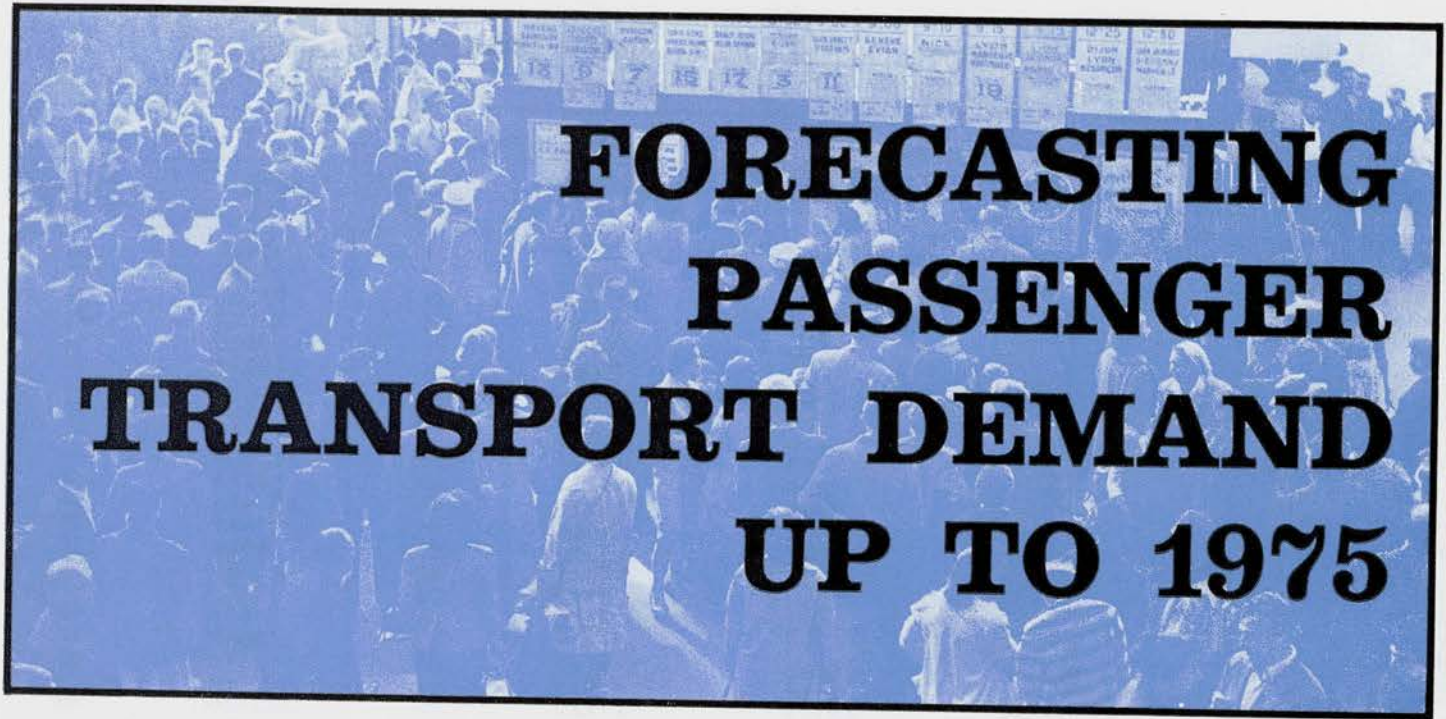
Whilst direct or indirect financial aid is conditional upon the building or operation of ships, fiscal relief is most often related to income tax liability and will usually be relevant only provided that profits are made (profitability of shipping has been very low in most OECD countries during recent years).

Permission to *carry forward losses* in order to deduct these from future profits, or to *carry back losses* to diminish the taxable profit of a previous year, may be of considerable significance, given the fluctuating business

conditions in shipping. Permission to carry forward losses is given in most Member countries, not only to shipping, but to industry in general.

Investment allowances — special allowances for depreciation of more than 100 per cent of the purchase price of a new vessel — were reported by three countries, one of which has recently replaced this system by investment grants assumed to have a similar effect.

A large number of countries grant a certain latitude in respect of depreciation provisions or the formation of tax-free reserves, thus giving various *possibilities to defer tax payments*. Few companies, however, make enough profits to postpone a significant amount of tax. Attitudes of the fiscal authorities in different Member countries with regard to the accounting life of a ship vary very considerably: normal depreciation periods are between five and 25 years.



FORECASTING PASSENGER TRANSPORT DEMAND UP TO 1975

For the shaping of investment policy, it is essential to know what the requirements for passenger traffic will be, by road, rail and air, for a period of years ahead. The European Conference of Ministers of Transport (ECMT) have prepared such a survey, complementing previous studies on the development of freight transport over different periods.

Their general survey, which is illustrated by a number of tables, on which those appearing on these pages are based, is accompanied by individual country chapters containing the forecasts of Austria, Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and Yugoslavia.

The survey carried out by ECMT, in collaboration with the Union Internationale des Chemins de Fer and the European Aviation Conference covers railways, road transport, international air traffic and domestic air traffic.

RAILWAY TRAFFIC

The prospects for general railway traffic, in terms of average yearly percentage increases up to 1975, show a relatively slight rate of increase in traffic for the entire area under review, the index figures for the Mediterranean countries being above average while those for Northern Europe, and more particularly for Scandinavia, are at the bottom of the scale.

While most countries foresee smaller growth rates as compared with the period 1956-1963, five — Belgium, France, Germany, the Netherlands and

the United Kingdom — forecast higher rates than during that period.

A number of countries produced separate figures for the commuter component of general traffic :

- *France* : a slow increase (1.7 per cent per year) is forecast to match the expected increase in the population of the Paris suburban belt.
- *Italy* : commuter traffic is expected to remain more or less unchanged.
- *Switzerland* : the expected increase in commuter traffic is in line with that of general traffic i.e. 1.9 per cent.

INCREASE IN RAIL PASSENGER T (Railways affiliated to the UIC)

Country ¹	Average yearly percent	
	Period covered	Forecast
1. PORTUGAL	1962-1975	4.3
2. FRANCE	1963-1975	2.6
3. YUGOSLAVIA	1962-1975	2.5
4. SPAIN	1964-1975	2.1
5. ITALY	1963-1975	2.0
6. SWITZERLAND	1963-1975	1.9
7. NETHERLANDS	1963-1975	1.6
8. GERMANY	1964-1975	1.6 ²
9. AUSTRIA	1963-1975	1.4 ²
10. BELGIUM	1963-1975	1.3
11. UNITED KINGDOM	1964-1975	0.7 ²
12. DENMARK	1962-1975	0.4
13. SWEDEN	1963-1980	-0.15

(1) Countries listed in decreasing order according to the figures in the penultimate column.

(2) All railway transport (including local railways).

Source : Report on the Financial Situation of the Railways, ECMT.

ROAD TRANSPORT

Private transport and public transport must be considered separately because of the differences in structure of the markets they represent. For private transport, most countries assess total output (in passenger kilometres) by multiplying three factors : number of vehicles, average distance travelled yearly, and average passenger load.

Two countries, France and Luxembourg, expect the average distance travelled yearly to increase; others forecast no change (Portugal, Switzerland and the United Kingdom); yet others expect a fall (Austria, Belgium, Denmark, Germany, Italy, the Netherlands, and Spain). By and large, the forecasts range between 10,000 and 15,000 kilometres per year, but outside this range figures for Germany, Luxembourg and Switzerland are higher, while those for Austria and Italy are lower.

Forecasts of the average passenger load are more homogeneous, most of them ranging between 1.5 and 2, the exception being Portugal with 2.4. Moreover, most countries considered that this rate would remain unchanged throughout the period covered by the forecast; Belgium, Denmark and Italy foresee a steady decline to match the increase in car ownership.

The sharp increase in the number of private cars in Europe implies, in most countries, a sharp increase in travel output, despite the fact that in such countries as Denmark, France, Luxembourg, Sweden and Switzerland — all countries where car ownership already exceeds the European average — a declining travel output for the cars in use might be expected. Austria, Belgium, Germany, Italy, the Netherlands, Norway, Spain, and the United Kingdom did indeed forecast this decline in travel output; but even in this group output in terms of passenger-

kilometres will be twice as much in 1975 as in 1960.

In the case of percentage increases of private transport, too, countries fall into two groups : Denmark, France, Germany, the Netherlands, Norway, Portugal and the United Kingdom, with a yearly increase ranging from roughly six to nine per cent; Austria, Belgium, Italy, Luxembourg, Sweden and Switzerland, roughly between four and five per cent. Spain stands alone at the top of the scale with over ten per cent.

Compared with those for private transport, the percentage increases for public transport seem rather slight : only in Spain will the growth rate exceed five per cent. This being so, the yearly growth rate for the entire road section lies in the region of 5.5 per cent on average.

INTERNATIONAL AIR TRAFFIC

The average yearly increases for all international traffic (scheduled and non-scheduled) from 1960 to 1975 lie in the region of ten to thirteen per cent, except for Greece and Spain, which are sizeably higher. On the whole, the growth of international air traffic is remarkably high, especially in the Mediterranean area.

Yearly increase in scheduled air traffic, which was very fast from 1960 to 1965, is inclined to slacken off during the five years period ending in 1970. The percentages forecast for the last five-year period are more or less comparable to those for the second; here too the decline is steeper for countries in the Mediterranean area. The rate of increase for all scheduled air traffic remains, in all countries, below that of total air traffic. This shows that the various types of non-scheduled air traffic will continue to expand at a much faster rate than all the other categories of transport discussed in the ECMT report.

TRAFFIC

Percentage increase

Situation from 1957 to 1963

+ 5.0
+ 2.0
+ 5.3
+ 2.7
+ 2.5
+ 3.0
+ 0
- 1.0
+ 1.8
- 0
- 2.0
+ 1.7
- 0

GROWTH OF ROAD PASSENGER TRANSPORT

Country ¹	Period covered	Yearly average percentage increases		
		All road transport	Private transport	Public transport
1. SPAIN	1963-1975	8.9	10.4	5.2
2. FRANCE	1963-1975	6.8 to 8.0	7.4 to 8.7	2.8 to 3.4
3. PORTUGAL	1962-1975	6.5 to 7.6	8.0 to 9.3	3.1 to 3.8
4. GERMANY	1964-1975	5.9	6.4	2.1
5. NETHERLANDS	1964-1975	5.8	6.6	2.4
6. UNITED KINGDOM	1964-1975	5.7	7.1	1.4
7. DENMARK	1962-1975	5.5	6.3	0.9
8. NORWAY	1963-1975	5.5	7.3	1.4
9. SWEDEN	1964-1975	4.6 to 5.1	4.8 to 5.4	1.2
10. SWITZERLAND	1963-1975	4.2	4.4	3.2
11. BELGIUM	1963-1975	4.1	4.8	2.1
12. ITALY	1963-1975	4.1	4.8	2.6
13. AUSTRIA	1964-1975	3.9	4.2	2.7
14. LUXEMBOURG	1963-1975	3.1	3.8	0.6
15. TURKEY	1963-1975	2.6	—	—

(1) Countries in decreasing order according to the percentages for all road transport combined.

INCREASE IN INTRA-EUROPEAN AIR TRAFFIC
(Scheduled traffic)

Traffic to and from ¹	Yearly percentage increase			
	1960-1965	1965-1970	1970-1975	1960-1975
1. SPAIN	24.0	10.5	9.5	14.4
2. GREECE	18.0	11.0	10.0	12.9
3. TURKEY	14.0	11.0	7.5	12.2
4. ITALY	13.0	9.5	9.2	10.5
5. AUSTRIA	12.2	9.9	7.8	10.0
6. PORTUGAL	11.5	10.0	8.5	9.9
7. GERMANY	11.3	9.9	8.2	9.5
8. SCANDINAVIA	10.5	8.5	9.0	9.3
9. FRANCE	10.2	8.8	7.7	8.9
10. SWITZERLAND	8.3	8.2	8.8	8.5
11. BELGIUM	8.5	8.0	8.0	8.4
12. NETHERLANDS	8.5	8.0	8.0	8.4
13. UNITED KINGDOM	9.4	7.7	7.3	8.1
Total for EUROPE	11.0	8.6	8.3	9.3

(1) Countries in decreasing order according to the figures in the last column.

DOMESTIC AIR TRAFFIC

As a general rule the methods used for forecasting domestic air traffic are not so elaborate as those used in other sectors, and only eight countries submitted relevant forecasts.

The following conclusions may be drawn from the table.

TREND OF DOMESTIC AIR TRAFFIC
(in passenger-km)

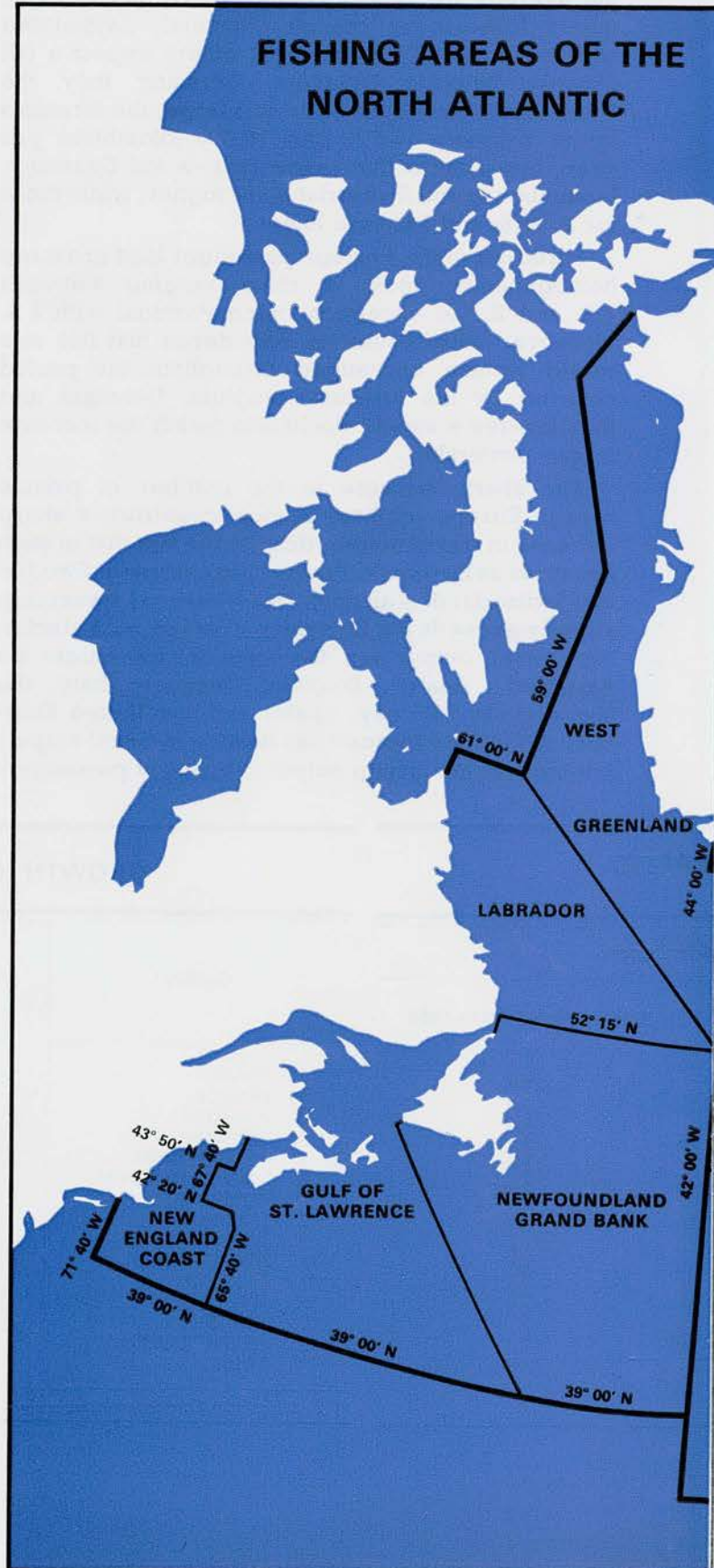
Country	Period covered	Average growth rate	Air traffic as a percentage of rail traffic	
			For base year	At end of period
DENMARK	1965-1970	18.2	2.0	4.5
GERMANY ¹	1964-1975	11.3	1.5	4.0
NORWAY	1965-1970	17.8	—	—
PORTUGAL	1966-1975	10.3	3.0	5.0
SPAIN	1964-1970	14.4	4.9	10.0
SWEDEN	1965-1975	7.2	6.5	13.2
SWITZERLAND	1964-1975	9.1	0.4	0.8
UNITED KINGDOM	1965-1975	7.5	4.3	8.2

(1) Not including traffic to and from Berlin.

In Sweden and the United Kingdom, where air transport already accounts for a sizeable share of public passenger transport, the rate of growth is fairly moderate and lower than that for international air transport.

Generally speaking, in countries where the share accounted for by air transport is smaller, a fairly fast rate of growth, exceeding that of international air traffic, is predicted for domestic air traffic. Spain and Switzerland seem the only exceptions to this rule.

NORTH ATLA



PROBLEMS IN ANTIC FISHERIES

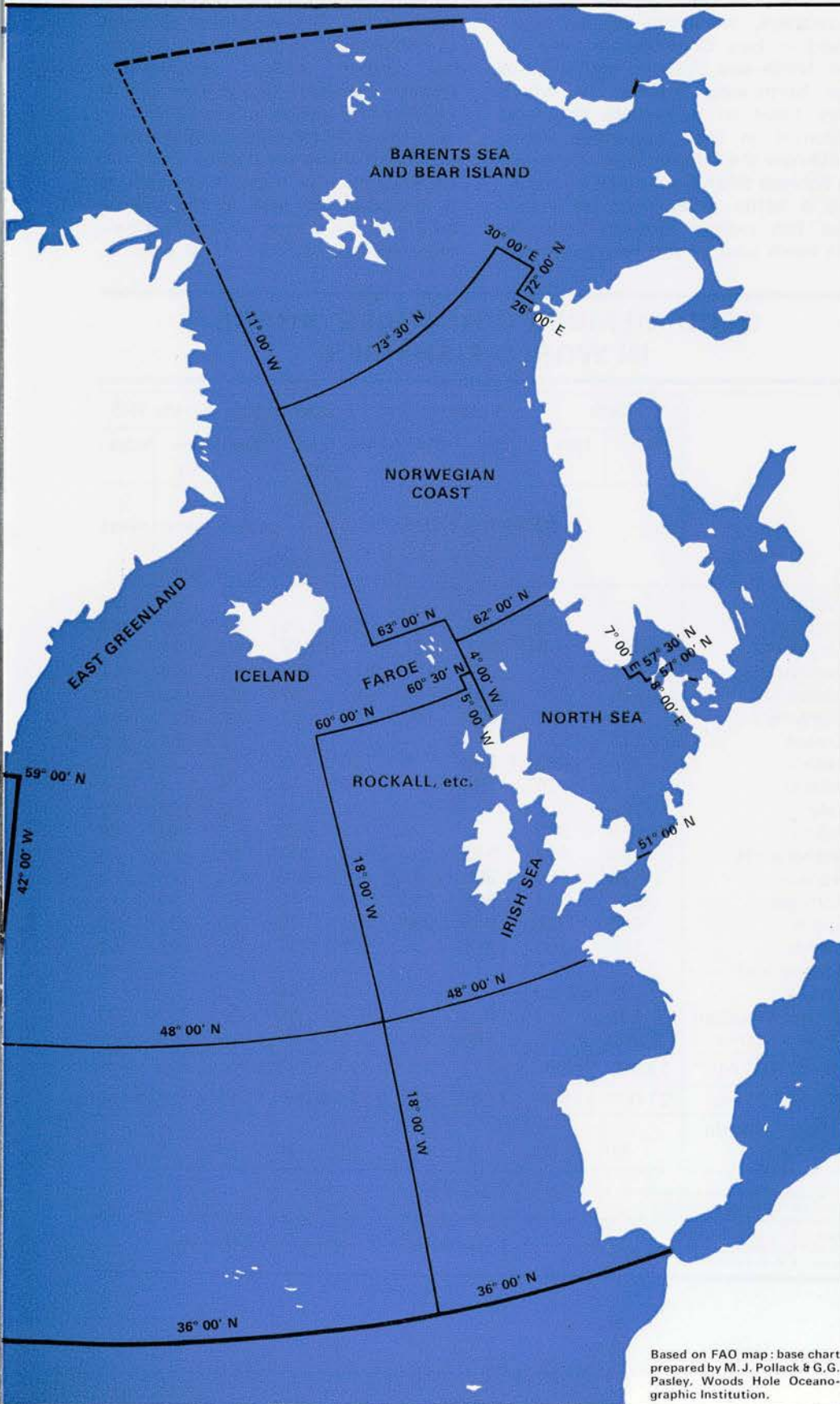
In the past thirty years the fish catch from the North Atlantic, including the North Sea and Baltic, has risen by 75 per cent to a current total around the 13 million ton mark, but marine biologists fear that the increased fishing power employed is detrimental to certain stocks, especially the highly valued cod in northern waters. The effects of falling catch rates on the economics of certain fisheries are causing widespread concern.

OECD Member countries take about 80 per cent of the catch from these waters, the fisheries of which are of vital importance to many national economies. The following article, written by L.G.B. Butcher of OECD's Fisheries Division, discusses the background of some of the current problems.

For the past century or so the business of fishing has been composed of a curious mixture of variably sized enterprises. Currently, these range from the highly capitalised public company with fleets of fishing craft that can include a number of factory trawlers each costing \$ 3 million or more to build and equip; through private companies or partnerships owning fewer and smaller vessels; to the individual fisherman using his own small boat to seek out shellfish along his local coastline.

As might be expected the type of ownership is governed to a considerable extent by the capital investment required, which in turn depends on the size of vessels; the size, as a rule, being related to the distance from port to be covered before the vessel can start fishing to best advantage. Thus it follows that as the fishing units become larger, more powerful and, therefore, more expensive — as is the current tendency — corporate ownership becomes more prevalent and that, aside from the purely inshore type of operations, the one-man-one-boat enterprise is found less frequently.

This trend has also contributed towards the closer political and finan-



Based on FAO map: base chart prepared by M. J. Pollack & G. G. Pasley, Woods Hole Oceanographic Institution.

cial involvement of governments in fisheries affairs. In many cases national industries have not been able to meet from their own resources the capital injections required for fleet renewal and since the nature of fishing often makes it unattractive to financiers, governments have stepped in with various forms of assistance (1). This has led to greater attention being paid to policy-making and, inevitably, to a more positive approach to the need for rational management of the sea's fish resources. Not only does this apply to the comparatively narrow coastal belts under national legislation but also to those regions which, besides being of importance to adjacent countries, are also vital to others who may be far away from them. It is fisheries of such an international character that are of particular concern to organisations like OECD.

This article relates to the latter type of fisheries in the North Atlantic, taken as that part of the Ocean lying above Latitude 36°N which more or less links Washington DC and Gibraltar, north to where the water turns to ice well within the Arctic Circle. Known in the past as the "Herring Pond", this stretch of sea could now well be termed the "International Fish Pond", it being intensively exploited by every nation on its shores (plus others which are not), and now yielding in the region of 13 million tons of fish annually — a quarter of the total fish production from the world's fresh and salt waters.

For centuries, certainly long before the advent of steampowered vessels, fishing craft from Western Europe have been traversing the North Atlantic to catch and salt cod off Newfoundland and Labrador. They still do; together with numerous other vessels bringing back their catches preserved by ice or frozen on board. Nowadays, it is not unknown for three cross-Atlantic voyages to be undertaken before fish is finally brought to the consumer. A European freezer-trawler goes to, say, the Grand Banks off Newfoundland, brings back frozen cod to its home port from where it can be exported as part of a consignment for the United States market.

Almost as long as the common property of fish stocks (common that is, to those who can reach it)

has been fished by the vessels of more than one country, fears have been expressed on the conservation of the stocks. In 17th century England, royal decrees restricted fishing by a type of beam trawl; about a hundred years ago the United States Bureau of Commercial Fisheries originated from the United States Congress' anxiety about the "decrease of the food fishes of the seacoasts of the United States". Nowadays, the authorities are organised in two Commissions, one for the North-east Atlantic and one for the North-west Atlantic, by which they hope to perpetuate the food potential in their respective areas. Until now the Commissions' measures to achieve this have centred on allowing a better escapement of immature fish mainly through enlarging the mesh sizes of the nets employed.

They are giving some thought to other means such as closing nursery areas and setting catch quotas, but are far from reaching any conclusions and even farther from bringing additional measures into effect.

Looking at the continuing upward movement in the catch figures from the North Atlantic over the years, it would seem that there is little to worry about or even to realise why conservation measures should be in force at all. The weight of all types of fish caught in the North Atlantic has grown almost continuously through the years (7.3 million tons in 1938 to 12.7 million tons in 1965 — an increase of 74 per cent) so that superficially all would seem to be well. To understand why there is concern, it is necessary to turn to the marine biologists, on whose advice the Commissions lean heavily. Their opinion,

OECD MEMBER COUNTRIES' SHARE IN WORLD FISHERIES

	Catch		N. Atlantic 1965			Exports 1965	Imports 1965		
	1938	1965	Total	ICNAF	NEAFC	Quantity	Value	Quantity	Value
	in thousands of tons						\$ million	thousands of tons	\$ million
Austria	—	—	—	—	—	—	—	63	20
Belgium	42	60	60	—	60	26	11	199	63
Canada	837	1 259	861	861	—	348	193	29	25
Denmark (a)	165	1 047	1 014	121	813	462	157	249	44
France (b)	646	778	597	140	467	44	20	338	137
Germany	777	632	623	180	411	82	35	827	192
Greece	25	124	—	—	—	4	2	54	16
Iceland	327	1 199	1 199	91	190	445	120	—	—
Ireland	13	36	36	—	36	10	6	18	6
Italy	181	317	—	—	—	5	3	292	112
Japan	3 678	6 879	—	—	—	520	254	233	88
Netherlands	256	377	363	—	363	207	65	305	73
Norway	1 128	2 280	2 205	44	2 161	600	203	48	13
Portugal	247	554	505	197	308	116	57	30	12
Spain	408	1 338	915	234	681	70	40	134	32
Sweden	129	365	365	—	305	237	31	161	62
Switzerland	—	—	—	—	—	—	—	71	30
Turkey	76	122 (c)	—	—	—	14	5	—	—
United Kingdom	1 198	1 047	1 024	56	978	66	31	777	293
United States	2 260	2 701	350	350	—	93	59	856	507
OECD TOTAL	12 393	21 095	10 117	2 192	7 773	3 353	1 292	4 684	1 725
World TOTAL	21 000	52 400	12 560	3 199	8 824	6 090	1 911	6 175	2 183
OECD % World TOTAL	59	40	81	68	88	55	67	76	79

a) Including Faroes and Greenland; b) Including St-Pierre et Michelon; c) 1964.

Others (in thousands of tons) :
in International Commission for the Northwest Atlantic Fisheries (ICNAF) : East Germany : 92; Poland : 57; Roumania : 3; USSR : 1 895.
in North East Atlantic Fisheries Commission (NEAFC) : East Germany : 87; Poland : 115; USSR : 858.
Source : F A O Yearbooks.

(1) See Financial Support to the Fishing Industry, OECD, 1965.



A modern French stern-trawler, the Pierre Vidal, which has facilities for freezing and salting.

backed by fairly solid research and data, is that most of the major cod stocks are being overfished and cod, more than any other species, is the "common currency" of the North Atlantic fisheries.

By overfishing, they mean that the number of recruits entering a fishable stock are not making up for the number taken out of that stock by man and other predators, with man being responsible for two-thirds or more of fish mortality. Then the biologists dangle a carrot in front of the industrialist by saying that in all probability the same, or an even higher, global catch could be obtained after a given time by a smaller investment in terms of time spent fishing, ships and men. The progression would go something like this — take away "x" per cent of the catching power — fewer nets in the sea for a shorter time — better fish survival rate — higher species reproduction — (eventually) more and bigger fish giving higher catch rates for the reduced fleet — overall catch equal to that at the commencement of the cycle.

All this seems logical enough, but to translate the theory into practice involves enormous difficulties, most of which lie outside the field of biology, being of an economic, social or political nature. For example, the biologists could specify approximately what "x" per cent reduction in fishing effort implies in terms of decreased stock mortality rate, but others have to decide how and where this can be related to the

number, tonnage, horsepower and fishing gear of the vessels to be withdrawn and how the initial sacrifice is to be allocated among the operating nations. But even before that stage is reached, the nations have to be persuaded that the sacrifice would, in the long run, be justified.

Here the other disciplines are at a distinct disadvantage with respect to the biologists, a disadvantage that is undoubtedly hindering progress towards sensible management of international fishing operations. Whereas marine biology has been employed in the problem for a long time and as a result is backed by a comparative wealth of data, economic study is bedevilled by a dearth of statistics on which meaningful conclusions could be based.

This situation has in recent years been recognised by the international bodies concerned and presently forms part of the work of OECD's Committee for Fisheries.

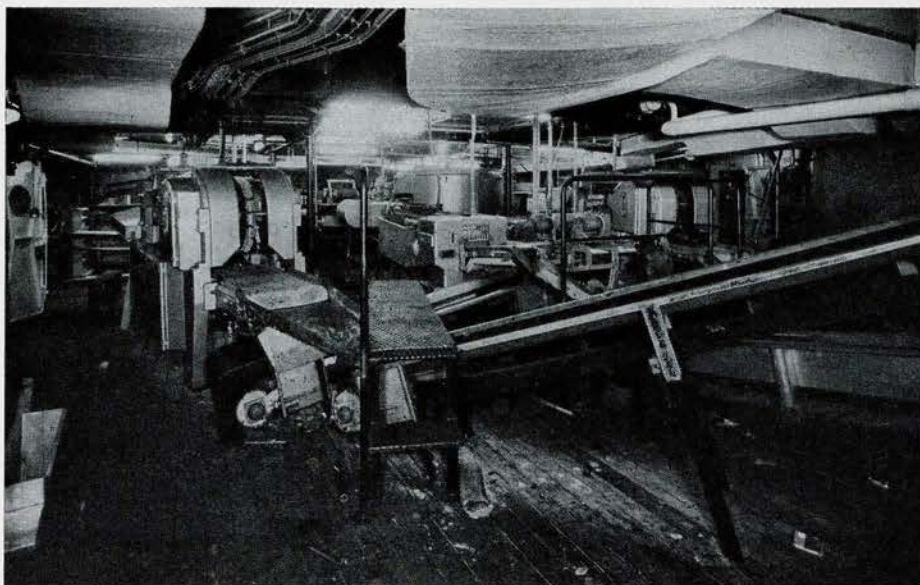
It will have become obvious by now that one of the main factors in the consideration of rational fisheries management is the assessment of fishing effort that is, or can be, employed on a particular fish resource. Equally obviously, fishing effort to a large extent depends on the characteristics of the vessels taking part; on such things as size, speed, range, voyage length and gear handling efficiency. As a rule such information is available in one form or another at national level, at

any rate for the most wide-ranging part of the fleet which can fish in any area in the North Atlantic as conditions dictate. The trouble is that nowhere has the data been assembled or presented to enable a comprehensive survey of the international fleet to be made, and until that is done even to establish an acceptable formula by which fishing power can be measured will be extremely difficult.

After preliminary investigation and following the advice of experts, the Committee for Fisheries believes that a procedure has been found which could be the answer to the statistical aspect of this problem. The proof will come after the scheme has had a trial run with selected countries during the latter half of this year.

That, however, is only the beginning.

Although it may seem highly desirable that any given stock of fish should be kept at a level which provides the maximum continuous yield for a stated effort, those taking part in the fishery might be quite content with somewhat lower catch rates and still be able to stay in business. To take a hypothetical case, the owner of an ageing but still profitable trawler might replace it with a modern vessel in which because of improved techniques a smaller crew can set and haul the net three times in an hour against only twice in its predecessor. Thus its voyage potential would be increased and, all else being equal, the new vessel's catching potential would be higher and a



Aboard the French trawler, the Pierre Vidal, modern equipment is installed which enables to treat the fish as soon as it is caught.

lower catch per haul might be acceptable.

The operative words are "all else being equal", but they seldom are, and such things as capital investment, operational costs, catch value and even day-to-day price movements have to be taken into account. If anything, the financial information required in this connection is even harder to come by than that on vessel characteristics. Nevertheless, without this type of information, calculation of economic performance is impossible and in 1968 the Committee for Fisheries is to explore ways by which the required data can be collected at the international level.

The outcome of all the foregoing statistical activity lies in the future. In the meantime it would seem that, apart from herring in the North East Atlantic, landings of which in recent years have been plentiful, the main commercial species have been harder to locate and smaller in size, while fishing vessels are fewer but bigger, more powerful and certainly, as a rule, more efficient. The result is that so far, no radical reduction in the overall supply of fish is noticeable.

The industry as a whole and the ancillaries can take much of the credit for the technical progress that has made this possible, but often governments have had to answer calls for financial aid to maintain the momentum of fleet improvement. In most countries, industries have simply not been able to meet from their own resources the cost of replacing obso-

lete or obsolescent vessels with the bigger and more sophisticated (and therefore much more costly) craft they needed to remain viable. Furthermore, operational subsidies have been introduced in some cases with the result, whatever the justification, that catching power is kept artificially high.

As yet there is little sign that support to investment will diminish, but there are signs here and there that operational subsidies are gradually being withdrawn. This means that the industry will itself have to cope to an increasing degree with the prevalent mounting trend of operating costs. Hitherto the catching side has done remarkably well in this respect, particularly by way of improving their catching methods and introducing labour-saving techniques, although this has brought its own problems in quickening the obsolescence of vessels and equipment.

But there are limits in the extent to which improved technology can compensate for rising running costs, especially when allied to the uncertainties inherent in fishing and diminishing stock densities. In the end price levels at the landing stage are the governing factor and, although price determination is far more stabilised than it was, a goodly proportion of the landings is still subjected to the vagaries of day-to-day supply and demand (1). Also pertinent is the fact that increasing quantities of fishery products are entering inter-

national trade. For instance, the well-being of Canada's important Atlantic cod fishery largely depends on the market in the United States of America for blocks of frozen cod fillets. Or again, the herring fisheries of Iceland and Norway are directly affected by Peru's catch of anchoveta since all produce large quantities of fish meal used as protein supplements for livestock feedingstuffs.

As in the case of production assessment, there is much statistical work to be done before the many factors affecting catch value can be studied with any profundity. In 1968 the Committee for Fisheries will start an exploratory exercise to discover how far the multiplicity of price quotations and commodities at the landing stage can be harmonised statistically for international assessment.

To sum up, the business of catching fish in the North Atlantic is becoming increasingly unrewarding, the main contributory factors appearing to be falling catch rates, mounting financial investment, and rising operational costs. None of these factors would by itself be critical but together pose a tremendous problem for the catching side of the industry. For some species and fisheries the situation has been mitigated to some extent by the market being prepared to pay higher prices for the produce, but how far this has gone is hard to say.

Real progress towards solving the management problems inherent in exploiting internationally accessible stocks must await proper economic assessment and, in the present state of available data, this is practically impossible. Often, perhaps too often, the investigator has to fall back on guesswork so that the margin of error in his findings is unacceptably wide and will remain so until he is given firm bases for his studies.

The work now being undertaken, and to be undertaken, by the Committee for Fisheries is directed to this end.

Although the experimental projects mentioned in the foregoing relate to the well-established fisheries in the North Atlantic, they are so designed that they could be applied globally, taking in such areas as the North Pacific which is also extensively fished by Member countries of OECD.

(1) See *Financial Support to the Fishing Industry*, OECD, 1965.

When governments accepted full employment as one of the central aims of policy at the end of World War II, it represented a revolution in thinking about manpower problems. During the late 1950's and the early 1960's a second wave of change has been in the making as governments have tried to find ways in which manpower policies

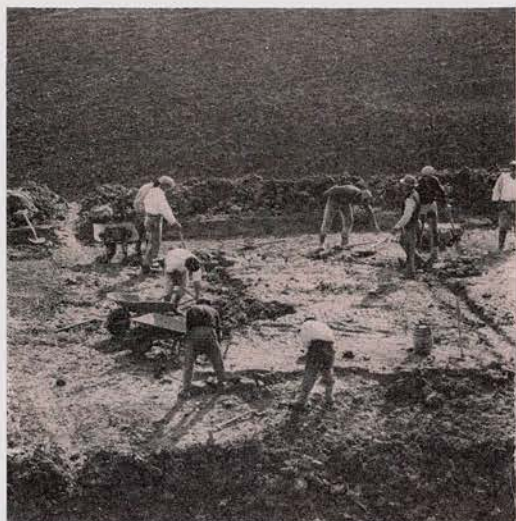
MANPOWER POLICY AND THE NEW SOCIAL GOALS

could contribute to economic growth and stability as well as to the individual worker's self-realisation.

This period has been characterised by a search for new techniques on the one hand and for a more profound un-

derstanding of the forces at work in the labour market on the other. The Manpower and Social Affairs Committee of OECD has attempted to act as a catalyst in this process, bringing together and comparing the experience of the various countries' policies, and commissioning studies in areas which the Committee considers to be of particular importance.

In the following section are three articles based on studies carried out within the Social Affairs Division, which has also conducted research in other fields including the adjustment of workers to economic and technical change, job creation in less developed regions, the employment of special groups in the labour force, manpower policies of the individual firm and the integration of migrants from farm to factory or from country to country.



COMPENSATORY EMPLOYMENT PROGRAMMES:

*their implementation and their role
in economic policy* 

Most governments have changed their views about the “compensatory” role of public works. Whereas public works policy used to be considered the chief instrument for maintaining full employment, today, in the new context of more developed monetary and budget policy and with the increased emphasis on economic growth, it is regarded as merely one of the tools, to be used for selective purposes.

A re-examination of the question of compensatory public works both in terms of principles and practice and an assessment of its present role in manpower policy has been carried out by Mr. E. Jay Howenstine of the International Labour Office. His study, some of the main points of which are reproduced below, is shortly to be published under the title: “Compensatory Employment Programmes: An International Comparison of Their Role in Economic Stabilisation and Growth”.



Through their effects on the level of employment and on the rate of increase in productive capacity, compensatory public works programmes can play a leading part in maintaining full employment and achieving projected economic growth rates.

A working group under the chairmanship of Mr. H.P.M. Willebrands of the Netherlands Ministry for Social Affairs was set up by OECD to look into this question. It recognised that the concept of compensatory public works needed to be broadened so as to include not simply public construction work, but other types of employment as well. The group felt it necessary to find a new and broader term to express this concept and finally decided on “compensatory employment programmes”, which reflects the increased range of possibilities open to the State in this area.

The new term now covers other activities besides public works proper (i.e. new public construction — buildings, roads, major engineering schemes — and maintenance work on public structures.) First among these other activities are land development and supplementary public service projects.

Implementation of programmes : Drawing up plans...

A long period of time is required to complete all the operations that go into a well conceived programme for public works and services. The time required to prepare plans for individual projects in the programme varies from several months in the case of a simple public building to five to ten years for a large hydro-electric power dam or an urban redevelopment scheme. In the case of construction maintenance, land development and supplementary public services, planning time is a good deal shorter.

Most OECD countries now attempt to work out advance plans for a continuous series of public works programmes which can be expanded or contracted or for which the rate of operations can be varied: this is known as the pipeline system. The classical view of compensatory public works policy was that during prosperity years the least urgent part of the normal programme would be postponed as a “reserve” for execution in times of economic recession. This gave way to the “shelf” concept with the regular pro-

gramme proceeding in the normal way and compensatory policy relying on the building up of a shelf of low-priority projects planned in advance and held in readiness until the occasion presented itself. Since then a concept more in keeping with economic growth thinking has emerged, namely the continuous public works pipeline system.

Timing

One of the most promising developments since 1945 has been the adoption of anticipatory timing policy in regard to construction stabilisation policy. Originally, compensatory action was practically always based on unemployment indices: when the rate rose, action would be taken, when it fell, action would be curtailed. This after-the-event approach lacked the flexibility required. Anticipatory policy on the other hand lends great flexibility to compensatory action.

Forecasts can be made of future activity in the new construction sector. Governments can draw on three sources of information for this purpose: detailed construction plans in course of preparation (the pipeline), investment intentions of private firms, and applications for building permits. Advance timing policy has already helped to reduce the time lags entailed in new construction projects. It also helps to keep fluctuations in the construction industry, which used to be one of the main sources of economic instability, within admissible limits.

Timing for the other three types of public employment (maintenance of public structures, land development and supplementary public services) can only be decided by the use of after-the-event criteria.

Financing and Administration

Financial factors have in the past been an important obstacle to the preparation and execution of effective compensatory employment programmes. But governments have begun to make advance financial provision for these programmes in times of recession in two major ways: by incorporating such provision in regular budgetary practice; and by adopting stand-by arrangements under which the necessary funds are made available according to predetermined triggers.

Most governments have also adopted some financial measures to help stabilise private construction and thus reduce instability at its point of origin. These measures relate mostly to the financing of residential construction, but some also concern industrial and commercial construction.

The problems of administration are in many ways comparable to those of planning, timing and financing. In the opinion of E.J. Howenstine at least four basic concepts should be incorporated into the national administrative structure. A permanent administrative organisation should be established at the local, provincial and national levels. Responsibility for planning and construction operations should be entrusted to the appropriate technical agencies. In the execution of programmes provi-

sion should be made for decentralised administration within a national framework of minimum standards. Finally some machinery should be established to give the citizens of the country an opportunity to express their views with regard to the compensatory employment programmes.

Compensatory employment programmes are carried out according to two systems of administration: by the awarding of contracts to private firms (in the case of new public construction); and by direct recruitment of labour by the public authorities (other types of public employment), which is the most rapid system from the administrative point of view.

The time required to launch a sizeable programme of new public construction, considerably longer than is needed to initiate a single project, can be reduced in an emergency by adopting certain administrative practices, such as concentration on small projects, promotion of municipal projects, simplification of contracting procedures, etc. One of the most time-consuming activities is the development of an efficient system of collaboration between central, provincial and local public works authorities.

Direct recruitment of labour is a more rapid method but, according to the experts, requires a minimum of two to three months to achieve a substantial expansion in employment.

The search for more scientific methods of carrying out compensatory employment policy has led to another significant innovation, namely regionalisation. In the traditional setting, compensatory policy was conceived almost exclusively in macro-economic terms. In response to the dictates of economic growth, a concentrated effort must be made in order to keep unemployment at the frictional minimum level; but the matching of the supply and demand for labour needs to be decentralised.

In the case of large-scale unemployment, compensatory employment programmes may provide alternative jobs, but it is not possible to know exactly to what extent or how quickly they can do so. If a country has organised its programmes on the basis of modern principles, it would probably at least be able to double the scale of new public construction expenditure within a year. As regards the other three types of compensatory programme, the elasticity of employment capacity is considerably greater.

Compensatory employment programmes and national economic policy: a new situation

The role played by compensatory employment programmes in national economic policy has undergone a profound change in the last two decades. To the traditional functions of providing employment and income for the unemployed and stimulating inflationary trends have been added those of restoring work capacity, training and retraining, migration and re-employment of the new groups in the work population. At the same time employment programmes are no longer conceived of as affecting total demand and employment: they are being pinpointed to answer specific requirements as to economic effects, type of

clientele, location and severity of unemployment.

Several factors have helped to bring about this change. In the first place, societies everywhere are increasingly eager to consume that which they know modern industry and technology are capable of producing. The same attitude applies to public facilities and services. In the latter category some insufficiency is apparent in most countries, for before the public's earlier requirements can be satisfied new ones arise. In these circumstances, the answer is to utilise all the resources that are at present lying idle. Compensatory employment programmes enable the highest possible output to be obtained from the labour force and the public's basic needs to be met at the same time.

The second important feature of the post-war period has been the emergence of the economic growth objective. One of the main purposes of any regular public works programme is still to bring all public facilities up to certain minimum welfare standards, but public works to meet economic growth requirements have become one of the basic needs in national economic policy. Minimum economic growth requirements possess an almost absolute priority in the national construction output.

In many countries there has been a marked shift in compensatory employment policy from labour-intensive to capital-intensive methods. The jobs created are now highly productive, and the projects themselves will call for considerable capital resources. The wastage involved in employing large numbers of workers on labour-intensive projects is now regarded as more of a burden on the economy than the cost of employing the same workers on capital-intensive projects.

One of the greatest fillips to compensatory employment policy in the post-war period has come from the definition of economic growth objectives and the preparation of economic growth plans.

The third fundamental change influencing the development of public works policy in the post-war period has been the state of inflation with which governments of many OECD countries have struggled for a number of years. In recent times, particularly in the 1960's, governments have often been forced to adopt measures to cope with excess demand. In some cases monetary and fiscal restrictions have been used, but in more serious cases it has been necessary to introduce licence systems to control construction starts. Thus in most countries the volume of construction has lagged behind the public's demand for it. The traditional fear that there may not be enough work in the industry has tended to be superseded by concern lest the industry be unable to reach its projected rate of growth in output, and for the first time in the history of the industry there is promise that governments and representatives of the employers' and workers' organisations will work together on a tripartite basis to increase productivity in construction.

The fourth new element in the situation is the emergence of a new economic philosophy based on the objective of full employment as well as economic growth. Governments have greatly increased the variety and strength of the instruments by which they can influence the rate of private activity. It is

highly unlikely, therefore, that mass unemployment like that seen in the 1930's will ever return. However, in spite of the continuing prosperity of recent years in many countries, it would be optimistic to assume that the fundamental problem of structural instability has been solved and that there will be no need for compensatory action in the future. There will still be a need for stabilisation measures to deal with several types of disequilibrium.

Measures to combat the various forms of instability : deflation

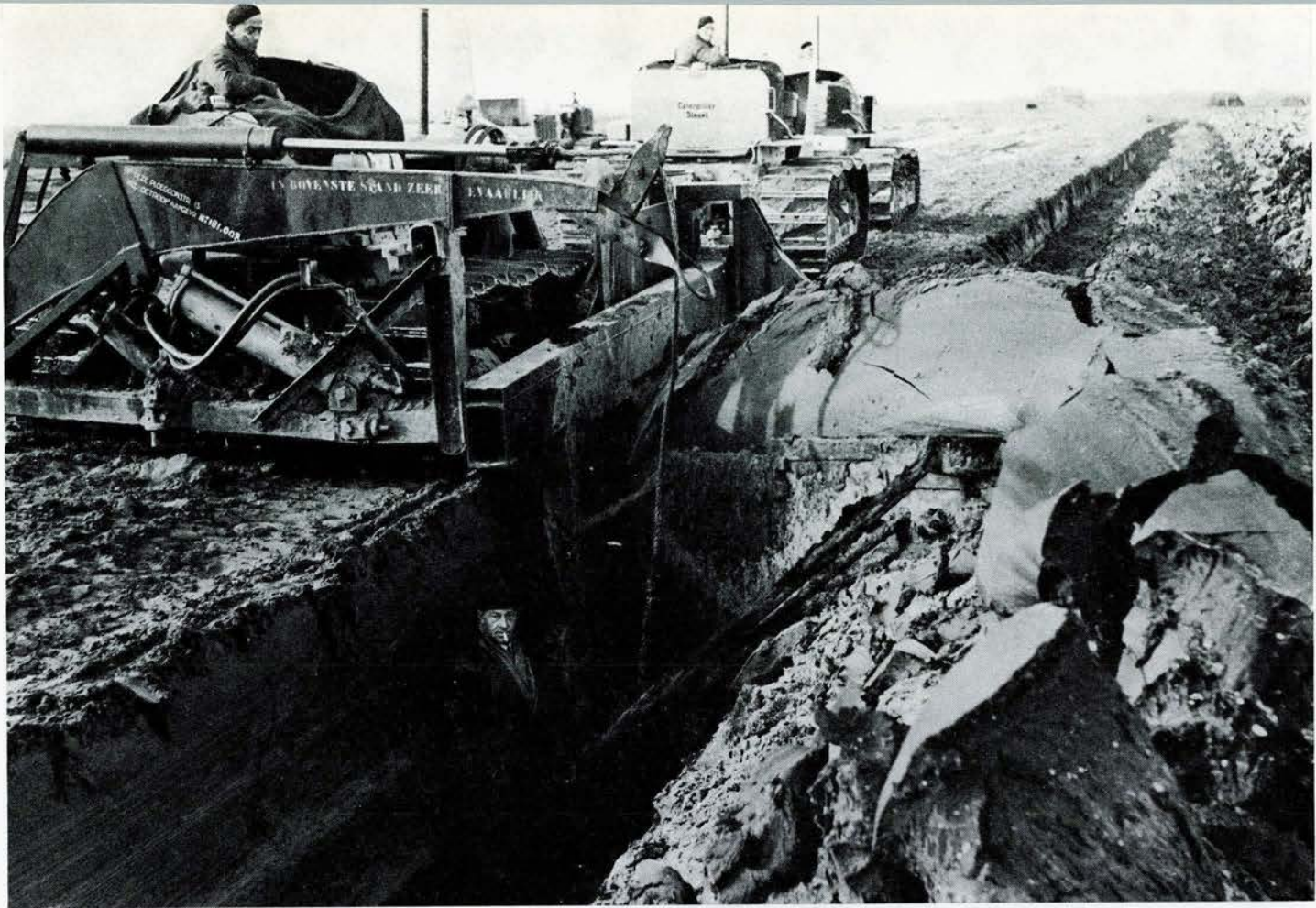
In a context of deflationary trends compensatory policy may play a number of stabilising roles. One of the chief aims of compensatory employment programmes is to achieve the closest possible matching of labour demand and supply. Two kinds of public employment offer possibilities in this regard, namely land development and supplementary public services.

The larger the number of long-term unemployed persons, the more important is the role of compensatory employment programmes, and vice-versa. With regard to new public construction, a compensatory policy is unlikely to encounter technical limits as long as its goal is confined to offsetting a decline in private construction. However, any attempt to go beyond this point encounters technical constraints. These constraints, together with others of a political, administrative and economic nature, have given rise to a new way of thinking whereby the authorities should not aim to stabilise the whole economy through the construction industry, the role of new public works being simply to stabilise the construction sector at its equilibrium rate.

The new construction sector has a strategic role to play in promoting economic growth and in achieving full employment, since it is one of the major components of fixed capital investment. It lends itself to the application of advance timing policy and in no other sector is government action so powerful and so widely accepted. In the event of long-term unemployment the creation of jobs through official action in the construction sector has to be weighed against two other possible alternatives, namely the expansion of other types of compensatory employment and the use of other compensatory measures.

A distinction should be made between different types of unemployment :

- compensatory employment programmes are not a suitable means of coping with purely frictional unemployment;
- on the other hand, they are most effective in dealing with seasonal unemployment;
- a short-term deviation from the aggregate equilibrium rate which is more or less confined to general inventory liquidation may be reflected more in a decline in aggregate demand than in the level of employment; in such an event the use of compensatory employment programmes would not seem advisable;
- deviations originating in a deficiency of aggregate demand would — at least in the first instance — put



Land reclamation projects are among those employed in compensatory employment programmes.

a special premium on measures capable of rapid implementation;

- deviations from the aggregate equilibrium rate primarily of a structural character will require measures which have a selective impact especially when it is a question of overcoming critical bottlenecks as well as a general effect in increasing aggregate income;
- deviation from the aggregate equilibrium rate originating in a decline in exports will not normally give occasion for compensatory employment programmes;
- "hard-core" unemployment raises a problem that cannot be solved merely by an increase in aggregate demand; it requires selective measures.

...and inflation

The inflationary situation is complex. If there is general inflation but without excess demand in new construction, the restriction of public or private construction would not seem desirable. If the causes of inflation are located in other sectors, then it is there that restrictions should be applied. Maintenance of the equilibrium rate for new construction is required in order to meet full employment and economic growth objectives.

If, on the other hand, there are strong inflationary pressures in the construction industry itself, Mr. Howenstine reasons, a different approach is called for. It is desirable to ensure more effective use of available resources so as to meet the increase in construction demand; to diminish the force of cost-push factors; and to determine, in cases where there is an evident state of excess demand, whether this does

not reflect structural shifts calling for a higher rate of construction activity. If, after all these steps have been taken, excess construction demand persists, then there is no recourse but to impose restrictions.

The speed with which construction activity can be curtailed depends on the type of restrictions imposed. If they are applied only to new construction starts, they will take effect slowly. If they take the form of a partial or total suspension of certain projects or types of construction, their effects will be felt rapidly.

Effect on other national objectives

The Member governments of OECD have pursued five basic national economic objectives: full employment; a high rate of economic growth; price stability; balance-of-payments equilibrium; and a more equitable distribution of income.

Since 1945 there has been a strong tendency to regard the maintenance of aggregate demand as the one paramount factor. Provided that the aggregate equilibrium rate is maintained, nothing else would seem to matter policy-wise, since the market forces sort things out automatically and achieve, by and large, an optimum allocation and use of production resources. While this conception may be basically sound in the long-run, it would be a serious error to isolate stabilisation policies from the other basic national objectives.

- Although compensatory fiscal measures may serve to sustain aggregate demand, measures which also strengthen the structural stability of the economy and thereby reduce the need to take compensatory action seem more appropriate. *(continued on page 22)*

- if success in increasing aggregate demand to the aggregate equilibrium rate is not matched by equal success in promoting the requisite industrial, occupational and geographical mobility within the labour force and in achieving a viable balance between investment and consumption and between private and public investment, excessive demand pressure may result, with all the usual consequences that this implies;
- there may be occasions when economic stabilisation measures are in conflict with other important national objectives, such as balance-of-payments equilibrium;
- compensatory employment programmes are directly instrumental in achieving a more equitable distribution of income.



Manpower agencies have a particularly significant role to play in the selective use of compensatory employment programmes. They are charged with the promotion of full, productive utilisation of the nation's manpower resources. When and where the normal market fails to provide employment, they have to consider the appropriateness and usefulness of compensatory employment programmes as an alternative form of employment, and if persuaded of their timeliness and contribution to the solution of particular problems, urge them upon the economic authorities or initiate projects if they themselves are responsible for their administration.



REDUCING SEASONAL UNEMPLOYMENT IN THE CONSTRUCTION INDUSTRY

Slack construction activity during the winter months poses a problem for a number of OECD countries, not only because the labour force may be temporarily without work, but because the progress of a vital industry is retarded. Hence a number of governments, particularly in northerly countries, have taken measures to encourage winter building. The cost of such programmes, their organisation and impact have been investigated, at the request of OECD's Manpower and Social Affairs Committee, by Jan Wittrock of the Swedish Labour Market Board; his report, "Reducing Seasonal Unemployment in the Construction Industry" will be published shortly.



Before World War II it was customary in many countries for construction sites to close down at the approach of winter and to open again only when the cold weather disappeared. The disadvantages of a system which left workers without an income during substantial portions of the year were obvious to postwar policy makers, and in many European countries special

compensation schemes were introduced for construction workers temporarily laid off owing to inclement weather, apart from any general system of unemployment benefits.

But the seasonal swings have increasingly been a cause of concern to governments for other, mainly economic, reasons. In the context of economic growth, failure to utilise resources fully during the

winter months is an obstacle to the expansion of output, and this is of particular importance in construction where demand for housing is strong and the social priority given to schools, hospitals and other public buildings is high. The other side of the coin is that the competition for labour during the spring and summer tends to push up wages and other costs and hence add to inflationary pressures. Thus government measures in recent years have been directed to encouraging year-round productive activity on the part of the construction industry and its labour force.

Concrete and curtain walls

Many of the technical obstacles that would have impeded winter construction in the pre-war period have been overcome in the post-war years. Thus, for example, additives have been developed that permit the pouring of concrete in sub-freezing weather; more powerful and durable tractors, graders, scrapers and shovels are capable of working frozen soil; and lubricants have been found which allow heavy equipment to be used at low temperatures. Winter building has also been facilitated by the development of rust resistant steel, pre-stressed and pre-cast concrete beams and columns, drywall construction, the use of curtain walls and enclosures, for high buildings which can be jacked up as work proceeds. New fabrics provide workers with warmer clothing and weather-resistant shelters.

This improvement in the technology of building has in large measure resulted from government aid to research bodies such as the National Institute of Building Research in Denmark set up in 1947. Like other such organisations the Danish research team has gone beyond the purely physical problems of building to study questions of meteorology, planning and site preparation and also the question of costs.

Year-round construction has been adopted by some large building contractors particularly in Sweden, the UK and the US. Having invested heavily in capital equipment, these firms have found it desirable to continue operations in winter in order to utilise their machinery more fully and also to avoid the competitive rush for workers when the weather improves. But many sectors of the building industry have clung to traditional methods, and governments have deemed it necessary to encourage the growth of winter building by a variety of measures.

A sampling of methods

One important approach has been the evening out of the construction schedule of the government sector itself which constitutes an important part of all building activity in most countries (50 per cent of all new construction in the United Kingdom, for example). In Canada and Sweden central government authorities have been asked to postpone new construction until the winter months, and

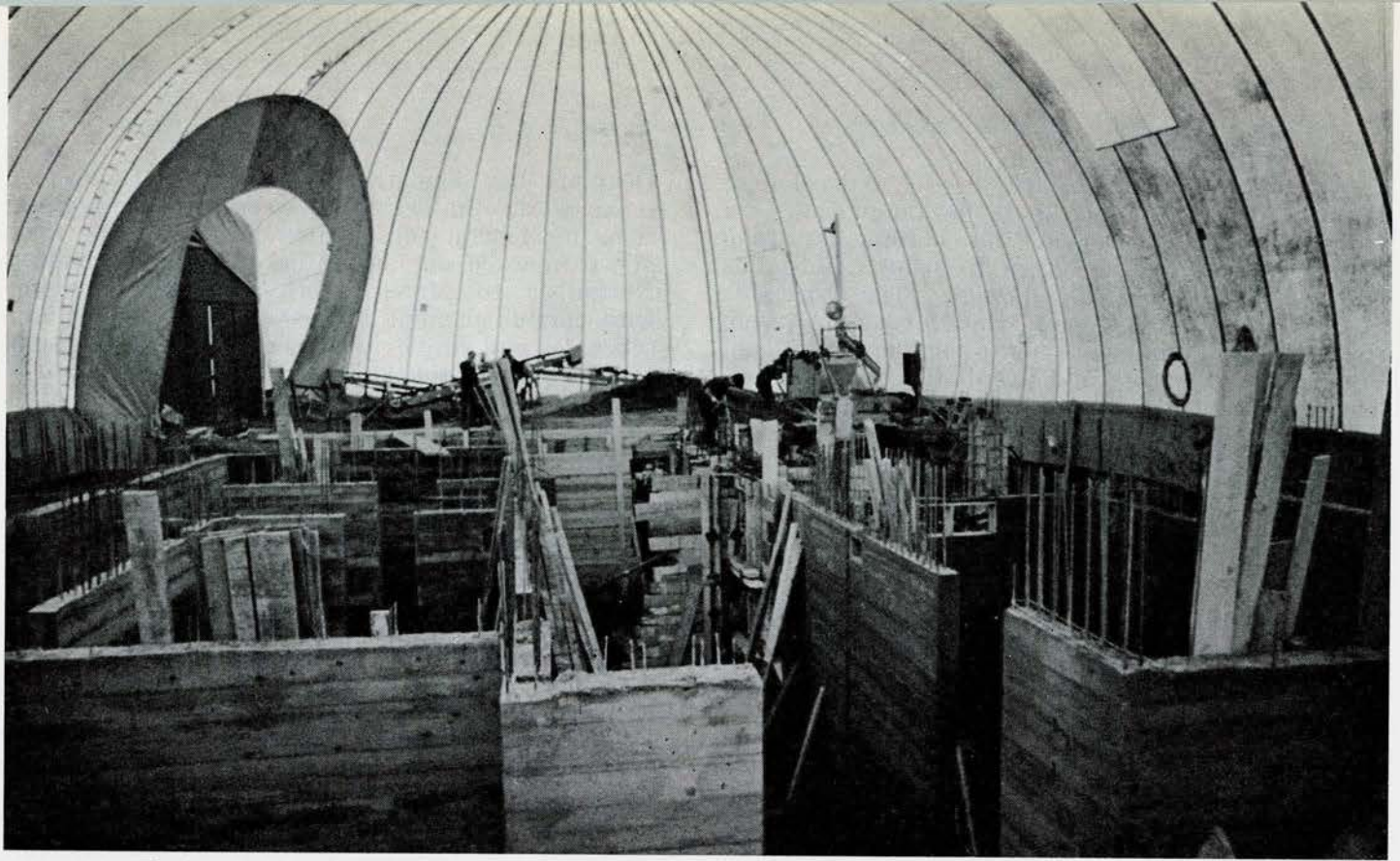
Denmark has done the same for maintenance and repair work. At least 30 per cent of the appropriations for federal construction projects in Germany are earmarked for utilisation during the months November to March. Such measures combined with careful planning and co-ordinating of building schedules and employment needs have substantially reduced the seasonal differences in activity within the central government sector.

But for the provinces and municipalities, not to mention the private sector, the problem is more complex. In the Scandinavian countries where, at least until recently, government permission has been required for most types of building, the permits have been used as a means of combatting seasonal fluctuations in employment. Thus in Denmark a contractor must, if he is to obtain a license, plan his operations in such a way that building can continue in winter down to a temperature of -5 degrees Centigrade. Since the thermometer falls below this point only rarely — 12 days a year on average in Copenhagen — it is felt that winterproofing for lower temperatures would be too costly. Regulations spell out specifically what precautions should be taken: for example covering surfaces that must be excavated and using warm water in making concrete when the temperature approaches zero. In Sweden too permits are used to encourage winter construction, and builders are compensated for the extra charges that may be incurred so as to keep the winter measures from having an impact on the price of housing.

In countries without such controls, other kinds of incentives have had to be developed to encourage activity on the part of local government and the private sector. These differ considerably from country to country because of the variety of climatic conditions, industry traditions and institutional arrangements.

In *Canada*, where winter temperatures remain well below freezing for several months, various measures have been experimented with since 1958, first a municipal works programme which in its present form provides that the Federal Government pays 50 per cent of direct payroll costs, up to a maximum of \$100,000, for approved winter work projects (60 per cent in areas with particularly high winter unemployment). Most of the provinces contribute to this programme with additional subsidies. More than 2,000 municipalities joined in this scheme, in 1966-67, almost 6 million man days of work and, it is estimated, at least that many off-site jobs.

Since about half the dwelling units built in Canada are small houses, it was decided in 1963 to encourage winter building in this sector as well, and the Federal Government has undertaken to pay a lump sum of \$500 (to the owner-builder or first purchaser) for each house on which the bulk of the construction is carried out in winter. Administered by the Department of Labour, this programme created some 90,000 on-site and 115,000 off-site jobs in the first year alone. It is estimated to represent a saving in payments to the unemployed of some \$23 million and an increase in tax revenue of \$7 million as against an expenditure of only \$14 million in subsidies. Finally, there has been an active Winter



The interior of an inflated structure used for winter construction work. The exterior is shown on page 22.

Employment campaign directed at both business and consumers and using posters, leaflets, newspapers and television. In a country with such severe winter weather, it is considered that complete stabilisation will not be possible in the immediate future, but seasonal swings have been substantially narrowed by these programmes.

In *Germany*, where the seasonal problem is one of unstable weather rather than prolonged cold, it was common practice until the end of the 1950's to suspend construction work entirely for long periods with the result that some 30 per cent of the work force might be idle for periods ranging from 3 to 16 weeks and the construction industry was taking far more out of unemployment insurance funds than it was paying in. In part as a result of trade union pressures, the Unemployment Insurance Act was amended in 1959 so that insurance funds could be used to stimulate winter building. Under the new system, a builder who takes certain measures to prepare his site for winter work is eligible for a grant equal to 11 per cent of the cost of wages on work carried out between 1 December and 31 March. (Only housing projects are covered by this provision.) Low-interest-rate loans are available for the purchase of winter equipment.

Austria's system of productive unemployment insurance was conceived with a view to cyclical as well as seasonal fluctuations, but has been used mostly for the latter. It offers incentives for projects which are considered to be of particular public interest (generally those under the aegis of some public body) in the form of loans or grants for the purchase of machinery, tools or other equipment needed for winter building and also for shelters, protective materials, working clothes and workers' commuting costs. In order to qualify for this assistance, a builder must draw his work force from the ranks of the unemployed or those threatened with unemployment. The grants are, in principle, equal

to the amount saved in unemployment benefits and social assistance as a result of the additional work, while loans may be as much as three times that amount.

Despite these measures seasonal unemployment continues to be relatively high in *Austria*; a Working Party on the Construction Industry has strongly recommended that machinery be set up for co-ordinating governmental construction and spreading it out over the year, but so far the parties have not been able to agree.

Since 1963 the *Netherlands* Government has operated a foundation for the Prevention of Layoffs, which subsidises employers for winterising their sites and continuing operations. Under this plan an employer who takes certain measures designed both to protect the quality of the housing and the health and safety of his workers (1) is given an allowance intended to cover these basic expenses. If he actually continues work on the bad days, he is entitled to a supplementary allowance; if not, he must reimburse the fund. On days of particularly bad weather he receives a further supplement if he has been able to arrange things so that construction activities can go on nevertheless, work on these days being voluntary for the employee. Standards for determining how bad the weather is have been set up by the Foundation and the daily weather forecast includes information on what type of day it is. In 1964-65 this new system, which is still experimental, is estimated to have saved some 291,000 days of production.

Belgium encourages employers to keep their labour force at work as long as possible during cold

(1) He must ensure, for example, that roads of access to sites and workmen's huts are cleared of snow and sanded down, that water pipes are protected against freezing, that the work site and paths are lighted during short winter days, that open fires are not used and oil heaters are properly ventilated.

weather by allowing them to reclaim a portion of their contributions to a fund for compensating workers during periods of frost. Another measure gives employees an incentive to return to the site promptly when the weather improves : if work is impossible during the early part of the week but can be resumed on Thursday or Friday, they are reimbursed for the total cost of their weekly transportation ticket.

The *United Kingdom* requires contractors to pay their workers a guaranteed minimum weekly wage, and it is thought that this in itself will provide an incentive to winterise sites in most cases. If an employer has been obliged to pay his workers for two weeks of bad weather, the latter is transferred to the national unemployment insurance scheme but keeps his attachment to the employer, returning to him when the weather improves.

The *United States* has no programme for encouraging winter building although seasonal unemployment accounts for roughly one fifth of total unemployment and unemployment benefits come to only a third of wages on the average. Since the relatively high wages earned by construction workers during the summer months make them among the best paid in the country, there has until recently been little pressure to reduce the amount of time lost in this way. But the Federal Government has become concerned with seasonal fluctuations : last year the Secretary of Labour proposed to the states of New Jersey and Pennsylvania, the trade union and the contractors' association, the setting up of a Development Authority. Financed mainly by employers, this fund

would assure workers of 1,600 hours of employment a year, through use of public works and training programmes, should regular employment opportunities not be available.

Whatever the particular measures adopted, the problem of eliminating seasonal unemployment is intimately linked to the need for rationalisation in the construction industry, in the opinion of Jan Wittrock, author of OECD's report. Where the industry is dominated by firms having inadequate capital resources, and hiring workers from project to project, seasonal unemployment is one of the by-products. If, on the other hand, the industry were composed of units having modern management and adequate capital, they would be able to take advantage of new building techniques and materials, to plan operations on a year-round basis and to have a stable well-trained labour force.

For the worker this would mean regular well-paid employment without the need for heavy overtime work in summer and perhaps a greater willingness to accept technical change. For the builder the additional costs involved in winter activity would be offset by savings on overtime and on recruiting costs as well as a more uniform return to capital.

Governments can help encourage movement in this direction through research, promotion, and the use, at least during the early stages, of incentives as well as by setting the example for year-round construction in their own building activities. The savings in terms of increased production and lower expenditures for unemployment benefits should make this effort worthwhile.



HELP FOR THE LONG-TERM UNEMPLOYED :

*An experiment in action-oriented
social science research* 🍁🍁🍁🍁

In virtually all OECD countries, men and women with physical disabilities are given special vocational attention - counselling, training and sheltered workshops. But there is another group of people whose difficulties, though not as easily identified, may lead to long periods of unemployment or very frequent changes of job. These people too may need special help in order to become fully productive, self-dependent members of the society.

Under the guidance of OECD's Manpower and Social Affairs Committee an experi-

ment has been carried out in five countries - Germany, the Netherlands, Sweden, the United Kingdom and the US - to identify these individuals, to analyse the cause of their erratic employment records and to see how they might be helped within the framework of the employment service.

Lady Gertrude Williams, who co-ordinated the project, describes the experiment and draws conclusions from it in a study to be published shortly, "Placement Counselling for Special Groups". The following is drawn from this report.



Every employment office has among its clients a number of people who seem unable to get a job, however favourable the economic situation. As far as can be seen, they have no physical or mental disability; they fall within the normal ages of adult employment, and there appears no obvious reason for their poor employment record. Many of these people remain out of work for months at a time; others apply for jobs and get taken on but are unable to hold the post for more than a few weeks or months.

These people do not fall within any of the recognisable categories which the Employment Service is routinely equipped to handle, for their difficulties generally result from individual situations such as family hardships, marital maladjustment, the personality structure of the individual or other causes. The ordinary placement officer is not trained to deal with this type of problem. Yet failure to help such people find and keep a job at an early stage of their difficulties may mean that they acquire an attitude of hopelessness and gradually fall into the ranks of the permanently unemployed.

OECD's experiment was intended to see whether it would be possible and useful to have as part of the normal functioning of the employment service individual counsellors who could identify such individuals, diagnose their overall situation and either advise them or refer them to social casework or other agencies in the community for more specialised help.

Design of the Experiment

The experiment was set up in so far as possible so that the material obtained would be comparable and would permit the drawing of general conclusions. Therefore, common criteria and procedures had to be established. It was necessary, for example, in the choice of subjects, to eliminate to the greatest possible extent those elements in long-term unemployment which might be considered as due either to the low level of economic activity prevailing in the district or to the highly specialised character of the occupational distribution. It was, therefore, decided that each of the five participating countries

should choose a locality with an unemployment percentage of about 2 to 2 1/2 per cent. In such circumstances, it was felt, the prosperity of the district would be enough to minimise purely economic difficulties in work finding. With regard to the second problem, the countries taking part were asked to find a locality which possessed sufficient diversity of occupational groups to provide opportunities for people of varying experience, training and capacity.

Long-term unemployment is itself a relative term, and it was necessary to define it more precisely so that similar groups of workers were included in each country. It was, therefore, agreed to include only those who had been continuously unemployed for more than six months (or for a significantly longer period than would be normal in their own occupation); those who had had more than five jobs during the preceding two years in an occupation which did not normally entail casual methods of employment; and those who were in the normal working age groups.

As this was a pilot project it was important to get some results as soon as possible, hence the numbers dealt with had to be restricted. Counselling may be a lengthy process and often it takes a considerable time before its full effects can be assessed. But as time goes on there is always the possibility that changes in the economic situation take place which may invalidate the conclusions to be drawn. It was thus decided that as an essential part of the experiment a control group should be chosen so as to permit comparisons between the work experience of those who received counselling and those who did not.

A careful and detailed interview schedule was prepared by the OECD Secretariat as a guide to the special counsellors. This indicated the lines on which the counsel interview might be conducted and the kinds of information that might be elicited to enable the counsellor to give helpful advice.

In practice it did not prove possible to keep strictly to the criteria and procedures given above. With the exception of New York State, the general level of employment in all the participating countries was so high that it was not always possible to find an area that fulfilled all the standards, and thus

each country adopted a slightly different method for overcoming this difficulty.

The Cause of Disability

What emerged from these interviews to help explain long periods of unemployment or frequent changes of job? All the interviewers were agreed that it was rare to find one definite cause. Almost invariably there were a number of interacting factors, though one might play a more dominant role than the others.

Although every country taking part in the project has special schemes which deal with the disabled and handicapped, the interviews in every country brought to light a number of clients whose disability had not been realised by the placement officer. Indeed in the Netherlands Experimental Group as many as one ninth of the total were in this category, and three of them were so severely disabled as to be removed to sheltered employment. In the German sample 8 of the total 65 interviewed in offices other than Berlin were found to be severely disabled and a further 10 needed medical treatment. Physical handicap is easier to discover than mental abnormality, but many of those interviewed were undoubtedly suffering some degree of disability from the latter. In the United Kingdom, for example, almost a quarter of the interviewees were found to have some mental abnormality, and half of these had a history of diagnosed mental illness for which they had been receiving treatment but which they had discontinued of their own volition. The other half of this group had not received treatment but gave strong evidence of mental illness or of much less than average intelligence.

Family troubles played a big part both in destroying the will to work and in creating circumstances which made regularity of employment more difficult. Disagreement between husband and wife, leading to separation or divorce, was the most serious, though by no means the only cause of trouble: it cannot be assumed that every broken marriage leads to a bad work record, but there were a significant number of cases amongst those interviewed to show that unemployment did date from the break-up of a marriage and that the man had worked with average regularity before the crisis.

Many of those interviewed had quite unrealistic assessments of their own capacity and were, therefore, seeking jobs beyond the skills they had to offer. A similar problem — unrealistic pay demands — showed itself in certain industrial areas, though the origin was different. Men who had worked for good firms which paid more than the standard rates became unemployed because of a rearrangement in the deployment of the firm's manpower or on account of technological change. Although other work was available at the usual rates, they found it difficult to lower their sights and held off in the hope of being reabsorbed by their old employers. The longer they waited, the more they fell into debt and demanded high wages to pay off their arrears; but also the longer they waited, the less likely was it for them to get into high wage firms,

which were in a position to pick and choose their workers.

In countries which have foreign workers in their midst the problem is often primarily one of language, and men fail to get work or lose the jobs they have because they cannot understand what is being said to them. Puerto Ricans in New York, for example, were in this predicament.

Sometimes the problem is that a man has acquired qualifications in his own country which fit him, in his view, for work of a particular level, but which are lower than those expected for this work in the country to which he has emigrated. This is often the trouble with men coming from the less developed countries where the newness of modern industry puts those with even a slight amount of technical skill at an advantage vis-a-vis their fellow countrymen.

Lastly, there were the "work shy". The Netherlands study referred to a small number of people for whom nothing constructive could be done because it was considered that they were asocial. The interviewers came to the conclusion that about a fifth of those interviewed fitted this description and that the willingness to work of a further quarter was rather dubious. Of the small German sample about one eighth were reckoned to have low morale and be unwilling to work if they could get any other means of living.

One final group mentioned by the New York office, which specialises in placing office personnel, was a number of older women who had been laid off of jobs which they had held for many years because of changes in the firm's techniques. All had good work histories, but they had been in regular employment for so long that they had no idea how to look for work or how to make the best of themselves when applying. As this group differed so much from the others, the special counselling was very successful. The counsellor advised them how to contact firms, how to state their capacities and so on; and 7 out of the 8 in the group found jobs after counselling.

Conclusions of the Experiment

With the exception of Germany which believes its existing consultative services are adequate to meet the need, every country involved in the experiment has stressed the gaps that have been found in its employment service. However well organised the normal placement work may be, it cannot be expected of the officers that they should be able to deal with those whose problems are primarily non-economic; they have neither the time to disentangle the many facts which may be contributing to the difficulty nor the expertise to understand what lies below the surface. Nor is it part of their usual training or experience to be familiar with all the different social agencies which might be able to assist. The result is that problems which would yield to constructive effort if caught in time come to be well nigh insoluble as month follows month. Workers become aggressive, discontented and apathetic because they do not believe that anybody takes an interest in their situation or is willing to do anything to help.

It is certain that the need for this kind of special

help will increase in the future as change in industry takes place at an ever increasing speed. Many men and women can continue to plod along in an accustomed way provided there is no special upheaval to disturb them. It is when a person is faced with a new situation that his idiosyncrasies or emotional instability may prove really disastrous. If at such times he is met with understanding by an officer prepared to take time to find out what prevents him from taking advantage of any offer of new employment or of retraining, he may be rehabilitated with relative ease.

The experiment shows that there are a number of groups of workers who are unlikely to be productive members of the labour force without the kind of special counselling with which this experiment was concerned.

- Those whose opportunity for work has declined through economic change. The longer the interval between losing one job and getting absorbed into another, the more difficult it becomes for a man to be willing to recognise that his former work is not likely to be available to him again and that he must make the effort to find and learn something new.

- Men who are willing and ready to work but whose capacity is below the average expected in the type of work they are able to do. These get taken on last and turned out first and this, in itself, leads to discouragement and the feeling that no effort is worthwhile because it has such poor results. Help here is required to assist such people to find work within their scope or provide types of training which would fit them for something better than they have done in the past.

- Those with average capacity but who have not had the training needed to fit them for jobs they could do if they could get advice and help. In this group are included those who have come from countries where the opportunities for training are fewer or where standards of work are lower than those of the country to which they have emigrated. It also includes those who have set themselves unrealistic occupational goals and who have been unwilling to accept the fact that the skills they have to offer are not of the standard needed for the employment they are trying to get.

These studies show that few of the long-term unemployed have purely economic problems. Changes in industry or in techniques may be the obvious cause of their lack of work, but the majority of workers manage to overcome these difficulties. It is when men and women also have personal problems — lack of initiative, emotional instability, family dissensions, etc. — that they sink into the ranks of the hard core of the unemployed.

In all the participating countries there are special services for dealing with those who are physically or mentally disabled. But two things have become clear. One is that there are very many who should be referred to such services but whose instability has not been recognised by the placing officer; the other is that there is a considerable proportion of people who fall into a sort of halfway house between those for whom these services have been designed and the ordinary applicant at the employment offices. They

may have such a physical handicap as a stutter or a very unprepossessing appearance; it is much more likely to be a mental instability which the placing officer has not properly diagnosed but has put down to truculence or aggressiveness or lack of work motivation.

There is, without any doubt, a need in all countries for special provisions to deal with these problems. The possibility of referring special cases to a medical or psychological consultant is not enough, for this depends on the skill of the placing officer in recognising that such help is required. What is needed is for everybody who is unemployed for more than a very short period to be referred to a special counsellor who can take time to unravel the facts of his situation. It will probably often turn out that nothing more than an unhurried interview with a skilful counsellor is needed — the numbers in this study for whom one such interview sufficed is evidence of that — but if such an interview were a normal part of the employment office service, it would mean that those for whom some special help might be required would be discovered in time for such help to be constructive.

For such special interviews to be of value, two things would be needed. First the counsellors must be trained to do this difficult and skilled job; and second, there must be close co-operation between the special counsellors and the various social agencies designed to be of assistance to people with particular problems.

There is no doubt that both these suggestions would add to the cost of the Employment Service, but there would be much to put to the credit side. That many men and women would be prevented from sinking into depths of despair and unhappiness is a social benefit that cannot be ignored. This study, however, deliberately concentrated on the economic value of counselling: to see if men and women could be made more productive members of the labour force. And there is much in the experiment's results which gives strong hopes that this would be the consequence. In all civilised countries people are supported out of public funds, when they are unable to provide for themselves, whatever the cause of their lack of income. If some proportion of them could be checked from falling into such hopeless apathy as to accept their unemployment as permanent and beyond their control, the larger the contribution that would be made to both social welfare and the national economy and the smaller the number to be supported by the funds. If the Employment Service accepts that its role is to prevent the waste of human resources and to play a vital part in the full utilisation of manpower, funds must be made available for the special counselling service that is needed.

This enquiry can be considered part of the broad objective of achieving an active social programme as part of an active manpower policy, one which identifies those who have employment problems, interviews them and refers them for remedial aid or rehabilitation to appropriate social agencies. By helping individuals in this way the Employment Service can become an active agent in promoting their full integration into the economic community.

THE ROLE OF GOVERNMENT FINANCE IN ECONOMIC DEVELOPMENT

by Alan T. Peacock
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Although far from being the only active weapon of economic policy, the government budget occupies a prominent position in the armoury of OECD countries. This is immediately obvious when one reviews the range of possible controls which may be employed to steer the economy and observes how a considerable segment of them cannot be used, simply because their use would be incompatible with the constitutional rights of citizens and with the 'good neighbour' policies upon which international economic co-operation depends. Broadly speaking, therefore, OECD countries do not countenance direction of labour, detailed price and wage regulation, bi-lateral foreign trade and state ownership of the great proportion of physical capital. In the developing countries within OECD, therefore, the use of fiscal weapons has been the subject of detailed study, and in particular reference should be made to the Athens Conference of 1963⁽¹⁾ for which the present writer acted as General Rapporteur.

(1) A.T. Peacock and G. Hauser (Editors), Government Finance and Economic Development, OECD, Paris 1965.



One of the important tasks of the OECD has been the systemisation of data collection so that movements in the main indicators of economic change for Member states can be compared (1). Such comparisons applied to government transactions may be revealing. Not merely does a historical record of trends in the amount and composition of the receipts and expenditure of the government aid perspective, but it may also suggest that the various stages of development may be characterised by certain fiscal patterns. Using OECD and other international sources of data, what amounts

to a new sub-occupation of fiscal econometricians has arisen, anxious to establish, if possible, hypotheses which will guide policy-makers. Two examples discussed at the Athens Conference are typical of this work. There appears to be a high positive correlation between the level of national income per head and the share of government expenditure in GDP. On the revenue side, although the statistical evidence has to be carefully interpreted, there appears to be a strong correla-

(1) OECD, *Statistics of National Accounts, 1950/1961*, Paris, 1964.

tion between the proportion of revenue raised in direct taxes and the level of per capita income. (The data for OECD countries alone, see Table 1, while heavily biased towards developed countries offer at least some support for these hypotheses).

It would be foolhardy for any Ministry of Finance to draw any specific recommendations from the statistics. Clearly, the level of government expenditure is, in large part, a consequence of growth rather than its cause. This is borne out by the fact that in developed countries a large proportion of government expenditure takes the form of welfare services which, while in part an investment in human capital, can only assume significant dimensions in rich countries. Even statistical studies inspired by the famous Lewis-Martin analysis of 1956 (2) which try to determine "normal" patterns of expenditure for developing countries may mislead because they assume that each country assigns the same priorities to objectives of economic policy and shares the same economic structure. For example, a developing country heavily dependent on foreign trade may take a very different view of the pattern of expenditure and taxation from one which is not. The stages of fiscal development delineated by statistical analysis are perhaps more a vision of the future for developing countries than a complete guide to contemporary policy-making.

While statistical analyses of the kind described may be suggestive, they can be no substitute for close examination of the forces which influence the rate of economic growth and which the fiscal system must be geared to control. In the understandable search for simple guiding principles, much has been made of the proposition that annual output is largely a function of the pace of investment, and considerable time and effort has gone into the calculation of the "incremental capital/output ratio" (ICOR).

If the annual addition to the capital stock (net investment) is 10 per cent of annual output (Gross Domestic Product) and the rate of growth in Gross Domestic Product is 3 per cent, the ICOR is 10/3.

The task of fiscal system, therefore, is to raise the proportion of annual output devoted to investment by incentives so that the rate of growth of GDP is increased. At the same time, if this is to be achieved without inflation, the rate of saving must also be increased by fiscal means in order to reduce the pressure on resources of consumption demand.

Investment and Output

Taking the investment side of the coin first, there is no doubt that there is strong support from both theorists and policy-makers for tax incentives to private investment, either in the form of accelerated depreciation allowances or direct subsidies, and OECD developing countries offer a fruitful

(2) Alison Martin and Arthur Lewis, "Patterns of Public Revenue and Expenditure" *Manchester School of Economic and Social Studies*, September 1956.

GOVERNMENT EXPENDITURE, DIRECT TAXES AND THE LEVEL OF DEVELOPMENT

INCOME	Government Current Expenditure as % of GNP (at market price)	Direct Taxes as % of all Revenue
I. Over \$ 2,000 per head		
1. United States	25.1	66.0
2. Sweden	32.9	55.9
3. Iceland	22.2	—
4. Canada	26.4	41.6
5. Switzerland	20.6	25.7
6. Denmark	26.2	38.4
II. Over \$ 1,000 per head		
7. France	34.6	50.8
8. Germany	30.7	53.3
9. Norway	32.6	25.2
10. United Kingdom	32.6	47.5
11. Belgium	29.1	52.5
12. Luxembourg	28.8	65.7
13. Netherlands	33.2	61.2
14. Austria	29.0	44.2
15. Italy	31.9	48.4
III. Under \$ 1,000 per head		
16. Japan	14.8	44.2
17. Greece	21.1	15.5
18. Spain	15.5	33.4
19. Portugal	18.0	28.2
20. Turkey	15.7	24.8

Sources : OECD Statistics of National Accounts, 1965.
UN International Yearbook of Statistics, 1965.

(Figures refer mainly to 1965. In a few cases, the latest figure available is used.)

field of study of the wide variety of measures possible. In Greece, for example, a system of investment incentives is constantly being adjusted and expanded. The primary emphasis is to promote investment in industrial production,

but there are also provisions which aim at promoting export industries and at inducing mergers in order to create larger and more efficient economic units. Accelerated depreciation allowances are accompanied by investment allowances, reduction of turnover tax, exemption from import duties and taxes levied on imported machinery, raw materials, hotel equipment and supplies.

As more evidence accumulates about their efficacy and is put under the economist's microscope, the doubts expressed by some Athens participants about reliance upon a simple relation between aggregate investment levels and growth rates seem to have been confirmed. The statistical evidence alone for Greece, Spain, Portugal and Turkey suggests that the ICOR has risen over the last decade, implying that the average return to physical capital has fallen.

There may be a whole host of reasons for this. Incentives may have helped to increase private investment, but not in the more productive sectors, residential construction being one of the most-quoted examples. Investment in social overhead capital, such as roads, while a pre-requisite for growth, may have a long "pay-off" period which will only be reflected in substantial effects on productivity as communications are more fully utilised. It is only in recent years that the role of complementary investment in human capital has been fully investigated and the point established that the accretion of skills by the working population must keep pace with changes in technology embodied in new machines and equipment. It is one thing to list reasons, but another to weigh the importance of each — the quantitative analysis of the effects of fiscal incentives is still in its infancy.

No complaint can be laid at the door of OECD for neglect of the pursuit of a more sophisticated analysis of the factors other than investment in physical capital relevant to growth and development. The Mediterranean countries have been exhorted to make use of elaborate surveys of manpower requirements in the Mediterranean Regional Project and to review education programmes and policies in the light of the strong evidence in favour of some increase in investment in human capital. A recent publication (1) offers a thorough survey of the fiscal implications of expanded education services, including the vexed question of the relative merits of state subsidisation as distinct from state operation of educational services.

Increasing Savings

Raising savings by fiscal means in order to preserve stability alongside growth is an even more troublesome problem. Clearly this is an area in which non-economic factors have paramount influence and particularly family structure and social environment which are very difficult

(1) See *Financing of Education for Economic Growth*, OECD, Paris, 1966.

to influence, even in the long run, by government action of any sort. Even if reliance is placed upon compulsory saving by taxation rather than by inducements to private accumulation, care must be taken to ensure that it is the aggregate level of saving that is raised and that compulsory levies which increase budget surpluses are not counterbalanced by a fall in the amount of private saving which would otherwise have taken place. This gives rise to the well known dilemma that if the higher income brackets contain the savers, a policy designed to increase compulsory saving by taxing non-savers (the poor) will be difficult to reconcile with strongly held views about tax equity.

Faced with this problem it is hardly surprising to find that developing countries have had to use institutions formally designed to further other objectives as disguised means of raising the savings quota, such as pricing policy by public monopolies, commodity stabilisation schemes and social security funds. Particular interest attaches to social security schemes and particularly state pension provision. The working population may be sceptical of government measures which promise, through higher investment, an increased standard of living at some indefinite time in the future in exchange for present sacrifices imposed by compulsory saving through taxation. They may be more impressed by government promises if their compulsory savings offer a legal claim against resources at a definite time in the future, e.g. on retirement from the work force, and if the excess of receipts over benefits are currently devoted to social investment. Broadly speaking, this is precisely what is on offer in a pensions scheme, although such a device only produces an increase in net savings if those who pay the contributions exceed those who receive pension payments. Within the developing countries of OECD, Turkey offers an interesting example of a social security scheme with considerable surpluses which are used to finance government enterprises and, to some extent, housing.

Some Fiscal Reforms

The illustrations so far given of the policies which conform to the objectives of growth and stability alone give enough indication of the profound changes which become necessary in traditional budgetary and planning practices.

Only a brief list of fiscal reforms necessary to conform with development policy can be given here. There is, first of all, the need for relating budgetary classification to the statistical framework of a planning model. The improvements in national accounting encouraged by OECD have certainly extended to the developing Mediterranean countries and it is only a matter of time before their budgets will offer alternative classifications to those necessary for financial control in the narrow sense. After all, it is only in the last three years that countries such as the Netherlands, Italy and the United Kingdom have reclassified their budgetary estimates to conform with national accounting conventions. Secondly, it is necessary to review the position of local gov-

ernments in the planning process, particularly as development policy must take account of regional effects. Interestingly enough, it was a Yugoslav delegate to the Athens Conference who was most concerned to stress that this must not invariably be taken to mean strong central control of local government finance from the centre, and in this view he had the support of many delegates.

Perhaps the most important practical problem is reform in tax policy and administration. This can be illustrated very clearly by the phenomenon of "ear-marked" taxes. The assigning of particular revenues to particular expenditures, such as certain import duties for the finance of higher education in Greece, clearly appeals to legislatures which are anxious to keep track of how funds are used. However, the more widespread the practice, the more difficult it becomes to achieve the degree of flexibility in the expenditure and tax structure which is necessary to promote development. It will take time before the balance of advantage will be seen to lie with at least some modification in this well-established practice.

Finally, the use of sophisticated methods of appraisal of government expenditures and the operation of tax systems which embody measures designed to promote incentives presupposes trained and experienced staff — one of the factor endowments in developing countries in the shortest supply.

Problems for the Future

Looking to the future, it can be stated with some confidence that these new ideas about fiscal policy will be matched by action. Portugal, for example, has already put through a major tax reform so that a more decisive part can be played by direct taxes in promoting economic stability. Turkey, although faced with formidable difficulties at the present stage of its development, has made a thorough review of the incidence of taxes with the intention of improving income distribution. It has to be realised, however, that the environment in which reforms are pursued changes continually. One major change is presented by the growing emphasis on freedom of movement of goods, capital and people across national frontiers, and this will profoundly affect fiscal arrangements in OECD countries. Mobility of goods has led to the move to harmonise taxes on expenditure within EEC countries with which countries such as Greece are closely associated. Mobility of capital postulates international agreement about the tax treatment of profits in particular. Mobility of labour, particularly between Greece, Turkey and Western Europe raises the awkward problem of the returns on public investment in skills in developing countries, which may accrue in substantial amount to developed ones.

The Athens Conference of 1963 was mainly an exchange of ideas which might be used to influence national fiscal policies. Any follow-up meeting would be bound to have a very different agenda in which the "spillover" effects of national policies would need very thorough study.



FORMULATING AND RUNNING A GOVERNMENT TOURISM PROGRAMME



International tourism is today the largest single item in foreign trade, and prospects for further expansion in world travel appear almost limitless. In 1965, total world tourist receipts reached \$11.6 billion for international tourism (excluding transport receipts) and around \$43 billion for domestic tourism. With the continuous increases in the standard of living and leisure in the world's richer countries and the progressive cheapening of transport, these figures may be considered as only a token of the potential value of world tourist trade.

In 1966, OECD organised a seminar at Estoril, Portugal, to consider how government policy can best promote the development of the tourism sector, particularly from the viewpoint of countries in the intermediate stage of economic development. Taking part in the Seminar were Greece, Portugal, Spain, Turkey and Yugoslavia, the five Mediterranean countries benefiting from the OECD Technical Assistance Programme, together with a number of representatives from the tourist-exporting countries. One of the most important subjects around which discussions took place was the formulation and management of a government tourism programme. The following article is based on the section of the seminar's report (1) devoted to this particular aspect; other subjects covered by the report include measures to increase investment in tourism development and the role of foreign participation in such development.

The seminar enabled the participants, who represented both national tourist organisations and the private sector in both the tourist-receiving and the tourist-exporting countries to review the practical problems that a government must resolve in order to expand an already existing tourist industry into a major resource for national economic growth. The findings in the Seminar's report will help governments of other developing countries to clarify their thinking as to objectives and means of tourism development.

(1) Tourism Development and Economic Growth, OECD, 1967.

In countries where development of the tourism sector is an important element in the national development plan, the government is likely to play a rather direct role in its management. Tourism cannot be expected to develop along the lines and at the rhythm desired by the government if the programme is left entirely to the operations of the private sector. It has been the general experience that investment in facilities tends to lag far behind the growth of demand, since private investors, both national and international, are frequently hesitant to invest in tourism. Furthermore, even where the private sector is active and experienced, a number of func-

tions are properly the responsibility of government, acting, very often, through the national tourist organisation.

Basic Market Research

The importance of research as a precondition of tourism development today is still not fully appreciated. The national programme must be based on estimates of anticipated receipts from the tourism sector, assuming certain projections of demand and overall levels of investment. It will lay down broad guidelines for the development of the sector and will be quantified so as to provide targets for investment in selected regions

of the country. Within this broad framework, a number of different area tourist programmes will normally be prepared by the authorities of the area concerned.

Area Development Plans

Since a government will not be able to afford to do everything at once, it may do well to give priority to those areas whose tourist attractions are already proven, and where the infrastructure already exists. The development of new tourist regions, perhaps worthwhile eventually, will require heavy prior investment in infrastructure.

For the area plan, as for the nation-

al plan, the first requirement must be research into demand. This involves examining the existing traffic into the area — there is usually some — and then looking at the world market and at areas of competing attraction. The next stage is to assess the attractions, both actual and potential, of the area to be developed. This analysis can be done more precisely if the area is relatively limited or at least forms a separate and identifiable development region.

There are a number of natural attractions which can always be developed as focal points of tourist interest. One of the most important is the existence of a body of water, which can provide simultaneously for two or three different types of tourist traffic. Another is a centre of historical or archeological interest. But attractions can also be artificially created. An international sports event or arts festival, for example, can bring a thriving tourist traffic to a town that might otherwise have no special competitive attractions.

The prior existence of a complete transport system in the area, on the other hand, is no longer an indispensable requirement. Given at least a minimum road network, the combination of plane and car makes it possible to open up quickly and easily areas previously considered inaccessible.

In planning for the tourist market, it is important to recognise that tourist traffic is not homogeneous. There are possibly a dozen different types of tourist, each requiring different kinds of amenities and, for the most part, requiring them separately. At one extreme is the noisy, gregarious tourist; at the other, the solitary tourist who wants a mountain for himself. As a general rule, to provide for two or three different types of tourism in one place (and at one time) would be about right, though seasonal variations in the type of traffic may make possible a certain widening of scope.

Once the nature of the traffic has been determined, facilities and promotion can be developed to meet its anticipated requirements. To determine the correct phasing for a given area and circumstances is, of necessity, a highly delicate task. This is becoming less of a problem with the growth of large-scale tourism (what has been called "le phénomène de massification") involv-



The promotion of a satisfactory image for a country includes courtesy at the Customs.

ing close co-operation between tourist operators in the tourist-exporting countries, on the one hand, and the governments and tourist industries in the receiving countries, on the other; by advance agreements guaranteeing a minimum flow of traffic in exchange for facilities, the time-lag between supply and demand can be resolved by negotiation. Nevertheless, phasing remains a problem for the part of the tourist trade that operates largely outside group tourism arrangements.

Promotion and Propaganda

Since the development of tourism will benefit the whole community, it is appropriate that governments assume prime responsibility for publicity to promote the country and its tourism assets. Specialised advertising by airlines, travel agencies, hotels, and real estate companies, as well as advertising for traditional national products, have much greater impact in promoting tourism if preceded by national publicity campaigns creating goodwill and interest for the country as a whole. (Knowing this some governments require a contribution from the interests most immediately benefiting.) In Switzerland, for example, the government levies 25 per cent of the cost of its publicity from the beneficiary industries or localities and reimburse them 25 per cent of the cost of their individual publicity campaigns.)

Promoting a satisfactory image for the country clearly goes much further than publicity. It may involve a great many activities — some serious, some apparently trivial — designed essentially to ensure that the tourist goes away with a good impression. These activities might include customs and visa regulations

and, in particular, the manner in which they are applied; or the issuance of tax-free petrol coupons; or even (as in France recently) a "courtesy campaign". They will almost certainly include steps to ensure that the tourist should not feel that he is being exploited.

Regulation and Control

In an industry based so directly on consumer satisfaction, it is vital to maintain appropriate standards of quality and service. The question is to decide to what extent the industry should be allowed to be self-regulating, and to what extent the government itself should take the initiative and lay down standards for the industry to follow. The answer will depend largely on the vigour of the private sector and its experience in providing for the needs and tastes of international tourism.

The field of pricing has proved to be extremely important to the development of tourism in recent years — one has only to consider the impact of such marketing devices as the "package" holiday that costs less than the regular air fare. As a result, the commercial aspects of tourism will almost certainly require government support and guidance in countries where the market has still to be built up.

As part of its regulatory functions, the government will also wish to co-ordinate the activities of the many private interests involved in the tourist industry. In part this will be done through the liaison machinery of the national tourism organisation; in part, strategically applied inducements will help develop the government's priority tourist zones. Essentially, however, it is a matter of mutual

co-operation and confidence between the government and the private sector.

Implications for the Community

When the tourist population outnumbered the resident population, some of the normal public service (e.g. transport) will become special tourist services and they will be for the tourist industry to provide. Until that time, the provision of services adequate to the needs of both residents and tourists must remain the responsibility of the government or local authority.

A more fundamental problem is raised by the growth of tourism, however: the introduction into a small and unsophisticated community of large numbers of people of very different standards and requirements may involve serious social strains, especially because the more sophisticated type of tourist generally tends to seek out the least sophisticated area. Government must ensure that the well-being of the national community is not jeopardised through the sometimes revolutionary changes that rapid tourism development may entail.

Foreign Relations

Governments handle what may broadly be described as the "foreign relations" aspects of tourism development. For example, it has lately been common for several countries to combine their efforts to attract a regional market, through joint advertising facilities, joint development of neighbouring facilities, etc. Governments must also define the appropriate arrangements for the operations of foreign transport companies, foreign tour operators, and foreign investors in its tourism development. As the tourism market itself more and more promotes and invests in the facilities it wishes to use in the receiving country, this "foreign relations" aspect of tourism grows more important.

The Role of Direct Government Investment

The government will be well advised to spread the cost of tourism development among as many different interests as possible, including local authorities, banks, and private

enterprise. In cases where the capital requirements for developing an area are heavy, however, a considerable part must be put up by the government, particularly in the initial stages. The major task will be the provision of infrastructure. (Even here, the private sector can be involved in the financing of infrastructure investments through mixed companies in which public authorities, credit institutions, and private enterprise work together, with the state maintaining the directing role.)

Direct government investment in tourism superstructure (hotels, yacht basins, swimming pools, etc.) is normally undertaken primarily for pioneering purposes, with the idea that in time private enterprise will follow suit. Once the momentum is launched, the government may transfer the operation either to the private sector or a mixed company. The Greek Government, for example, has done this with hotels and is proposing to do the same with its current programme of yacht-harbour construction.

Private investment sometimes tends to concentrate unduly on facilities that have immediately attractive prospects, however. The government may, therefore, decide to invest in order to fill some deficiency in necessary or desirable tourist services or facilities. For example, the restoration of an ancient building may have little appeal to the private investor.

Whatever investing is done, it is particularly important that there be a clear distinction in the accounting of public expenditure to distinguish between profitable and unprofitable undertakings.

The National Tourism Organisation

In all countries, the official tourism organisation plays a leading role in formulating and implementing the government's programme. The functions of this body vary considerably, according, broadly, to the level of tourism development in the country concerned and the degree of direct intervention that the government wishes to exercise; normally, they include: research, information, and promotion within the country; regularisation of standards of lodgings and restaurants; control of activities of private travel agencies; publicity overseas; technical and juri-

dical problems; international relations; development of selected tourist areas; overall tourism policy and promotion. Where the government has a considerable direct investment in tourism projects, it is often preferable for these to be handled by a special agency; the national tourism organisation is usually ill suited, either by structure or composition, to close management of investment projects.

Whatever its tasks, the national tourism body must be given the powers necessary to carry them out. It must also be technically competent and recognised as such. The wide range of functions devolving upon it require a high degree of experience and professionalism, and the calibre and prestige of the organisation can be important factors in the effectiveness with which the government puts through its tourism policy. Finally, the tourism office must recognise the limitations of its own mandate, however that may be defined, and maintain close liaison with all the other interests that may be involved in tourism development — the national planning organisation, other departments of government, and the private sector.

The tourist organisation must also be given the funds it needs. In some countries, the activities of the national tourism office are partly financed by means of a direct tax on tourists. As a general rule, this is not to be recommended; it tends to create resentment on the part of the customer, and, furthermore, tourism is already making a valuable contribution to tax revenue through its multiplier effect. It has been suggested that the national tourist budget should be at least 1 per cent of tourist receipts, although, for a country whose tourism development is still in its early stages, the formula would obviously be inadequate and the budget would have to be augmented in some other way.

There is a correlation between the standing that the government accord the national tourism organisation and its estimates of the importance of tourism to the national economy. Tourism as a sphere of government concern is a new phenomenon. It has perhaps not yet fully "arrived" in government recognition. One of the tasks of the tourism planners is, thus, to convince government of the economic importance of the tourism sector.

EDUCATIONAL POLICY AN “ROLLING

A source of concern to the governments of the OECD Member countries has been the uneven progress made by one of the major factors of economic growth : education. The thrust of recent educational growth has been quantitative in the sense that it has been based on existing forms and structures and, usually, on traditional, and at times, obsolete curricula and approaches to the process of education. This quickly gives rise to a serious situation which has two closely related aspects. The traditional pattern of education when massively extended creates a demand which outruns the available resources and, also, proves itself inherently inadequate to meet the needs of the modern society. Thus the awareness has grown that both rapid expansion and thorough renovation of educational systems are necessary if these systems are to keep pace with the rapidly changing world.

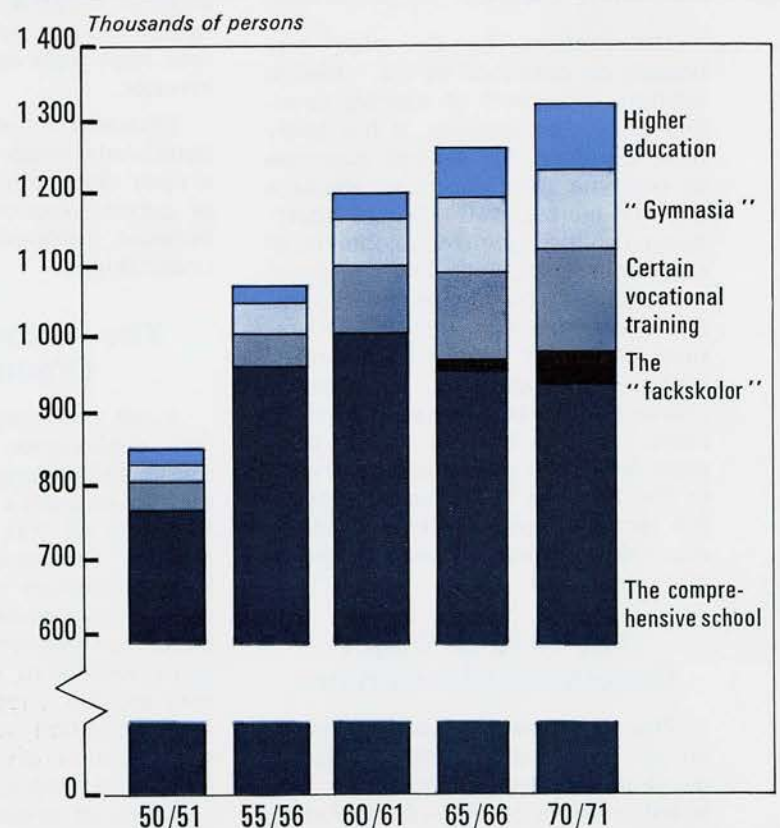
Many of the problems which arise in this connection are common to most countries and the OECD, as part of its overall concern for educational development, has devised an Educational Investment and Planning Programme (EIP) so that each Member country might benefit from the progress and experience of other countries. The focal point of this Programme has been the organisation within the majority of the Member

Since Sweden is generally recognised as a pioneering force in matters of education, the measures it has adopted are of special interest to all countries desirous of fitting their educational systems to the requirements of economic growth. The elimination of compulsory Latin — now an optional subject studied by a mere 3 per cent of the entire student body — and of the national examination for university entrance — admission now being decided on the pupil's scholastic record throughout the primary and secondary courses — are striking examples of the Swedish authorities' determination to breathe new life into the system.

This bold approach to Swedish educational development has been taken within a general context of problems typical for OECD countries. For example, more than 1,300,000 pupils and students will be going to schools and colleges in 1970 compared to about 850,000 in 1950 (diagram 1). Moreover, since compulsory education to age 14 or 15 has been long-established, most of this increase is at the higher educational levels. Thus between 1950 and 1970 the participation of 16-to-18 year olds will grow from 25 to 62 per cent, and 19-to-24 year olds from 10 to 24 per cent (diagram 2). Furthermore, these increases in numbers have been accompanied by a near doubling of the expenditure per pupil from the 1950 level of 2,091 kroners, which is projected to continue in this upward direction (diagram 3). An intensive effort to develop and apply major educational reforms has been an inseparable part of this striking expansion.

(continued on page 38)

1. NUMBER OF PERSONS IN DIFFERENT LEVELS OF EDUCATION



D PLANNING IN SWEDEN REFORM”

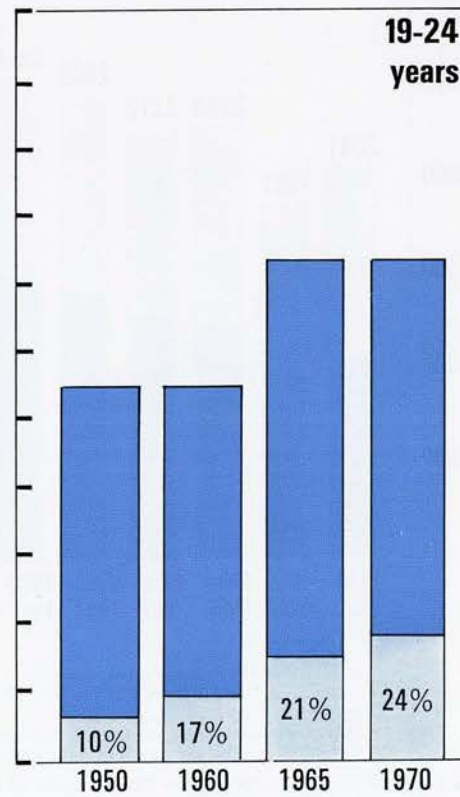
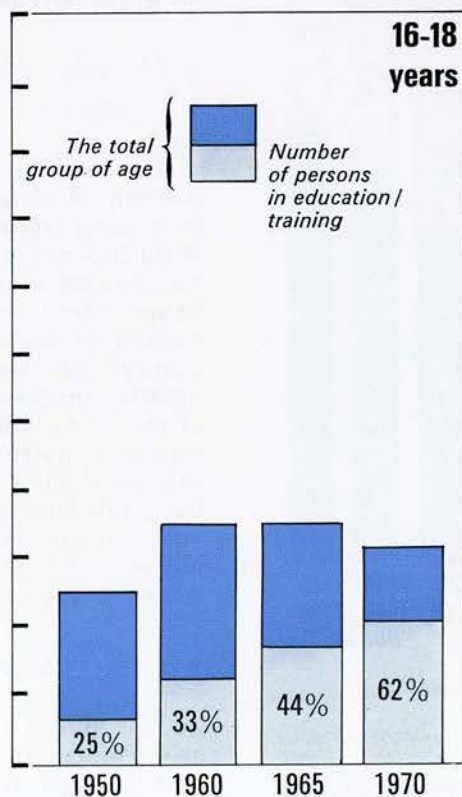
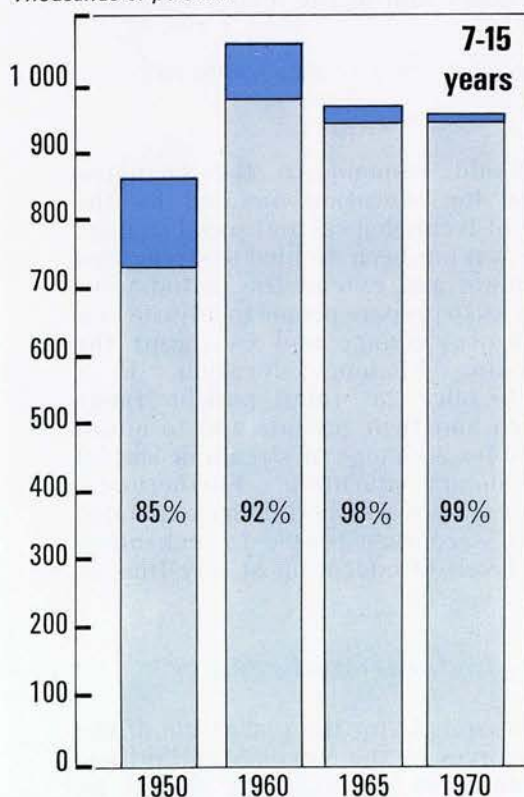
governments of permanent planning units or agencies for education and the co-operation of these groups within the framework of this Programme. The Planning groups of Ireland and Sweden have been the first under this Programme to complete comprehensive country reports describing their educational policy and planning procedure (1).

On the basis of the Swedish report the OECD's Committee for Scientific and Technical Personnel, which is the intergovernmental body responsible for the Organisation's activities in education, recently conducted an important review of Swedish educational policy, and a few salient points from this review are discussed in the following article. A unique fact which emerges is Sweden's commitment, in the wake of a thorough overhaul of its educational system in recent years, to achieve new levels of educational change by means of a continuous process of scientific reform often referred to as "rolling reform", to be developed as a built-in characteristic of the Swedish educational system.

- (1) "Educational Investment in Ireland", OECD, 1966.
 "Educational Policy and Planning in Sweden", OECD, 1967.

FERENT BRANCHES OF EDUCATION, AND BY GROUPS OF AGE, IN 1950-1970

Thousands of persons



THE AIMS OF THE SWEDISH SYSTEM

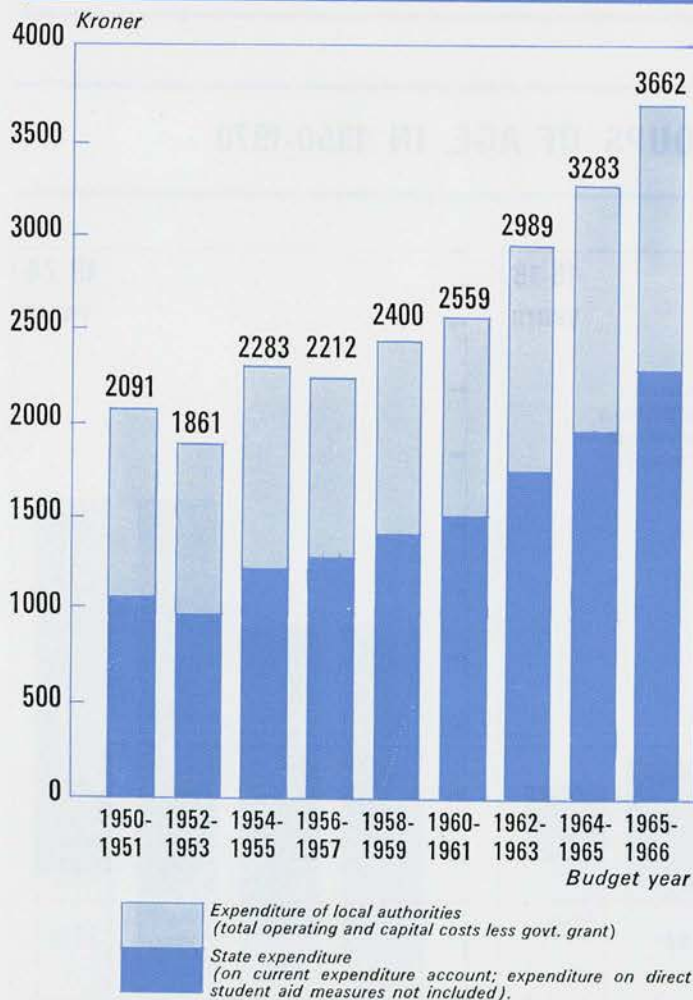
Swedish authorities have made it clear that they do not claim to have worked out a complete and consistent general ideology from which all educational reform is developed. In fact there is an emphasis on a pragmatic process, with a broad social and political group involvement, in Swedish educational planning. However, the educational system has become the subject of what is projected to become a permanent scientific experiment directed toward the following general objectives:

• *Equal rights for all to public education*

The educational system has been designed to meet the requirements of all, regardless of

2. EXPENDITURE PER PUPIL WITHIN THE SCHOOL SYSTEM ¹⁾

according to financial year and distributed, as to State and local authority expenditure respectively (1964/65 price level)



1) Teacher-training costs are included as part of expenditure per pupil.

income, social origin, sex or place of residence. This has led to a determination to adjust or create various forms of secondary school education which, while suited to the actual needs of the various groups, are rated equally with each other, none foreclosing student access to the highest levels of education. Also this objective has led to extension downward into the secondary schools of a universal system of payments to students, graduated according to family income.

• *Strengthening of the democratic system*

This objective implies a substantial common core of learning in the comprehensive schools and, also, in the upper secondary schools. An effective way of breaking down the barriers that influence a pupil's choice between an academic or a technical education is to keep children of different social groups together for as long as possible. Strengthening of the co-operative spirit is another objective, not only for reasons of policy, but because the Swedish authorities feel that teamwork being a prime requisite in any modern economy, it is in the public interest to teach pupils to work as a group as early as possible. A like objective is served by relying on teaching methods which enable educational experience gained in common to be turned to the best possible account.

• *Contribution to general economic development*

One of the purposes of educational policy is to provide the required types and amounts of skilled manpower. Although the pupil is allowed absolute freedom of choice, vocational guidance is becoming an important subsidiary aim of the school system.

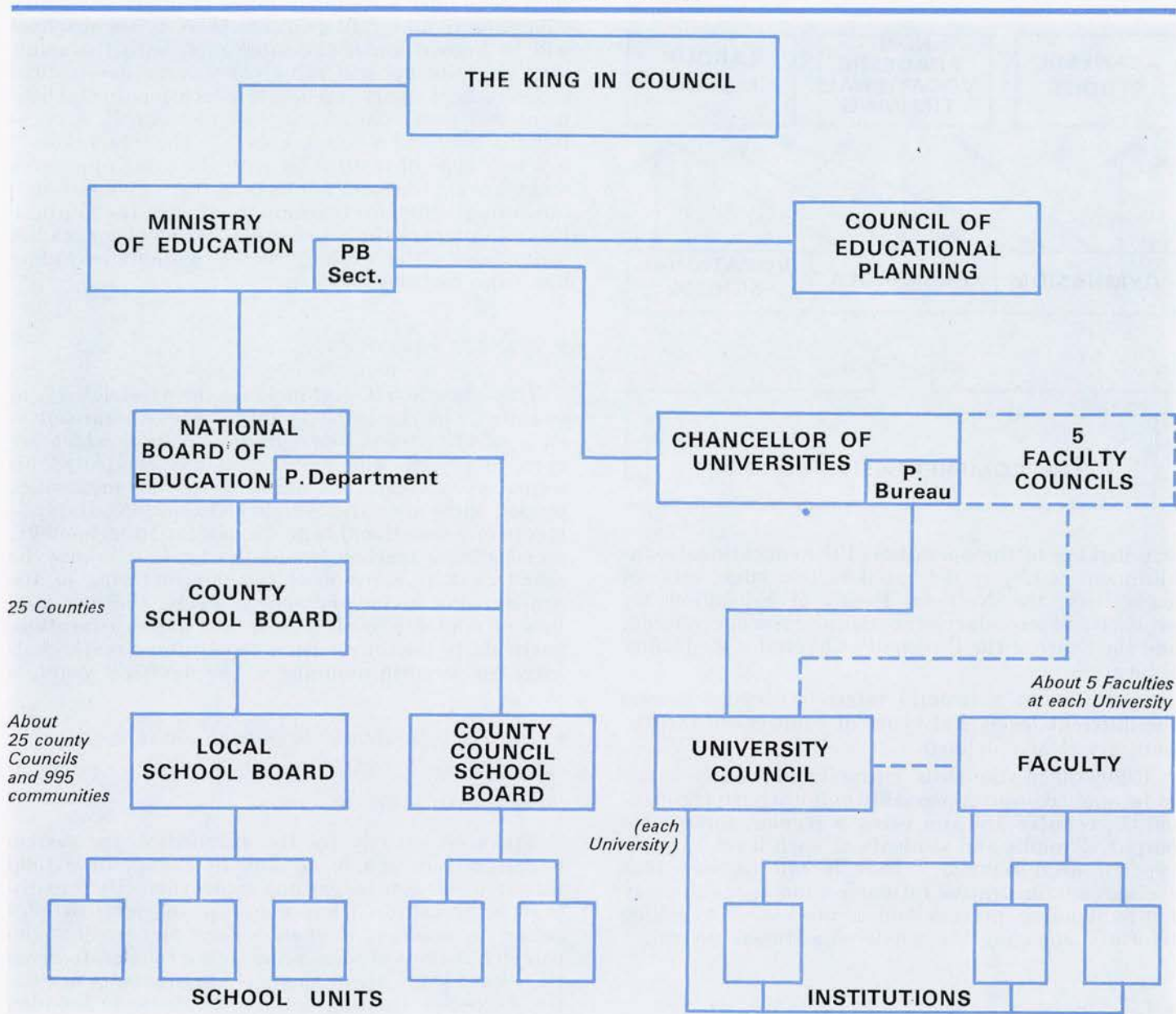
• *Greater flexibility in the educational system*

The system should respond to the changing pattern of demand for education dictated by the increasing rapidity of technological and social change. With this end in view it has been decided to strengthen the general curriculum and extend the period prior to specialisation so as to prepare people to adjust their careers to technological change and to accept the concept of continuing, life-long education. It is likewise proposed to offer the widest possible range of choice to children and their parents and to afford greater opportunity for a change of stream or special subject during secondary education. Furthermore, the adult education system will be further expanded and transformed to encourage people to seek alternative and higher levels of education at any time in their careers.

• *Efficient use of educational resources*

This aim is a prerequisite for the realisation of the other four. In the eyes of the Swedish authorities, such limited resources as are available should be used to benefit the educational system as a whole or

3. AUTHORITIES IN THE FIELD OF CONCERN TO THE SWEDISH MINISTRY OF EDUCATION



Notes : 1. The lines from central authorities to ministries indicate only working relationships; formally those authorities are subordinated to the King in Council. 2. Regarding the "Universities" note that i) there are institutions of higher education other than Universities; ii) building and equipment authorities are omitted. 3. General co-operation, common membership, etc., are generally not marked.

certain sections of it rather than in an attempt to secure an optimal allocation among the different levels of the system. The problem is therefore one of "rationalising" the educational system.

SWEDEN'S INTEGRATED SYSTEMS

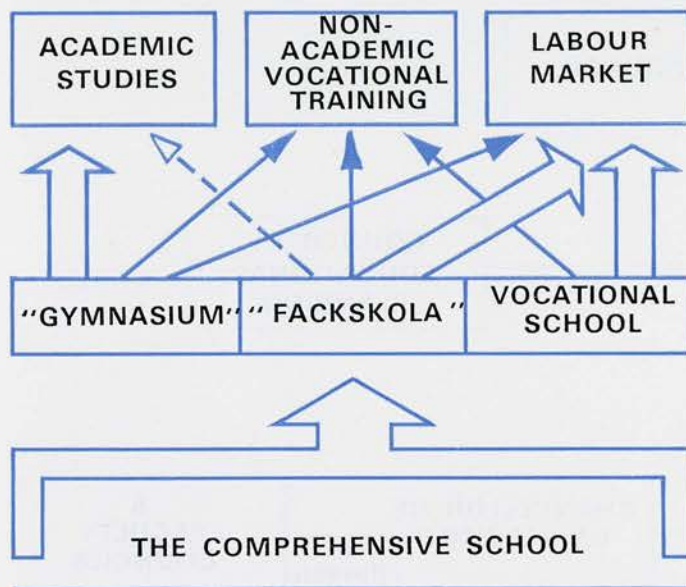
In pursuit of these aims a series of specific reforms have already been adopted.

• Administrative reorganisation

The Swedish system has recently been re-organised (1965-66) into a body of carefully integrated and co-ordinated educational establishments. In keeping with the particular form of Swedish governmental organisation, the Ministry of Education is the central policy and co-ordinating body with a relatively small, high level staff (about 100 people), responsible for preparing the Government's proposals in this field for parliamentary consideration.

Overall administrative control and major deci-

4. THE STRUCTURE OF THE NEW SYSTEM OF EDUCATION



sion-making in the operation of the educational establishment is largely delegated to two large national authorities, the National Board of Education for primary and secondary education and teacher training, and the Office of the University Chancellor for Higher Education.

Vertical and horizontal interrelationships among the different levels and types of educational institutions are clearly defined.

Educational standards, curricula and resources are to be applied on an appreciably uniform basis throughout the country, the aim being a regular, foreseeable output of pupils and students at each level in every type of establishment. Thus it can be said that such an administrative rationalisation opens the way for a planning process and a process of "rolling reform" engaging the whole educational system.

• *Compulsory general education over a nine-year period*

Pupils enter the comprehensive school at the age of 7 and follow the same basic curriculum for the first seven years. In the eighth year the pupil can elect for subsequent specialisation certain optional subjects which he may try out before moving on to one of the specialised upper secondary schools. This system is now already applied to 85 per cent of the relevant school population, but in some schools extends only to the first five grades. It will be virtually universal in three years.

• *Upper secondary education*

Upper secondary education, the principle of which has been adopted but not yet fully implemented, comprises three main categories of schools. These

provide a choice of several specialised courses while including a more general syllabus for all first-year students. Their geographical distribution will be such as to offer a complete range of upper secondary education in all localities. The three types of school will be housed under the same roof, with the result that the students will rub elbows every day instead of being kept apart. A single educational establishment will thus comprise a "gymnasium", a vocational school and a "fackskola". The "fackskola" is a new type of institution with the same objectives and teaching the same subjects as the "gymnasium" but using different teaching methods, the purpose being to prepare the "fackskola" student for readier contact with the working world, without excluding him from higher education.

• *Higher education*

This educational level includes the "restricted", or so-called "blockaded", faculties, where admission is on a selective basis, and "free" faculties, which are open to anyone who has successfully completed his secondary studies. In addition to the universities proper, there are various higher educational establishments of a vocational type specialising in technology, social affairs, teacher training, art, etc. It may be noted that as a result of the re-structuring of the primary and secondary school levels, the increased flow of students to all segments of higher education, particularly the universities, constitutes a major challenge for Swedish planning in the next few years.

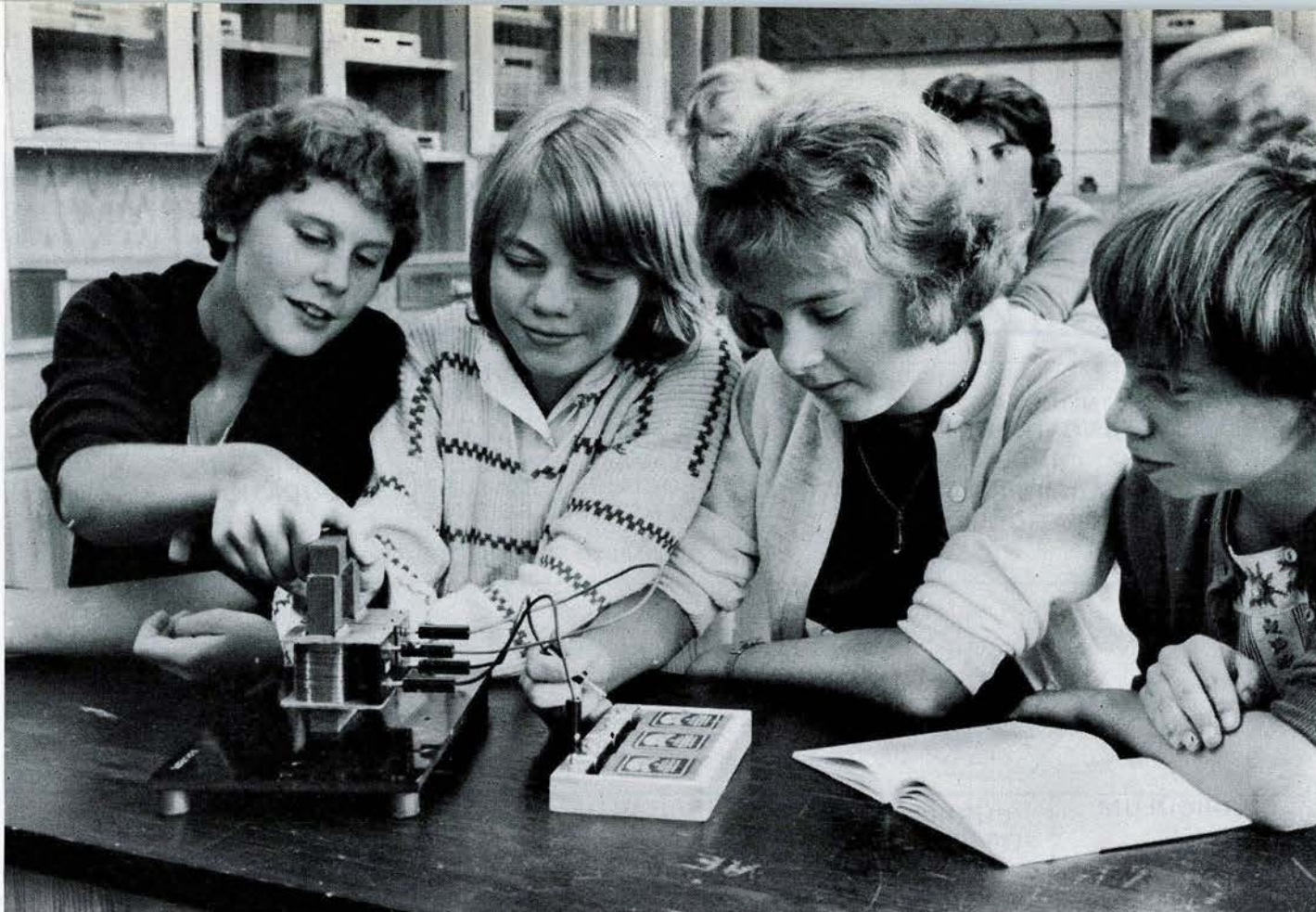
• *Adult education provided by a system of educational establishments and programmes, both public and private.*

Financed entirely by the authorities, the system is designed to enable anyone to change or extend his particular field of learning at any time. By smoothing the transition from one type or level of education to another, it enables men and women who completed their studies prior to the reforms to bring their knowledge up to the new standards, to acquire the necessary training for new jobs, or to broaden their general intellectual outlook and awareness of political and social affairs.

THE FUNDAMENTALS OF THE SYSTEM : PLANNING AND RESEARCH

Swedish authorities propose to base the development of their country's educational system increasingly on the results of planning and research. Already this process has gone far by international standards. The planning function, as devised by the Swedish Government with the support of educators, is closely associated with the system's proposed renovation, the express purpose of planning being to bring about reforms.

During the review of Swedish policy in February



An up-to-date education calls for up-to-date equipment, as in this Swedish school

the experts of the OECD Committee for Scientific and Technical Personnel singled out three factors whose dynamic character have effectively been turned to account in reshaping Swedish education from primary school to the university.

- A common attitude in policy matters obtained through public discussion; Royal Committees have provided a forum where political leaders and spokesmen for various economic groups and sectors of public and expert opinion could exchange views regarding the nature of the proposed reforms with educators and officials;
- the technical resources placed at the disposal of the planning system within the Government, at ministerial and administrative level; and to a certain extent within the educational system itself;
- factual studies and research by the national administrative departments and educational authorities.

The first constitutes a factor promoting change largely *external* to educational establishment, while the second and third represent *internal* drives towards the reform of education and its administrative structures. The Royal Committees, on which government representatives serve, have been the middle ground which has helped such external and internal forces to combine.

Research has been, if not the mainstay of the planning function, at least a potential force for change. The OECD experts point to a highly significant innovation in that certain research findings were used as a means of overcoming widely held prejudices in regard to several crucial aspects of reform. Such questions as the real value of curricula, streaming of pupils, scholastic achievements and

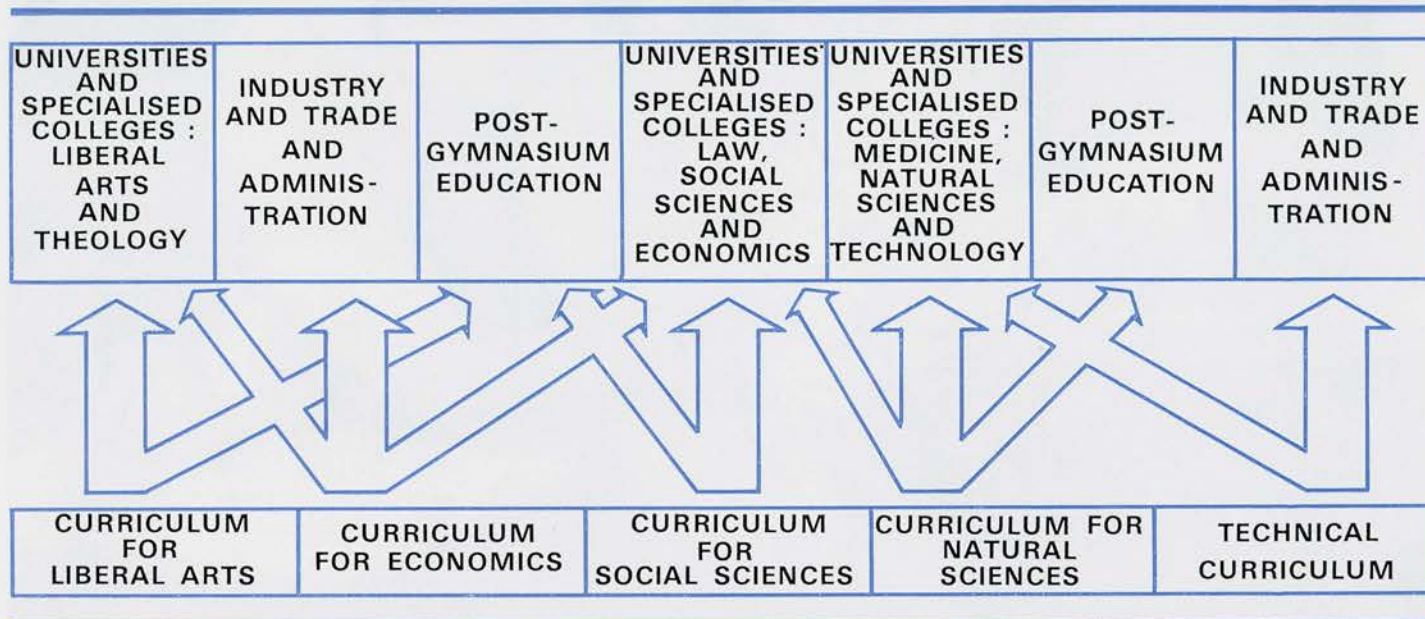
social background were thus investigated, the results enabling the planners to fulfil an express aim of such research, which was to eliminate various obstacles and reshape policy.

Thus one of the questions at issue was whether bringing pupils of very different capabilities under one roof and into the same classroom would affect their studies, the answer being that the average pupil was bound to be stimulated by the presence of his more brilliant schoolmate while in no way handicapping the latter's performance. Another subject of research was the question of mixed social backgrounds, where it was found that differences in background did not appreciably affect the number of students who went on from secondary to university education, but that the highest drop-out ratio occurred during the transition from lower to upper secondary school and during the years of upper secondary school itself.

THE PRINCIPLE OF CONTINUOUS OR "ROLLING REFORM"

While the Planning and Budget Secretariat in the Ministry of Education occupies a central position in the planning process, Swedish authorities are careful to define its role as a co-ordinative one, bringing together a whole series of planning activities starting at the local school level. It particularly co-ordinates

5. THE DIFFERENT CURRICULA OF THE NEW "GYMNASIUM" AND SUGGESTED LINKS WITH CAREER AND HIGHER EDUCATION POSSIBILITIES



and adjusts the long- and short-term budgetary requests prepared by the larger planning units in the two central authorities for schools, and higher education. The new Secretariat forms part of the Ministry of Education, and its duties are threefold — planning, research and statistics. It draws up programmes, co-ordinates budgetary work and edits the Ministry's share of government budget proposals. It is moreover responsible for co-ordinating long-term projects with the planning services of other ministries — primarily that of the Interior and Finance Ministries — and of the central planning authorities. It also assists the Educational Planning Council, which takes an over-view of the Government's various educational activities. However, the primary emphasis is now to extend the planning and research processes into all the layers of the educational system.

To produce their full effect, major educational reforms take a very long time, which may run into decades, and no sooner has one reform been carried through than others must be introduced, since the older needs by then have changed. The official Swedish view is that in the present-day world delays of this sort can no longer be tolerated, and that adjustment of the educational system to changing requirements must be continuous.

Following its special reform of vocational instruction, teacher training and adult education, Sweden thus expects to enter a new phase of educational planning, when the deep-seated structural re-organisation of education, its content, methods and means of access achieved during the previous decade will give way to "rolling reform", designed to keep Swedish education constantly alert to requirements as they develop in the future.

A continuous process of self-adjustment, largely impelled and controlled by forces within the educational system itself, will be set in motion. Interaction will be stimulated between research and planning activities conducted by the national administrative bodies, local authorities and educators — teachers, headmasters and research workers.

Swedish authorities report that educational policy and practice are apt to give rise to problems of planning at variance with one another; adjustments to certain parts of the educational system thus may well throw the structure, methods and content of other parts off balance. However, such imbalances within the educational system also develop in response to forces external to it, and in the past in Sweden such forces have contributed a crucial impetus to the progress of periodic, *ad hoc* reforms. Whether or not there is a shift in the relative importance of the internal and external forces for change, there surely will be developed new avenues and forms for their expression in a system of internalised "self-generating" change.

Thus while making due allowance for social and technological trends, "rolling" educational reform will particularly require increased emphasis on more planning and research projects initiated by all levels of the teaching profession and school authorities; greater scope and sophistication of educational research, and lastly, a considerable effort to train the entire school administration and teaching force to contribute to defining the nature of the research required, sharing in it and in its application, since the use of the school itself as a practical laboratory for educational research and development is the ultimate goal.

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