CHAPTER I
NEED AND GROWTH OF A PUBLIC EMPLOYMENT SERVICE

Need for a Public Employment Service

The developing countries appear to be facing an employment crisis. Economic growth is no longer the only important problem, as it was during the last two decades. True, a rapid and consistent rate of growth is essential to national progress but that is not enough. Several developing countries registered rapid increase in the national income during the last decade without any improvement in the overall employment situation. In some cases, there was actually a deterioration in the employment situation, even when the area recorded rapid economic development. For instance, in Venezuela, a World Bank Study indicates that notwithstanding a growth rate of 8 percent between 1950 and 1960, there was more unemployment at the end of the decade than at the beginning. In fact, some economic models used by the United Nations assume, on the basis of past trends that faster rate of economic

<table>
<thead>
<tr>
<th>Region</th>
<th>1960</th>
<th>1970</th>
<th>1980</th>
<th>Absolute change</th>
<th>Annual rate of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>2981.6</td>
<td>3635.2</td>
<td>4467.3</td>
<td>633.5</td>
<td>832.1</td>
</tr>
<tr>
<td>More developed regions</td>
<td>1113.4</td>
<td>1239.6</td>
<td>119.0</td>
<td>126.2</td>
<td>1.14</td>
</tr>
<tr>
<td>Less developed regions</td>
<td>2321.8</td>
<td>3227.7</td>
<td>534.5</td>
<td>705.9</td>
<td>2.21</td>
</tr>
<tr>
<td>South Asia</td>
<td>885.3</td>
<td>1125.8</td>
<td>1496.7</td>
<td>260.5</td>
<td>339.9</td>
</tr>
<tr>
<td>East Asia (excluding Japan)</td>
<td>686.9</td>
<td>826.4</td>
<td>979.0</td>
<td>152.6</td>
<td>1.87</td>
</tr>
<tr>
<td>Africa (excluding Africa)</td>
<td>251.4</td>
<td>321.7</td>
<td>427.3</td>
<td>70.3</td>
<td>105.6</td>
</tr>
<tr>
<td>Latin America (excluding Temperate South America)</td>
<td>180.6</td>
<td>243.9</td>
<td>330.4</td>
<td>63.3</td>
<td>86.5</td>
</tr>
<tr>
<td>Oceania (excluding Australia and New Zealand)</td>
<td>3.1</td>
<td>4.0</td>
<td>5.2</td>
<td>.9</td>
<td>1.2</td>
</tr>
</tbody>
</table>

growth is associated with a slower increase in employment.¹

Of all the factors that have contributed to this state of affairs, the very rapid growth of population overshadows the rest. The enormity of the population growth has been the theme of recent international studies. The population projections made by the United Nations in 1970 on the basis of 1968 data are summed up in table 1.1. The table indicates that the world's population estimated at 3,000 million in 1960, rose to over 3,600 million in 1970 and is expected to reach almost 4,600 million by 1980. In the developed regions the normal growth of almost 12 million persons a year is expected to continue at much the same pace during the current decade. In the less developed regions the population had been growing by about 83 million persons a year during the past decade; it is now expected to grow by more than 70 million persons a year during the current decade. As a result, the population in the less developed regions in 1980 will exceed 3,200 million more than the population of the entire world in 1960. This would lead to greater cohorts of young people seeking employment.

Data on the world labour force were compiled by the I.L.O. on the basis of the new United Nations population projections. Table 1.2 indicates that the labour force of the world in 1970 numbered slightly more than 1,500

### TABLE 1.2

<table>
<thead>
<tr>
<th>Regions</th>
<th>1960</th>
<th>1970</th>
<th>1980</th>
<th>Absolute change</th>
<th>Annual rate of growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Force (millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>1276.8</td>
<td>1511.7</td>
<td>1835.6</td>
<td>323.9</td>
<td>1.70 1.96</td>
</tr>
<tr>
<td>More developed regions</td>
<td>446.1</td>
<td>496.3</td>
<td>554.7</td>
<td>58.4</td>
<td>1.11 1.08</td>
</tr>
<tr>
<td>Less developed regions</td>
<td>830.6</td>
<td>1013.4</td>
<td>1280.9</td>
<td>257.5</td>
<td>2.01 2.37</td>
</tr>
<tr>
<td>South Asia</td>
<td>351.9</td>
<td>430.1</td>
<td>549.0</td>
<td>118.9</td>
<td>2.03 2.47</td>
</tr>
<tr>
<td>East Asia (excluding Japan)</td>
<td>317.1</td>
<td>379.6</td>
<td>467.3</td>
<td>87.7</td>
<td>1.81 2.10</td>
</tr>
<tr>
<td>Africa (excluding Southern Africa)</td>
<td>102.2</td>
<td>125.8</td>
<td>150.3</td>
<td>34.5</td>
<td>2.09 2.45</td>
</tr>
<tr>
<td>Latin America (excluding Temperate South America)</td>
<td>56.1</td>
<td>76.2</td>
<td>102.1</td>
<td>25.9</td>
<td>2.75 2.97</td>
</tr>
<tr>
<td>Oceania (excluding Australia and New Zealand)</td>
<td>1.4</td>
<td>1.8</td>
<td>2.2</td>
<td>.4</td>
<td>2.15 2.26</td>
</tr>
</tbody>
</table>

million, of whom about 1,000 million were in the less developed regions. These regions cover the whole of South Asia, East Asia, excluding Japan, Africa, excluding Southern Africa, Latin America and the Caribbean region, excluding Temperate South America; and Oceania, excluding Australia and New Zealand.

Of the 1,000 million in the labour force in the less developed regions, about 43 per cent are in South Asia, 38 per cent in East Asia, 12 per cent in Africa and less than 8 per cent in Latin America.

Table 1 also shows that the rate of growth of the labour force in the less developed regions during the past decade was almost twice that experienced in the more developed regions. During the current decade the rate of growth in the former region is expected to increase from its present level of about 2 per cent a year to 2.4 per cent, while in the more developed regions it is expected to remain at a level of about 1.1 per cent a year.

During the past decade the world's labour force grew by approximately 23 million workers a year, that is 5 million in the more developed regions and 18 million in the less developed regions. During the present decade it is expected to rise by about 32 million workers a year, including 5.6 million in the more developed regions and 26.7 million in the less developed regions. Thus, more
people will be added to the labour force of the less
developed regions during the period 1970-80 than were
added to the entire labour force of the world between
1960-70, while by 1980 the labour force of the less
developed regions of the world will equal in size that of
the entire world in 1960.

The net increase in the labour force in the less
developed regions during the current decade is expected to
exceed 267 million, with about 119 million in South Asia,
88 million in East Asia, 34 million in Africa, 26 million
in Latin America and 0.4 million in Oceania.

**Employment Projections**

In the light of the impressive increase in the
labour force in the developing countries in the present
decade, what are the prospects for the creation of employment
opportunities?

The I.L.O. has prepared some rough estimates of
major trends in employment for the decade 1970-80. These
projections have been prepared for the three major developing
regions: Asia (excluding mainland China), Africa (excluding
South Africa) and Latin America.

Table 1.3 shows the estimated employment figures
in these regions for 1960 and 1970.
TABLE 1.3
Estimated Employment in 1960 and 1970
(in millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Employment 1960</th>
<th>Employment 1970</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia (excluding mainland China)</td>
<td>343</td>
<td>420</td>
<td>77</td>
</tr>
<tr>
<td>Africa (excluding Southern Africa)</td>
<td>95</td>
<td>115</td>
<td>20</td>
</tr>
<tr>
<td>Latin America</td>
<td>67</td>
<td>87</td>
<td>20</td>
</tr>
<tr>
<td>Total:</td>
<td>505</td>
<td>622</td>
<td>117</td>
</tr>
</tbody>
</table>

Thus total employment in these regions probably increased between 1960 and 1970 by slightly less than 120 million, the annual growth rate being 2 per cent. This has to be compared with an increase in the labour force of the same countries amounting to a total of 127 million.

The projections for 1980 show a probable increase of about 180 million in the number of jobs, bringing the total up to some 800 million, distributed as follows:

TABLE 1.4
Estimated Employment in 1980*  
(in millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Employment in 1980</th>
<th>Increase from 1970 to 1980</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia (excluding mainland China)</td>
<td>535</td>
<td>116</td>
</tr>
<tr>
<td>Africa (excluding Southern Africa)</td>
<td>149</td>
<td>34</td>
</tr>
<tr>
<td>Latin America</td>
<td>116</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>799</strong></td>
<td><strong>177</strong></td>
</tr>
</tbody>
</table>

For all the countries covered by these projections, the total labour force will probably amount to about 886 million.

These projections strongly suggest that employment will grow less rapidly than the labour force during the 1970s.

In India alone it has been estimated that between 1951 and 1961 the total net accretion to the labour force was 210 lakhs and the new jobs created numbered only 160 lakhs, leaving 50 lakhs unemployed. Similarly, between 1961 and 1971 the total net accretion to the national labour force was 400 lakhs and creation of new jobs was only 200 lakhs,

leaving a net total of 250 lakhs unemployed. During 1970-1972 as many as 50 lakhs unemployed were added to this backlog, raising their aggregate to over 300 lakhs.

Since only 300 lakh new jobs are to be created between 1971 and 1981 and the net accretion to the national labour force during the current decade is estimated at 650 lakhs, the net aggregation to the total unemployed would be 350 lakhs between 1971 and 1981. This means that at the beginning of the eighties there would be as many as 650 lakh unemployed for whom there would be hardly any hope of securing employment during the next decade.

According to U.N. estimates the economies of the developing countries will, during the next decade be faced with the staggering task of employing some 226 million additional persons, compared with an estimated 56 million new workers for the industrialized countries.²

However, a comparison between the labour force projections and those for employment is an unsatisfactory way of measuring the magnitude of the employment problem in developing countries. There may be substantial increase in overt unemployment, but this is likely to be overshadowed in importance by the problem of underemployment in developing countries.

The term 'underemployment' and its synonyms 'hidden', 'invisible', 'disguised' and 'latent' unemployment are used with considerable variation of meaning by different writers. Basically, however, all these terms represent an attempt to state the fact that the labour force actually engaged in a certain type of economic activity is idle during a part of the day, week, month and year; or, if working, is unproductive. To that extent the time spent by the worker is useless and dispensable. From this it is inferred that a proportionately decreased labour force in a particular line of production would be able to produce as much as the actual labour force does, if the remaining force worked full time.

This waste of labour is 'hidden' in the sense that the superfluous part of the labour force does not appear in the wage labour market as workers seeking work, but not getting employment. The theory of underemployment is mainly concerned with that portion of the labour force that is usually 'self-employed'.

The concept of underemployment stems directly from the western concept of 'disguised unemployment' as introduced by Joan Robinson in the unemployment discussion during the Depression. She used this term to denote the conditions of those workers who were pushed down into less productive and unremunerative occupations as self-employed in order to have something to live on, or something more to live on than personal savings and family support. She described the
adoption of inferior occupations by dismissed workers as disguised unemployment.

While used in the context of developed countries, this concept carries the assumption that such unemployment is rather an exceptional occurrence, relatively small in scope, and more particularly, of a temporary nature. The 'disguised unemployed' in the developed countries really belong to another, more regular and better paid occupations where they will reappear either as employed or overtly unemployed workers, as soon as the labour market again gives them a chance to seek jobs there.

But when the concept of underemployment is applied to developing countries, it refers to something entirely different: the vast and long-term under-utilization of human resources in which more workers are tied up permanently and structurally in various lines of production than are necessary for the output of the product. These workers never had another type of job from which they were dismissed and to which they are expected to move back. For a large number of workers employment is "precarious" in that they enjoy no job or income stability. They have no definite prospects of improving their employment, and consequently have no hope or possibility of improving their position in general.


One of the main reasons for underemployment in developing countries is that a large part of the labour force in these countries is composed not of wage earners but of persons who are self-employed or work in small family undertakings. Under such circumstances there is no reason why underemployed workers should give up their activity when their marginal productivity drops below a certain level; in fact they must go on working in order to earn anything at all. In rural areas, the phenomenon is associated with the very small size of farms in areas where there is heavy pressure of population on land or where land is very unequally distributed, and with seasonal fluctuations in agricultural activity.

Though the concept of underemployment is a complex one, it is well known that underemployment affects a large part of the labour force in most of the developing countries and forms the crux of the problem. For example, with regard to Africa, recent surveys have revealed that in Senegal, seasonal idleness in agriculture affects 30 per cent of the available labour force and represent 600 million working 2 hours per year and in Kenya underemployment in agriculture has been estimated as equalling between 500,000 and 700,000

man years. In Morocco, where the rural population of working age is estimated at 4,700,000 an average of 180 days per man-year are spent in idleness.

Table 1.5 gives some corresponding data for Asia, where underemployment is generally estimated at a lower level than in Africa but is nevertheless quite extensive.

TABLE 1.5

Underemployment in Some Asian Countries (Percentage of the total labour force)

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Underemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceylon</td>
<td>1960</td>
<td>20</td>
</tr>
<tr>
<td>Rural areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban areas</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>India</td>
<td>1960</td>
<td>10</td>
</tr>
<tr>
<td>Federation of Malaya</td>
<td>1962</td>
<td>2.2</td>
</tr>
<tr>
<td>Philippinest</td>
<td>1960</td>
<td>12</td>
</tr>
</tbody>
</table>

According to U.N. estimates the extent of underutilisation of labour in the developing regions amounts to as much as 20-30 per cent of the labour force. This is


equivalent to, or even worse than, the waste of human resources in the industrialized countries in the depression years of the 1930s.

These statistical estimates are founded on a number of assumptions and thus must be interpreted with caution. It is assumed, for instance, that under-employment (like unemployment) is involuntary in the sense that workers who make little or no useful contribution to production do so only for lack of a satisfactory alternative, and that once requisite opportunities are provided, they will seize them. This argument postulates the existence of a fluid employment market and a rational outlook towards work and social activities in general. Actually, however, workers' attitudes in the developing countries are often conditioned by tradition, inertia or simply by their awareness of the possibility of increasing their output and income by extra work. Moreover, their capacity to work is often reduced by poor health, malnutrition and climatic conditions.

The estimates given here take account only of the quantitative aspect of work; labour productivity and skills or abilities utilised are passed over because of the difficulty of assessing them. The only type of under-employment taken into consideration is visible underemployment;

in many cases, however, low income levels and low productivity are obvious signs of disguised underemployment.

In fact the entire literature on the subject, and particularly the papers and reports currently being published by the I.L.O. clearly bring out the tricky nature of estimates of unemployment and underemployment in the developing countries.

The foregoing discussion brings out clearly that the employment problem is of staggering dimensions, and presents a challenge of daunting magnitude. Many of the developing countries have indeed been aware of the gravity of their problems for several years. This is reflected in their development plans which included employment objectives alongside the growth and other objectives and in the adoption of measures designed to stimulate the expansion of employment opportunities or to attack the problems of growing unemployment in other ways (in particular by curbing growth). There is a growing realization that it is not advisable to concentrate on economic growth alone and to expect the employment problem to be solved automatically.

"Employment", said David Morse, "must take its place, alongside the gross National Product (GNP) and of equal prominence - as a central object of concern in development planning as an essential criterion in the examination of
progress for development".

This recognition represents a major departure from the view that prevailed at the beginning of the first Development Decade, when employment was generally regarded as a by-product of economic development. It was then assumed that unemployment and poverty, two major scourges of the developing world, would disappear if only the rate of economic growth could be accelerated.

The development plans and the specific employment-creating programmes can eliminate unemployment to a large extent but not completely. In economies as extensive and complicated as those of modern societies, an appreciable volume of unemployment is to be expected even when the total demands for labour in the various labour markets equal or exceed the supplies. This type of unemployment is caused by the imperfections of the labour market; by the fact that even though a vacancy exists, it remains unfilled for a considerable time while somewhere in the country there may be an unemployed person looking for such a job. A man may remain unemployed through sheer ignorance of an existing vacancy, or there may exist a discrepancy between the normal

1. Keynote address by the former Director General of the ILO, David A. Horse, at the Cambridge Conference on Development, held at Cambridge University, United Kingdom 13-24 September, 1970.
qualification or specialised skill possessed by an unemployed person and the requirements of a job which is to be filled. This type of unemployment is caused by the frictions of the labour market and so is normally referred to as frictional unemployment.

Much of this kind of unemployment could be remedied if there were adequate measures to bring men and jobs together, to develop and adapt skills through training and re-training, to reduce the interval between jobs in individual cases, and to ensure that persons displaced by structural change find alternative employment opportunities in other industries, occupations or areas. Efficient organisation of the labour market, aimed at bringing available workers and available jobs together, is vitally necessary to reduce, frictional unemployment to a minimum.

The usual mechanism used by governments to watch over and facilitate the working of the employment market is a public employment service. Lord Beveridge pointed out, "The deliberate organisation of the labour market", which means the establishment of a good system of public employment offices, "is the first step in the permanent solution of the problem of unemployment".


2. Unemployment: A Problem of Industry, 1930. In a later discussion in 'Full Employment in a Free Society', Beveridge included "the controlled mobility of labour", in his list of "Three conditions for full employment", p. 125.
However, the need for having a regular and widespread system of public employment offices has been realized only in recent years. In the early part of the twentieth century, economists believed that the allocation of human resources among the vast number of industries and occupations was governed by the price system. It was believed that price and wage differentials would distribute human and other resources in such a way as to promote the most economical means of producing goods and services. These differentials were presumed to be determined by the relative balance between the supply of, and the demand for, different types of skills in the various local, regional and national markets where workers and employers came together. Differentials in wages and other benefits for workers in the same local market were supposed to induce workers to move from the relatively low to the higher paying jobs among establishments in the same locality and among those in different localities. It was assumed that, besides wage differentials, other factors like relative stability of employment, opportunities for promotion, working conditions, fringe benefits, were also considered by the workers while choosing jobs, in deciding to move from the existing jobs, or in staying where they were.

According to this theory, the system would work through changes in prices of labor and other factors of production without government intervention. Workers would consider the net result of all the advantages and disadvantages of jobs before deciding to change jobs or to accept employment in a particular concern. In the short run, when the supply of skills is more or less fixed differentials in net economic advantages between jobs may exist and even increase. Over time, however, these variations will attract young people to train for the more advantageous jobs and affect the decisions of experienced workers about where they wish to work. Eventually the supply of people for the relatively scarce, highly paying jobs will increase, and competition will bring the rewards close to the relative cost of producing the skills required. Unions may alter the system of payments by securing higher wages and other advantages through collective bargaining. These changes may have as significant an effect on worker mobility as those brought about by competition and supply and demand. It is the end result, however achieved, which is important from the standpoint of resource allocation and the consequent production of goods and services.

This type of theoretical labor marketing system works best when workers have full information about the jobs available, the wages offered and the conditions of employment, and when, on the other hand, the employers know
who is available to fill the openings and where workers may be found. When full information is available to both parties, each is in a position to make choices which will best serve his interests and those of consumers. The theory did not, however, assume perfectly mobile workers. The market system would work at an optimum level when both the supply and demand for labour could be shifted occupationally, industrially and geographically so as to bring about an equilibrium. It was assumed that wages and other conditions could be altered by competition on both sides so as to leave no jobs vacant for long and no large supply of workers without jobs.

The theory of pure competition in the labour market has been greatly modified recently by a variety of factors, particularly the growth of the trade unions and the enactment of minimum wage legislation. It is well known that the job marketing process does not work so perfectly as to bring about a balance between labour supply and demand, with little or no involuntary unemployment. The necessary information about vacancies and available workers is often incomplete or entirely lacking in large areas and the demands for different skills change more quickly than the supply adjustments in a dynamic society. Workers with special handicaps need some organization to help them adjust themselves to the changing labour market conditions.
The basic objective of a system of public employment offices is to supply the information about job markets that employers would like to have but may not be able to get unaided in a complex society; to serve as a broker in bringing workers and job together; to help handicapped persons to adjust to market conditions and to provide information about employment and unemployment as is needed for manpower policies and programmes. In a nation that attempts through governmental measures to bring about full utilization of human and material resources in order to maximise production, the public Employment Service is a logical agency to assume responsibilities for carrying out policies aimed at eliminating unnecessary unemployment. It is a means of overcoming weaknesses in the competitive system of human resource allocation and utilization, and a device for reducing imbalance between labour supplies and demands that private initiative and freedom of individual action seem powerless to deal with. A further evidence of the need for organisations to supplement the normal functioning of the price system in the bringing together of workers and jobs is supplied by the growth of private employment agencies.

In the context of the United States of America it has been pointed out that though there are some reputable and satisfactory private employment agencies,
the majority of them are dominated more by the search for profits than by the desire to serve a great economic need. As early as in 1919, Leschohier's study emphasised the incompetence and inadequacy of private employment agencies. His conclusions were endorsed ten years later by Douglas and Director in their study of the problem of unemployment and were subsequently echoed by many other private and public investigators. The Commission on Industrial Relations came to the conclusion that the private employment agency "business as a whole reeks with fraud, extortion and flagrant abuses of every kind". It recommended abolition or regulation of private employment agencies and creation of a system of public, cost free employment agencies.

It may be useful to discuss here the role of various agencies which brought workers and employers together in India in the past. In the early days of


industry when industrial shortages of labour were not uncommon, employers resorted to various devices to obtain adequate supplies. The chief method of recruitment was then through a system of paid recruiters, variously called jobbers, labour contractors, overseers, sirdars, mukkadams or kanganis. They recruited labour from areas far distant from the factory sites, meeting the expenses of transport of the workers and were remunerated by the management on a Commission basis.

Though the days of scarcity of labour have long been over, the traditional methods of recruitment continued. Reporting in 1931, the Royal Commission on Labour wrote about the position of the jobbers as follows:

"He is primarily a chargeman. Promoted from the rank after full experience of the factory, he is responsible for the supervision of labour while at work. He is not, however, merely responsible for the worker once he has obtained work; the worker generally has to approach him to secure a job and is nearly always dependent on him for the security of that job as well as for transfer on a better one. Many jobbers follow the worker even further than the factory gate; they may finance him when he is in debt and he may even be dependent on them for his housing."

Summarising the abuses of the system, the Commission said, "The temptations of the jobber's position are manifold, and it would be surprising if these men failed

to take advantage of their opportunities. There are few factories where a worker's security is not, to some extent, in the hands of a jobber; in a number of factories the latter has in practice the power to engage and to dismiss a worker. We are satisfied that it is a fairly general practice for the jobber to profit financially by the exercise of his power. The evil varies in intensity from industry to industry and from centre to centre. It is usual for a fee to be exacted as the price of engagement, or of re-employment after a period of absence. In many cases a smaller regular payment has also, to be made but of each months' wages. In other cases workers have to supply the jobbers with drink or other periodical offerings in kind. The jobber himself has at times to subsidise the head jobber; and it is said that even members of the supervising staff sometimes receive a share of the bribe.

The Labour Investigation Committee observed that the system of recruitment in India had grown up in a haphazard manner and consequently there has been no application of scientific principles of labour administration and labour management.

The Committee observed: "Although the Royal Commission condemned the system of recruitment of labour...

1. Ibid., p.24
through intermediaries and some little improvement has resulted specially in cities like Bombay, Kanpur, Jamshedpur, etc., the position has not materially changed. The Bombay Textile Labour Enquiry Committee have stated that even in centres like Bombay and Sholapur where some sort of control of recruitment, specially in the case of badli labour, has been introduced, the jobber has not been eliminated in practice, for purposes of recruitment nor has he even lost his influence over recruitment”.

inspite of the abuses of the system, the Committee, however, was not certain that Indian labour had yet reached that stage of development and mobility where the intermediary for recruitment could be easily dispensed with. Though the Committee admitted the inevitability of the jobber, it emphasised that steps should be taken on an increasing scale to regularise the system of recruitment for industries or put some method into it.

Though the Royal Commission highlighted the abuses of the existing system of recruitment in India, it discounted the utility of employment exchanges as an instrument of reducing unemployment: “Such bureaux, not in the industrial centres but in the areas from which the workers are drawn”.

1. Ibid
2. Ibid
stated the Commission, "might have served a useful purpose in the past... We do not think that it would be wise to start them at a time when most factory owners can find sufficient labour at the gates".

But the Labour Investigation Committee, reporting after an interval of fifteen years, favoured the establishment of employment exchanges at all industrial centres. It was of the view that even if Employment Exchanges do not increase employment, they can remove the abuses of the existing system of recruitment and save employers the trouble and expenses of active recruitment. The Committee emphasised that Employment Exchanges should not be regarded as institutions for the mere convenience of employers but should take their proper place in any orderly system of industrial relations.

It may be stated that inadequacies of the wage-price system and the shortcomings of private employment agencies led to an active movement for the establishment of a nationwide system of public employment offices.

**Growth of Public Employment Service**

Like all formal organizations, the Employment Service organizations in various countries have been established to pursue definite objectives. These objectives are largely similar but the nature of each organization, its structure

1. Royal Commission on Labour, *op.cit.*, p.36
2. Labour Investigation Committee, *op.cit.*, p.82.
and the degree of its adaptability to the conditions and problems of the times have depended on the concepts of its advocates and the environments—physical and social leading to its establishment. Many peculiar facts about existing operations, structure, programme emphasis and even staffing become understandable only in the context of the forces that led to the origin of the organizations.

Before discussing the development of public Employment Service in India, we may here discuss briefly the origin of the public Employment Service in some of the developed countries of the West.

In most of the western countries the Employment Services date back to well before World War I, when in the larger towns of Europe and the United States local offices were mainly intended to cater for the unemployed. The placement of unemployed workers was generally the main objectives of Employment Services in the beginning and remained so for a long time.

Providing jobs for unemployed workers, however, can be accomplished in a variety of ways. In some countries these activities have from the very beginning, whatever the organisational structure or legal status of the employment offices, implied the organization of particular aspects of the labour market or of submarkets within the labour market. Thus, for example, when reviewing the question of the relief
of distress due to unemployment, the Royal Commission on the Poor Laws in the United Kingdom, which had been appointed in 1905, recommended among other things:

"The establishment of a national system of labour exchanges which would assist the mobility of labour, and by directing the spare labour to the centres of demand would reduce the 'misery of tramping after problematical work'; and which would collect and distribute information about employment and unemployment, both for the enlightenment of the individual employer and worker and for the guidance of the central Government in framing its economic and social policy". 1

In the United States also, in the years of heavy migration to the New World at the beginning of the present century, the Federal Bureau of Immigration and Nationalization developed an employment information programme to encourage alien immigrants to settle in centres of potential employment opportunity.

The First World War provided a stimulus in some countries for increased activity in the Employment Services through the mobilisation of national manpower resources. After the war the employment offices' main task was the resettlement of demobilized military personnel into civilian jobs and the re-allocation of labour. In the United States the hastily established placement offices were confronted

with new manpower mobilization problems. Limited knowledge of occupations and industries, however, restricted the effectiveness of the wartime services. The Employment service in the United Kingdom increased considerably in scope and importance during and after this war when new demands for labour market organisation, particularly mobilisation for war industries, developed. After the war, the public Employment Service was the main instrument for resettling those demobilized from the Armed Forces and the former war industry workers in civilian work. Special training and placement arrangements were made for these purposes.

A nation-wide system of Employment Services was established in the United States with the passage of Wagner Payser Act in 1933. This system was designed to organize the exchange of labour market information and to provide for an orderly movement of workers between states and localities. Immediately after the passage of the Act, however, economic conditions obliged these offices to concentrate on the classification and direction of millions of workers to public works and emergency relief programmes. The activities of the Employment Service were dominated in

1. Ibid.
these years by the emergency nature of these employment operations.

In most countries, however, provisions for the unemployed were not limited to placement services. Unemployment insurance schemes were also brought in at the same time. In the United Kingdom, this was done through the National Insurance Act of 1911 and the administration of this scheme became an additional function of the labour exchanges. During the economic depression following World War I and the nineteen-thirties, the public Employment Service became involved in the organization of relief schemes and the administration of unemployment benefits. In the United States the Social Security Act of 1935 stipulated that unemployment insurance benefits were to be paid through a system of public employment offices. Similar developments occurred in other industrialized countries, whereas in the case of Belgium — the depression made it necessary to coordinate placement services and unemployment insurance in the National placement and Unemployment office. The German counterpart — the State Placement and Unemployment Institute— was entrusted in 1927 with similar responsibilities.

2. Baron, op.cit.
Unemployment insurance and placement services were co-ordinated because claimants for unemployment benefits have to be registered and found suitable employment. As the Employment Services had originally been set up to alleviate the hardships of the unemployed by, if possible, finding them employment, it seemed logical to incorporate additional measures for unemployment relief within the existing system.

This development has been of great importance for the functioning of the Employment Services. It has been of particular significance for the type of client the placement offices serve. A large proportion of their activities covered these groups in the labour force in which there were relatively large number of unemployed; viz. unskilled, casual, domestic and service workers. Consequently, the placement services, which had originally been designed as relief institutes for unemployed workers, came in the course of the years to be stigmatised as 'unemployment offices'. Public employment services were looked upon by employers and workers as dealing with less qualified applicants and unattractive jobs.

Increasing importance of placement

During the depression of the nineteen-thirties, Employment Services in most countries were mainly concerned with registering unemployment insurance claimants. Placement service functions, were, generally, of minor significance.
Nevertheless, attention was increasingly being paid to effective placement. For example, in the United States, an occupational research program started in 1934 aimed at analyzing and classifying the vast body of information about industries, occupations and workers in order to provide more efficient placement services for employers and job seekers. This resulted in the publication of the Dictionary of Occupational Titles which enabled the employment offices to classify vacancies and applicants uniformly. This greatly facilitated the selection of job seekers according to job requirements and employers' specifications. Thus, when economic recovery occurred, the placement activities increased in importance and the employment office programs, designed for an effective placement service, were carried into operation. After the unemployment offices of the depression period, a new type of Employment Service developed, the 'Employment Office', exclusively concerned with placement and clearance.

In the early days of the public Employment Services, the main task of the placement service was to provide information to workers and employers on the availability of jobs and job seekers. This mainly entitled registering the

wishes of employers and those looking for employment and trying to satisfy them. For placement to be effective, however, it appeared necessary to widen the scope and activities of the employment services. The British public Employment Service, for instance, was already confronted after the First World War with the need to develop special training schemes for the effective resettlement of war veterans into civilian employment. In Belgium, during the depression years, the public Employment Service was not only concerned with placing the unemployed, but, if necessary, also with re-training these workers for new jobs and giving guidance to young unemployed workers. The placement of workers in available jobs increasingly demands more than the mere dissemination of market information; it also includes their preparation for employment. This means that if the Employment Service is to fulfil the role of a labour market institute, it has to be constantly aware of developments within the labour market and adapt its services accordingly.

This is clearly demonstrated by experience during World War II. The industrial and military mobilisation for the war effort made heavy demands on the employment services in both England and the United States. In the latter, the

federal-state administration was changed into a federal Employment Service, subordinate to the War Manpower Commission, and programmes were developed to secure the full utilisation of the national labour force. The main objectives of these programmes were quick and efficient recruitment, channelling and training workers and potential workers within the nation's labour reserves, control of labour mobility, and the reconciliation of the competing manpower claims of essential industries and the armed forces. In the United Kingdom, the public Employment Service became the principal agent of the government in the compulsory direction of manpower. A central register was made for the effective distribution of the scientific, technical, professional and administrative manpower required for the armed forces, industry and the government. During the war period, 32 million registrations were made for national service and 22 million vacancies were filled in industry. The public Employment Services in both countries demonstrated their usefulness as an instrument of a government labour market policy in an emergency situation. This opened up new perspectives for public employment agencies in the post war period.

2. Baron, pp.xxx.
In the post-war period the new requirements for an effectively functioning labour market have stimulated the steadily increasing participation of the public Employment Service. An employment office with extended labour market services has thus been developing under full employment conditions. The tasks to be fulfilled by the Employment Services in these conditions are many and may, as one expert in the field suggests, include:

- The reduction of labour turnover by expert selection of applicants for the jobs on offer;
- The easing of local large-scale redundancies, by far sighted planning in close cooperation with employers;
- The fostering of labour mobility and the expeditious manning of industry in areas of development by the administration of schemes to assist transfer, by rapid job-information clearance, by a trained job-information, or counselling, services;
- Vocational guidance for newcomers to the employment market, thereby enabling them to make a well-considered choice of occupation and job;

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- Close consultation with industry on the needs for training and re-training in the short and in the long-term and on the provisions to be made for meeting them;

- The efficient development of manpower at the margins of the labour force, such as the disabled and other workers.

In the United States the development of labour market conditions has given rise to other types of services to be provided by employment offices, such as:

- The development and application of aptitude and performance tests designed for optimum placement according to skill and aptitude of individual workers;

- Occupational and job analysis in order to specify the requirement for particular jobs;

- Inter-area recruitment of workers of inter-regional supply and demand conditions develop differently;

- Research and forecast on actual and developing labour market conditions and disseminating information to authorities and employers;

- Stimulating the development of new employment opportunities where these are desirable according to the availability of labour resources;
- Providing training or re-training facilities for workers whose skills have become obsolete or for handicapped or elderly workers who are willing to take a job;
- Providing services to employers by assisting them to apply available employment service materials, techniques and information.

More recently, there has been a tendency in various countries to develop an active labour market policy. This is a consequence of the high rate of technical and economic changes, the increased change and diversification in occupations and the present-day attitude to employment and economic progress which is much more ambitious than before the war. The high political priority attached by all countries to the goal of full employment without inflation makes an active manpower policy even more pertinent in solving the problems of structural change and coping with inflationary tendencies. In 1964 the O.E.C.D. Council adopted a recommendation for the re-examination of manpower policies with a view to increasing the ability to solve employment problems created by technical and economic change. Along with fiscal and monetary policies designed to maintain high levels of employment and business activity, it was observed that there is a need for more specialised and selective measures.

creating jobs in labour surplus areas and encouraging
the flow of manpower from such areas to expanding indus-
tries. It has become increasingly evident that if full
employment is not to be accompanied by rising prices and
deterioration in the balance of payments the available
manpower resources must be used efficiently, and no country
can do this without an active labour market policy.

The term 'active' or 'positive labour market policy'
denotes a programme of policy-making and active initiative
by the government or some other central authority, which is
integrated with general fiscal and monetary policy and
promotes the smooth functioning of the labour market under
full employment conditions. This means assisting individual
workers, managements and communities to adjust themselves to
new developments. This would imply, for example, the removal
of obstacles to mobility so that unused manpower resources
are brought into employment and inflationary pressures,
resulting from labour shortages in expanding sectors,
comparable to other types of investment, requires more
attention and programming.

   Policy as a Means for the Promotion of Economic Growth,

2. What should be the relation between the public employment
   agency and the unemployment insurance system?
   Supplementary Information—Labour Market policy in Canada".
   International Management Seminar on Public Employment
   Services And Management(Paris, 1966).

3. Rehn, op. cit., p. 3.
Labour market activities are no longer considered as incidental activities. They are part of a general economic and social policy designed by a central authority to meet the needs of an expanding full employment economy. The role of the public Employment Service has changed accordingly. It is not merely a placement centre taking orders from employers and applicants, nor is it a public agency providing incidental services to those who may need them. The public Employment Service is the main agency for implementing and co-ordinating labour market policy. This means that the Employment Service has to be fully aware of what is going on in the labour market. It investigates actual and expected developments, analyses existing problems, designs programmes to solve them and implements the policies designed. Its task is moreover, to inform the governmental and policy-making authorities about conditions and developments in the labour market, to see the manpower considerations are fully taken into account and co-ordinated with the general social and economic policy and, in addition, to help achieve these general policy objectives.

This development has given rise to a new type of Employment Services. At the local level, the employment office has developed into a community manpower agency. Services are provided for all groups. To the individual worker, facilities and opportunities are offered through counselling, training, social, financial and technical assistance, inter-area exchange of information and placement
in accordance with capacities. To the employer, it can provide assistance in defining and re-defining his needs, specifying job requirements, organising and staffing his plant, identifying job relationships (and so facilitating the setting-up of lines of transfer or promotion), and in recruiting and selecting suitable workers. To the community, the Employment Service is a source of information and assistance in balancing its manpower supply and demand.

Manpower development requires the analysis of present and future needs of manpower in the community. The Employment Services make comprehensive inventories of available skills, which are used as a basis for judgments on future developments. In order to achieve a balanced development of supply and demand in the community, school and apprenticeship authorities, local employers and unions are approached to establish co-ordinated manpower training and development programmes.

At the national level, the public Employment Service is an integrated part of central policy-making and the main instrument implementing these policies in the labour market. In active labour market conditions the employment service develops into a national economic stabiliser labour market organisation. In this function the Employment Service covers

the whole gamut of manpower policies and this is, perhaps, best illustrated by the Swedish labour market organisation. The Swedish public Employment Service is a comprehensive system covering the whole country and carrying out a wide variety of functions, such as: gathering information on labour market conditions and developments, promoting geographical and occupational mobility of labour, maximising the available supply of manpower (by exploring and mobilising new sources of labour supply), evening out seasonal and cyclical changes in employment, stimulating the location or re-location of industry in labour surplus areas, co-ordinating other central and local government agencies' planning of public works, supervising unemployment insurance schemes and controlling the entry of foreign workers.