

# Development Works and Full Employment

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*The publication by the Office of a study on Public Investment and Full Employment<sup>1</sup> may be said to complete a stage in the work of the International Labour Organisation on the subject of public investment planning which has stretched over a period of 27 years. The contra-cyclical timing of public investment is now accepted policy in most countries, but that was not at all the case when the International Labour Conference first adopted a Recommendation on this question in 1919 or even when it adopted a more detailed Recommendation on the national planning of public works in 1937. At the present time discussion takes place not as to whether public investment should be timed contra-cyclically but as to how this can best be done. This is the problem which is examined in considerable detail in the Office study referred to above, the author of which is Professor Benjamin Higgins of McGill University and, during the period the study was being prepared, a member of the Office staff. The same problem was also considered by the International Development Works Committee which met in Montreal in January 1946. With the setting up of the Economic and Social*

<sup>1</sup> INTERNATIONAL LABOUR OFFICE: *Public Investment and Full Employment* (Montreal). See also D. Christie TAIT: "Social Aspects of a Public Investment Policy", *International Labour Review*, Vol. XLIX, No. 1, Jan. 1944, pp. 1-18; Benjamin HIGGINS: "The United States Public Work Reserve", *idem*, Vol. L, No. 5, Nov. 1944, pp. 581-602; and Richard I. DOWNING: "The Planning of Public Investment in Australia", *idem*, Vol. LII, No. 4, Oct. 1945, pp. 352-359. There may well be a confusion on the meaning of terms in the mind of the reader. The terminology of economic discussion has evolved. What used to be known as "public works" and later as "development works" is now known as "public investment", a much more accurate term; a definition of this term proposed by the International Development Works Committee is given later on in this article. The concept of "public works" or "development works" or "public investment" is entirely different from the concept of "relief works" or "work relief", which consists of certain public investment projects undertaken mainly for the purpose of giving work to the unemployed and subject to special wage rates and conditions of employment.

*Council of the United Nations and of its Economic and Employment Commission, future work on public investment planning by the United Nations bodies and the I.L.O. will have to be co-ordinated. This seems, therefore, to be a suitable moment for giving an account of recent international developments.*

IT usually comes as a surprise to students of economic policy to learn that as early as 1919 the International Labour Conference, in a formal Recommendation, urged—

that each Member of the International Labour Organisation co-ordinate the execution of all work undertaken under public authority, with a view to reserving such work as far as practicable for periods of unemployment and for districts most affected by it.

The idea of contra-cyclical timing of public works seems so new and modern to many people today that they find it hard to believe that 27 years ago an official tripartite international conference should have been so far-sighted on this question. The Conference never lost interest in the subject and repeatedly referred to it at later sessions. Moreover, in 1937 it re-examined the whole problem and adopted a detailed Recommendation on the timing and financing of public works and on certain questions of recruitment for and employment on such works. This Recommendation was clearly influenced by the ideas of John Maynard (afterwards Lord) Keynes, whose remarkable book, published in 1926, on *The General Theory of Employment, Interest and Money* is considered by many authorities to be as influential in shaping the economic policies of the twentieth century as Adam Smith's *The Wealth of Nations* was in shaping those of the nineteenth. While the forward-looking and economically enlightened delegates to the International Labour Conference of 1937 adopted this Recommendation unanimously (though there were a few abstentions) a further period of time elapsed and a gigantic world conflict took place before the idea of contra-cyclical public investment timing really became part of the proclaimed policies of Governments.

No one pretends, of course, that the timing of public investment is a panacea for all ills or that nothing else is required to ensure full employment. It is only one factor in a complex of policies that must be adopted both nationally and internationally. On the other hand, it is almost universally recognised that an appropriate public investment policy is an indispensable element in the maintenance of full employment, especially in highly industrialised countries.

It is not sufficient, however, to proclaim a policy; it is also necessary to apply it, and that is usually a much more difficult operation. It is particularly difficult in this case because the policy

depends for its success on the adoption of the necessary measures not only by central Governments but by the regional and local governments as well. The International Development Works Committee has devoted a considerable amount of attention to the task of helping Governments to achieve their objective in this field.

This Committee owes its origin to a proposal made by the 23rd Session of the International Labour Conference in June 1937. The Conference had just adopted two Recommendations, one on the national planning of public works, in which it recommends that "appropriate measures should be adopted for the purpose of achieving a suitable timing of all works undertaken or financed by public authorities", and the other on international co-operation in respect of public works. In the latter, the Conference recommends that each Member of the International Labour Organisation should communicate annually to the International Labour Office statistical and other information concerning public works in accordance, as far as possible, with a uniform plan, and that each Member should co-operate in the work of any international committee which may be set up by the Governing Body for the purpose more particularly of studying the information communicated and of preparing the uniform plan.

The Committee, which was at first known as the International Public Works Committee, was established by the Governing Body on 4 February 1938, and on 27-29 June 1938 it held a preparatory session at which a Uniform Plan was drafted. The Plan was communicated to Governments, but, owing to the war, no information was sent in by them. In May 1944 the Conference adopted a supplementary Recommendation on the national planning of public works, dealing more especially with the period of transition from war to peace, and immediately after the session of the Conference the Governing Body decided to change the name of the Committee because it was felt that the term "public works" might be interpreted in too narrow a sense, and to convene the Committee in its first regular session. The meeting took place at Montreal from 28 January to 1 February 1946.

#### MEETING OF THE INTERNATIONAL DEVELOPMENT WORKS COMMITTEE

Ten Governments were represented at the meeting, namely, Belgium, Brazil, Canada, Colombia, the Dominican Republic, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States of America and, in addition, the Italian Government appointed an observer. Three representatives of the Governing

Body were also present. The late Mr. Baird Snyder, Deputy Administrator of Public Works of the United States, was appointed Chairman and Mr. Ribeiro Dantas of Brazil, Mr. G. P. Nyhoff of the Netherlands, Mr. J. D. Zellerbach, employers' representative of the Governing Body, and Mr. Percy Bengough, workers' representative of the Governing Body, were appointed Vice-Chairmen.

The Committee's agenda, as fixed by the Governing Body, was as follows:

- (1) To draw up a new Uniform Plan for the supply of information;
- (2) To consider certain difficulties that may arise in the application of the Public Works (National Planning) Recommendation, 1937;
- (3) To draw up, in consultation with the Governments concerned, a list of proposed works which can be undertaken only in co-operation with other countries or with international organisations; and
- (4) To study the organisation of an exchange of information on the results of research and experience concerning the technical problems involved in the preparation and carrying out of development works programmes.

#### *Uniform Plan*

Under item 1, the Committee was asked to revise the Uniform Plan for the supply of information by Governments. The main reason for the revision was that the original plan appeared to be both too detailed and inadequate. As the Office had pointed out in a note to the Governing Body in 1944, "the main point is to know the policy which is being pursued in each country and to have some information on the total volume of public investment made and planned". This question gave rise to an extremely interesting discussion, and the Committee drafted a Plan divided into two parts.

Part I, which it was proposed should be sent to all Members of the International Labour Organisation, contains a series of questions with a view to ascertaining: (a) whether, in accordance with Article 19 of the Constitution of the Organisation, the two Recommendations on the national planning of public works of 1937 and 1944 had been submitted to the competent authority or authorities for the enactment of legislation or other action, and what action had in fact been taken by them; and (b) the extent to which the various paragraphs of the Recommendations were being applied and the measures taken to give effect to them.

Part II of the Draft Plan, which it was suggested should be sent only to those Members of the Organisation which had expressed their willingness to comply with the Public Works (International Co-operation) Recommendation, 1937, and therefore to communicate the type of information asked for, contains a definition of the term "public (or development) works". This definition is "new works undertaken, and new plant, equipment and supplies purchased, by central, regional or local governments and publicly-owned undertakings not otherwise included, and maintenance and repair work related thereto". The definition is broad, and indicates that in the view of the Committee there is no difference between public works, development works and public investment. The Plan then goes on to give a list of the types of information which it would be useful to collect internationally "in order that official organisations concerned with the question of development works planning may have an overall picture of the situation". The information would relate to total public expenditure on development works, the number of man-hours of work on the site of the works resulting from this expenditure, and the methods of financing the works. The Draft Plan includes, in the form of an appendix, a suggested breakdown of the total public expenditure on development works which the Committee thought would add to the usefulness of the information.

#### *Application of the 1937 Recommendation*

As already indicated above, it is much easier to enunciate a policy of timing public investment than to apply it, because there are real technical difficulties in the way. It was these difficulties which the Committee examined under item 2 of its agenda. The Office had practically completed its study of *Public Investment and Full Employment* to which reference is made above, and circulated to the Committee copies of the proof of the completed part of the study, together with the tentative conclusions which it had reached.

The main object of the study is to explain the difficulties of applying a policy of timing public investment contra-cyclically, and to suggest methods by which they may be overcome. It is divided into five parts which are concerned respectively with public investment in the post-war world, financial aspects of timing public investment, technical problems in timing public investment, the lessons of the 'thirties, and the task ahead. Part I contains three chapters devoted to international aspects of public investment, the nature of the employment problem, and the role of public investment in employment policy. Part II starts from the assumption

that from the point of view of employment the method by which the investments are financed is of special importance. If they are financed by taxation, that tends to restrict consumer spending by reducing the amount of money available for that purpose in the pockets of consumers. That may be the right policy when there is full employment. If the investments are financed by loan, the money will be obtained largely out of savings and that may be the appropriate policy when there is unemployment. Various difficulties associated with the adoption of such policies by central Governments and still more by regional and local governments are explained. Part III is concerned with technical problems (legal and administrative problems, problems of community planning and engineering questions). The delays involved in solving these problems may seriously interfere with the application of a timing policy. Part IV describes the economic background of the 'thirties and the part played by public investment in fighting the depression in the United States, the United Kingdom, Canada, Australia, New Zealand and Sweden, while Part V sketches the plans already made and the machinery for operating them in the same group of countries and also in some others (Belgium, Switzerland, India, and several countries in Latin America).

The Committee discussed the conclusions of the study, made comments on them, amended and supplemented them, and embodied them in a series of points which it considered "should be given very careful consideration by all Governments engaged in planning public investment, especially development works, which form a very important part of such investment, in relation to a full employment policy", and which it therefore submitted to the Governing Body for such action as it might wish to take. These points may be summarised as follows:

(1) In planning for full employment, Governments should aim at ensuring the maintenance of a high level of total expenditure, both private and public, and should in this connection plan public investment and its financing in such a way as to reduce industrial fluctuations as far as possible;

(2) All public authorities should time their public investment in such a way as to contribute to the maximum possible degree of stability in the major industries affected by it;

(3) In selecting projects, attention should be given to the varying needs of different regions in each country and to the particular skills required for carrying out the programme;

(4) As it is desirable that public investment and public services be planned and budgeted on parallel lines, consideration should be

given to the possibility of regulating the timing and volume of variable public services, such as research and surveys, improvement of maps and records, and handicraft projects and, when unemployment threatens, of enlarging the programme of continuous public services such as health and education;

(5) Programmes should include an appropriate volume of projects that can be completed within a relatively short period as well as projects of longer duration;

(6) Governments should give careful consideration to the desirability of revising their accounting systems so as to separate capital outlay from the current or operating budget;

(7) Agencies equipped with necessary legal and financial powers should be established at all levels of government, to plan, execute, and when necessary, co-ordinate public investment projects so as to make a maximum contribution to economic development and the prevention of unemployment;

(8) All stages of planning should be undertaken in advance, plans and programmes should be subject to continuous evaluation and revision, public authorities should be granted wide powers for the speedy acquisition of land at fair prices and there should be a simple and speedy procedure for letting contracts;

(9) Governments should encourage the acquisition of adequate planning staff by the Government bodies concerned, make use of professional services available on a consultant basis, provide where possible a pool of skilled personnel, and provide assistance for the training of the requisite technical staff;

(10) Central Governments should develop systems of grants-in-aid to assist regional and local governments with the advance preparation of plans and programmes, to induce such governments to time their public investment in relation to the employment situation and to provide financial aid to such of those governments as require assistance to undertake an adequate development works programme;

(11) Governments should collect and process all relevant statistics such as the volume of on-site and off-site employment and, if possible, secondary employment, distribution of total man-hours by months, labour and material costs, etc., and should communicate these statistics to the International Labour Office;

(12) Particular importance should be attached to the co-ordination of national public investment policies.

#### *International Development Works*

The third subject which the Committee had been asked to consider concerned international development works, the exact

formulation of the item being "to draw up, in consultation with the Governments concerned, a list of proposed works which can be undertaken only in co-operation with other countries or with international organisations". The Office suggested to the Committee that in view of the establishment of the International Bank for Reconstruction and Development it might be inappropriate at this time to draw up a list of works as suggested in the agenda, but the Committee disagreed with this point of view. It was of the opinion that the compilation of such a list was extremely urgent and should be undertaken at the earliest possible moment. The Committee also had before it a resolution of the 26th Session of the Conference asking the Governing Body to examine the methods which might be adopted (a) for determining the appropriateness in any particular case of the inclusion of provisions concerning welfare and working conditions in the terms under which international development works are to be carried out, (b) for framing such provisions, and (c) for ensuring their effective application. This resolution had been referred by the Governing Body to the Committee which thought that it merited further consideration and might be included on the agenda of its own next session. Another question which the Committee also thought might be included on the agenda of its next session was "the examination of social objectives capable of achievement in the field of international development works". In this connection the representative of the Brazilian Government made a statement on the position in countries which are not highly industrialised, to the effect that the main purpose of development works in those countries must necessarily be to open them up and develop them. After discussion, the Committee decided to submit to the Governing Body for any action it deemed favourable the three questions mentioned above together with the Brazilian statement. These questions are: (a) the examination of social objectives capable of achievement in the field of international development works; (b) possible provisions concerning welfare and working conditions in the terms under which international development works are carried out; and (c) the advisability of requesting Member States to draw up lists of proposed international development works for presentation to the International Labour Office.

#### *Exchange of Information*

Item 4 of the Committee's agenda consisted of a resolution of the 26th Session of the Conference on exchange of information concerning public works among Governments, which had been referred to it by the Governing Body. The Committee was of course anxious

to do whatever it could in this matter and it proposed that on request all Members should be asked to supply as full information as possible to other Members through the Organisation. The representative of the Brazilian Government raised the question as to whether the International Labour Organisation could assist Members which lacked the necessary technical personnel to obtain such personnel from other countries. On this matter, the Committee expressed the hope that the Governing Body would consider whether, and if so what, action could be taken by the International Labour Organisation to assist Members in the way suggested.

#### *Devastated Countries*

The representative of the Netherlands Government said that the most important problem in the devastated countries was reconstruction and he proposed the creation of a subcommittee to examine the volume of destruction, the backlog of normal construction and the programme of reconstruction envisaged by each Government concerned. This proposal was warmly seconded by the representative of the Belgian Government. It appeared to the Committee unnecessary to set up a subcommittee on this matter but it suggested that the Governing Body should consider the desirability of instituting such an enquiry.

#### MEETING OF THE EMPLOYMENT COMMITTEE

All I.L.O. committees report to the Governing Body, whose Employment Committee has the task of co-ordinating the work of such committees concerned with employment problems. Consequently, at its 3rd Session in May 1946 the Employment Committee discussed the report of the International Development Works Committee and made suggestions to the Governing Body, which approved them unanimously a week later.

The Employment Committee considered the report in the light of the fact that the Economic and Social Council of the United Nations had started to function and had appointed an Economic and Employment Commission. On the other hand, general negotiations were about to take place immediately after the session of the Governing Body for an agreement between the United Nations and the International Labour Office, aiming at the recognition of the latter as a specialised agency of the United Nations. In these circumstances it was decided that a number of suggestions made by the International Development Works Committee, while being approved in principle, should not be acted upon until the officers

of the Governing Body, in consultation with the I.L.O. Negotiating Committee, decided that the time was opportune. This decision affects Part II of the Uniform Plan, the collection and processing of certain statistics and their communication to the International Labour Office, the preparation of lists of proposed international development works and the collection of information from the devastated countries. It may be added that the Economic and Social Council has established a subcommission of the Economic and Employment Commission on economic development and a temporary subcommission on economic reconstruction of devastated areas. Moreover, the question of economic development was also considered by the Preparatory Committee of the International Conference on Trade and Employment, which met in London in October-November 1946.

Action was also deferred on Part I of the Uniform Plan but for entirely different reasons. The situation here is that a Delegation of the International Labour Conference on Constitutional Questions had been meeting in London at the very moment that the International Development Works Committee was meeting in Montreal and it made far-reaching proposals concerning the application of Recommendations in general.<sup>1</sup> These proposals were to come before the 29th Session of the Conference in September 1946<sup>2</sup> and it was therefore decided that after that session the Employment Committee should reconsider Part I of the Draft Uniform Plan with a view to making it more detailed. During consideration of this question by the Employment Committee, it was suggested that Recommendations of the International Labour Conference on a single subject, in particular, the two Recommendations of 1937 and 1944 concerning the national planning of public works, should be codified. Clearly nothing could be done on this subject on the spot but the Office was asked to submit a note on the question to the Governing Body at a later session.

Considerable discussion took place as to the best procedure for dealing with the list of points which the International Development

<sup>1</sup> These proposals took the form of a suggested amendment to the Constitution providing in respect of each Recommendation (a) that Members should inform the I.L.O. of the measures taken to bring the Recommendation before the authorities competent to enact legislation or take other action, and of the action taken by them, and (b) that Members should report to the I.L.O. at appropriate intervals, as requested by the Governing Body, the position of the law and practice in their countries in regard to the matters dealt with in the Recommendation, including information on the extent to which effect is being given to the provisions of the Recommendation.

<sup>2</sup> The 29th Session of the Conference adopted an amendment to the Constitution which contains provisions on the lines indicated in the preceding footnote. Cf. International Labour Conference: *The Constitution of the International Labour Organisation Instrument of Amendment, 1946*, Article 19, para. 5 (I.L.O., Montreal, 1946).

Works Committee had considered in relation to item 2 of the agenda and had submitted to the Governing Body. It appeared to the Employment Committee inadvisable to send this list of points directly to the Members of the Organisation, mainly because they were in fact the conclusions of a study prepared by the Office and should therefore be included as such in that study. This in fact was the decision arrived at, and the Office has in fact published them in this form.

The Employment Committee agreed that the two questions concerning social objectives in the field of international development works and possible provisions concerning welfare and working conditions in the terms under which international development works are carried out, should be considered at the next session of the International Development Works Committee. No date was however fixed for the next meeting. It also agreed that the International Labour Office could act on the proposals concerning exchange of information and technical personnel without any special authorisation.

In addition to its consideration of the International Development Works Committee's report, the Employment Committee also studied the employment situation as it was at the time, and other matters.

#### CONCLUSION

So many of the proposals made by the International Development Works Committee were deferred that it might appear at first sight as though the work of the Committee had been largely useless for reasons over which it had no control. Such a conclusion would be quite erroneous. An international meeting of experts in the practical application of a public investment policy cannot be other than useful, if only because of the opportunity it gives to the experts to exchange views on subjects of interest to them. Moreover, it must be recorded that a very remarkable feature of this particular meeting was the almost complete unanimity of views shown by experts of a variety of countries on the subjects which were submitted to their consideration. It was also a source of satisfaction to the Office that the study which it had circulated in proof to the members of the Committee was received by them favourably and that valuable suggestions were made to the Office on a number of questions dealt with in it.

It is probably inevitable that there should be certain procedural difficulties at the present time, when new organisations spring up to right and to left, but a great deal of work on the subject of public investment planning continues in spite of these difficulties. As al-

ready pointed out, the questions of economic development and of the economic reconstruction of devastated areas are now under consideration by United Nations bodies with which the International Labour Organisation co-operates closely. On its side, the Office has, in the light of comments made by members of the Committee and by others, revised and completed its study on public investment in relation to full employment and it is hoped that the publication of this study will prove useful to all those, wherever they may be, who are concerned with employment problems.

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