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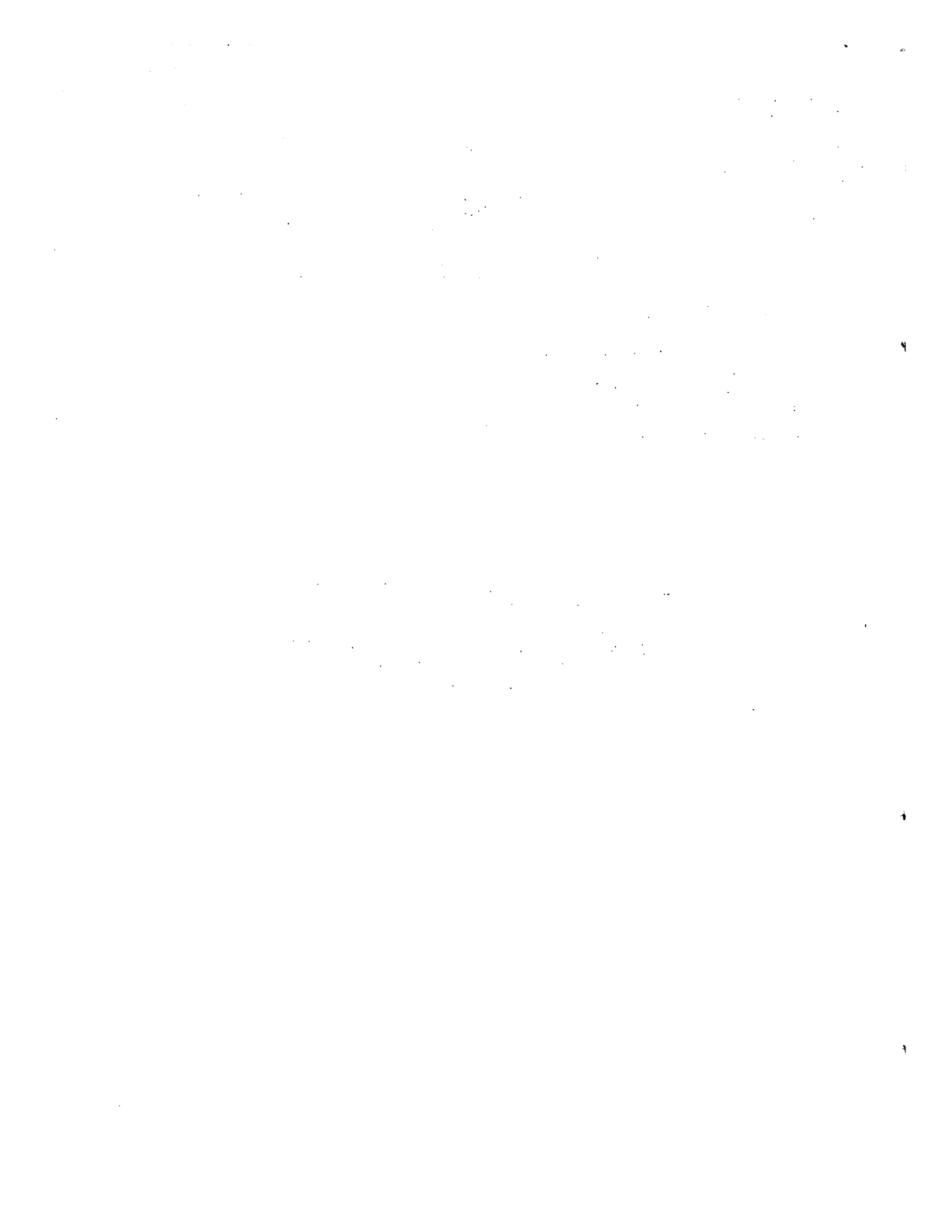
LATIN AMERICAN SYMPOSIUM ON
INDUSTRIAL DEVELOPMENT

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Santiago, Chile, 14 to 25 March 1966

I.L.O. PRODUCTIVITY AND MANAGEMENT DEVELOPMENT
PROGRAMMES IN LATIN AMERICA

Prepared by the International Labour Office,
Management Development Branch,
Human Resources Department



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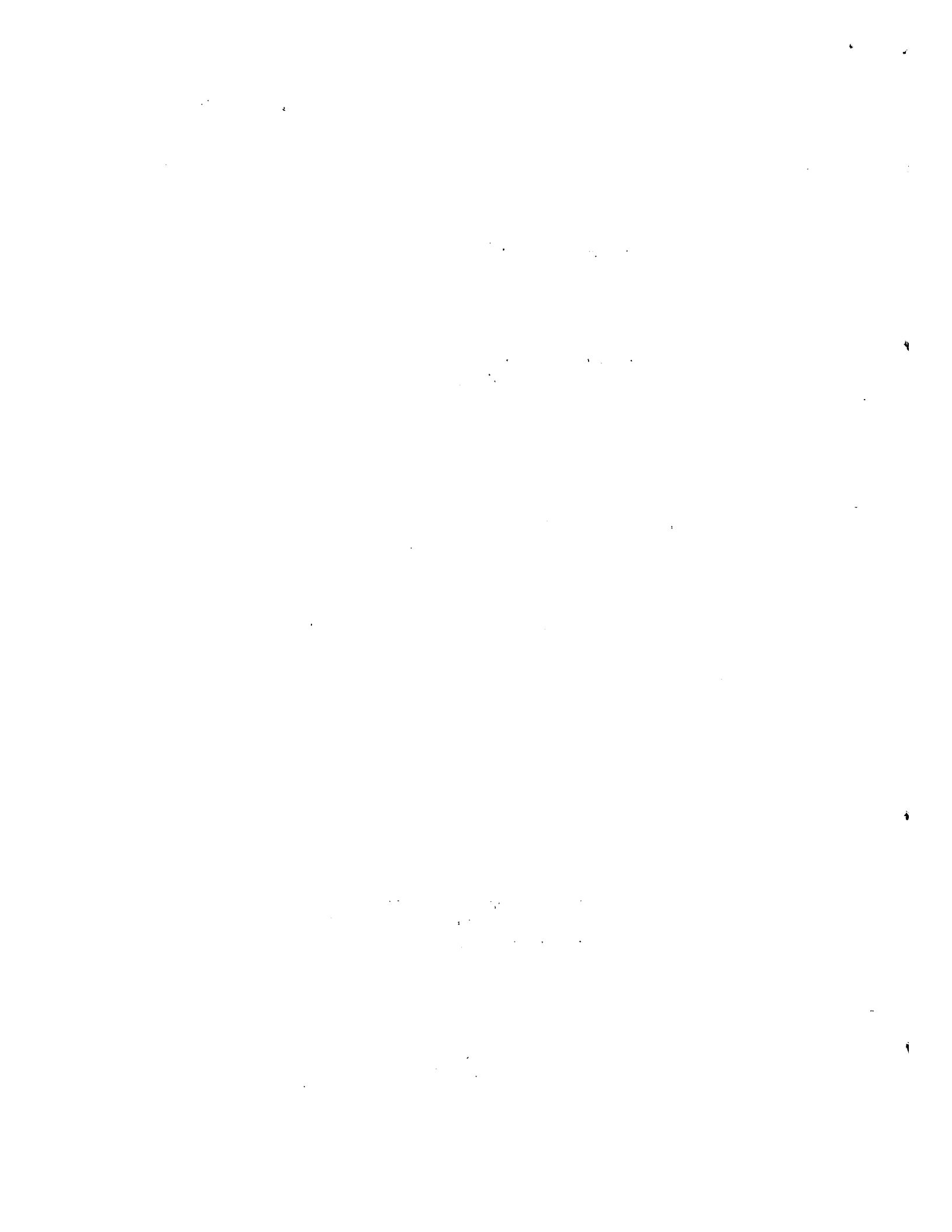
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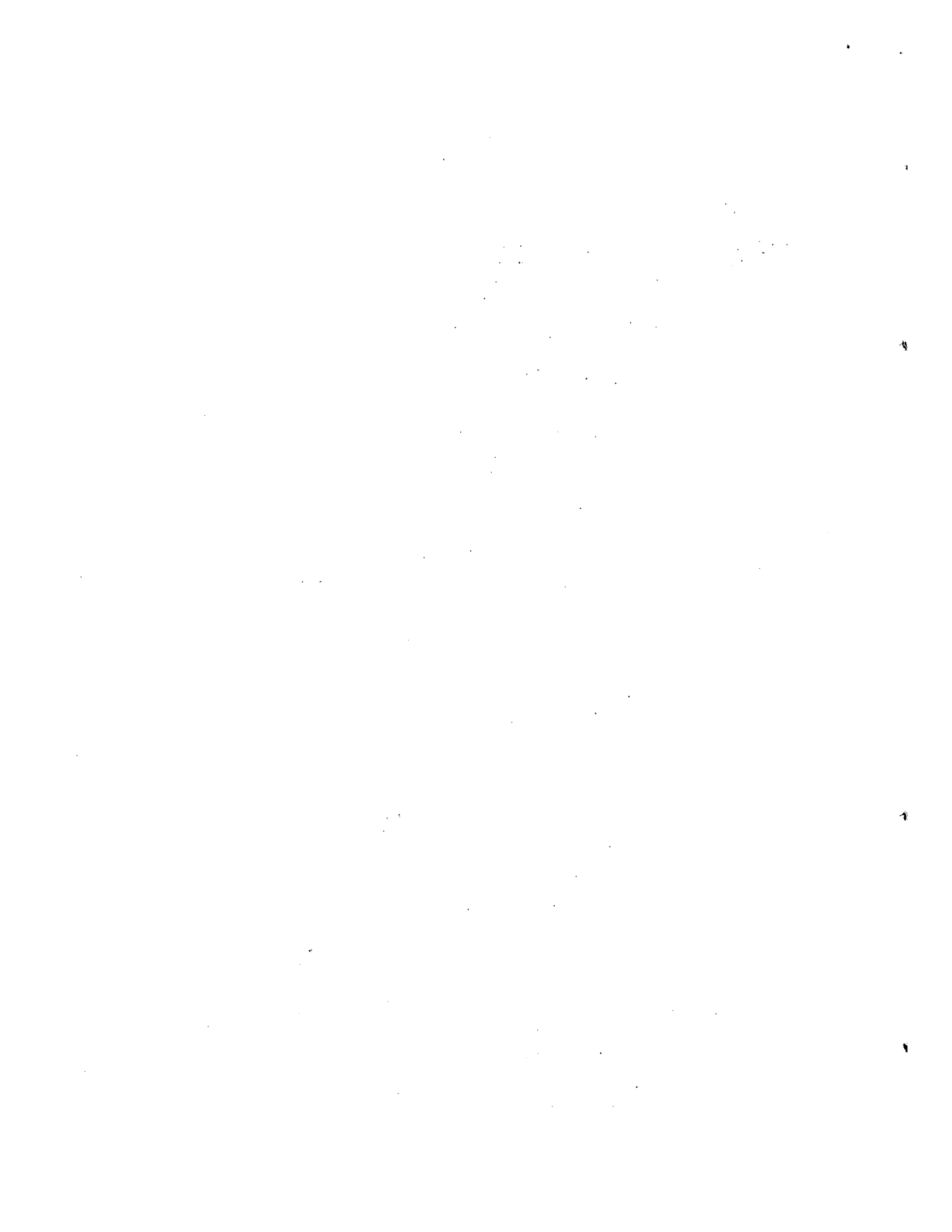
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I.L.O. PRODUCTIVITY AND MANAGEMENT DEVELOPMENT PROGRAMMES IN LATIN AMERICA

INTRODUCTION

1. Why should the I.L.O., whose primary concerns are generally held to be improving the working conditions and the standards of life of the workers of the world, concern itself with the development of managers?

First of all because better management implies in the very words better working conditions, better remuneration, better training of workers at all levels and better relations between managers and men. It means better chances of continued success for the enterprise and thus better chances of stable employment, because the decisions and actions of the management, especially of those at the top, are of vital influence to the well-being of the enterprise and all who depend on it for their livelihood.

2. Secondly, the I.L.O., as a member of the United Nations family, is concerned to play its full part in the general raising of the standards of life of peoples of the world, especially those in countries still in comparatively early stages of economic development. A major part of the I.L.O. share of responsibility in this field lies in the development of the skills of people, especially people in industry, agriculture and other sectors of economic activity, so that they may contribute to the best advantage and to the limit of their respective abilities to the development of their countries.

3. Since 1956 the I.L.O. management development and productivity services have been active in Latin America, assisting national institutions concerned with training of managers and specialists for the present and future industry of the region. Altogether in the bi-annual programme of 1965/66, nineteen I.L.O. management development projects were provided in Latin America and the Caribbean. This number includes 3 larger missions up to ten international experts. At present four new larger missions are either being launched or are in preparation. These current and planned activities are discussed below together with some suggestions as to the broader potential contribution which the I.L.O. can make to Latin America's progress by helping to develop the region's managerial resources. These new suggestions are based on I.L.O.'s worldwide experience in the strategy of human resources development in the managerial sector.

4. Initially organised in 1952, the I.L.O.'s management development programme, now associated with assistance to small-scale industries, at present operates missions in 40 countries, involving about 190 expert-posts as well as a substantial body of management specialists at Headquarters. The small industries programme, which is dealt with in a separate paper, represents a further activity of comparable size.

I. PRESENT I.L.O. MANAGEMENT DEVELOPMENT PROGRAMMES IN LATIN AMERICA

5. Managerial skills are among the scarcest resources of developing countries, and Latin America is no exception. Undoubtedly, the limited pool of managerial talent especially at the top is one of the most critical factors in Latin American industrial development. The gap occurs both in modern management methods and in the capacity of leadership, the ability to produce ideas and to get people to carry them out willingly. Successful industrialisation depends first and foremost on leadership in senior positions of public administration as well as of industry. It may range from the directors of large publicly owned enterprises to the smallest unit in the private industry.

6. Related to management development is the important question of the level of individual initiative in the country - the readiness to take risks and motivation in matters of new industrial ventures. Public policies and attitudes may play an important role in creating the necessary climate.

7. Finally industrialisation depends also on the ability of nations adequately to staff the rapidly growing public agencies concerned with industrial development. In many cases administrators in such agencies must acquire knowledge and experience similar to that required by industrial managers themselves, not to mention the fact that in some countries enterprises devoted to both public services and actual manufacture are often controlled by the government.

A. DESCRIPTION AND OPERATING THEORY OF CURRENT PROGRAMMES

1. The importance of "Post Experience" Training

8. What kind of training is needed to contribute to industrialisation within the foreseeable future, say the next ten years? Where do managers come from in general? One source is in the industrial tradition and collective experience of the country, i.e. a record of several generations of activity in manufacturing, commerce, transport, more extensive handicrafts, banking, etc. The kind of background is rather in short supply in Latin America.

Another source is immigration of persons with managerial or entrepreneurial experience. Thirdly, direct foreign investment where experienced foreign manufacturers establish branches or joint ventures in the developing countries is undoubtedly an important source of managerial skills. Nevertheless, even these establishments have to train local people to be managers. In fact the possibility of having national managers trained on the spot for the operations is often an inducement to foreign investors. In this connection it may be actually mentioned that many foreign companies have sent their executives to I.L.O. sponsored training programmes in Latin America.

9. In the long run an important source of managerial skills is, of course, modern education in business administration. Some such schools have now been established in Latin America but this is a most recent development so that the graduates of these schools are barely beginning to enter industry. Clearly at least ten years must elapse before some of these young men will be able to rise to positions of responsibility. Meanwhile, traditional Latin American education has not concerned itself with management subjects and in fact except for some engineering schools, little training has been provided which would apply to industrial occupations at all. The problem may also be aggravated by prevailing motivation. Until recently the more gifted young men were generally unlikely to think of industrial or business careers as being desirable.

10. In view of this it is clear that the main possibility of making an impact in industrial progress in the near future is to undertake an intensive build-up of what is now known as "post experience" training. As the term "post experience" implies, training is offered to managers or specialists already working in the industry concerned or to other persons with established experience in other fields who would then assume managerial functions in industry. Programmes of this nature are relatively new. In fact the first programme of this kind was started in France only in 1932. In the U.S.A. the first advanced management programme was offered in 1943. In developing countries such programmes were undertaken only in the last ten years, when the I.L.O. frequently assumed the role of pioneer in this novel form of training. On the other hand, since the programme was started, and particularly during the last five years when many larger missions were established by the I.L.O., valuable experience has been gained both in the content of the programmes (including the adaptation of material to specific conditions of the developing economies) and in the varieties of programmes required by the process of upgrading the managerial resources in the countries concerned. This experience is now being conveyed to national institutions to which the I.L.O. missions are attached, usually national productivity institutes or centres.

2. Management Courses

11. The most important target of the I.L.O. training courses is, of course, top management on whom so much depends, because top management has the power of decision. Since, however, managerial resources are extremely thin in developing countries, experience shows that the top managers are seldom able to attend integrated residential courses. Hence it has become necessary to develop a variety of more rapid programmes, seminars, symposiums and other shorter events in which it at least becomes possible to give the top executives an appreciation of modern management methods and obtain their support for the further development of their subordinates, juniors managers, specialists or industrial supervisors.

12. Junior executives and specialists can then be trained in longer integrated courses comprising a full range of modern management subjects. Frequently a strong practical component is built into such programmes whereby the participants are called upon to solve specific problems within the context of their own enterprises. Finally an important phase of I.L.O. activities is that concerned with the "training trainers". Recently this form of activity has been expanding considerably. It includes courses for training officers within larger enterprises, extensive programmes for the personnel of productivity centres and other similar institutions, and finally shorter courses for various specialists of development banks, small-scale industry institutes, staff members of industrial associations, as well as many government institutions concerned with development.

13. In addition to direct training, other activities are constantly being designed to meet the requirements of specific circumstances. These special activities may range from seminars where top leaders of industry discuss over-all problems of productivity in the country, or other problems such as exports. Another group of programmes may include appreciation courses and/or training for union leaders as well as informative conferences for workers representations from individual enterprises designed to give them an understanding of productivity problems and of modern techniques for dealing with them. In some countries work in interfirm comparison and productivity measurement has been undertaken. This last group of programmes is expected to fulfill the twin purpose of informing the sectors of industry about their performance (firms are compared with each other or with similar industries in another country) and of assisting national planning authorities by supplying productivity data on a sector which may be of special importance for development or which is a bottleneck. Broadly speaking various specialised programmes designed to assist improvement of productivity in ways other than the regular training courses are referred to as "productivity programmes", whereas

"management development" may be visualised in terms of organised training courses. In practice, however, the two terms are inseparable. It must be stressed here that all major productivity and management development missions of the I.L.O. and most smaller ones are attached to national productivity centres or similar institutions to ensure continuity and development of activities once the international staff has left.

3. Decentralisation of Activities

14. In the last year or two an intense effort is being made in Latin America to decentralise productivity and management development. For example, the Venezuelan and Argentinian productivity institutes have prepared projects providing for extensive help to local industrial development in six and seven selected regions of the country respectively. The I.L.O. is assisting both these programmes by helping to organise courses and seminars in the provinces and in bringing about closer co-operation with such institutions as provincial universities, chambers of commerce, local government entities, etc. Help in spreading the availability of industrial credit throughout industrial centres is included. It appears that this movement towards geographical decentralisation and establishment of local productivity centres in the various developing areas of the country will intensify even more in the future to the point where in due course it will also play a part in rural development.

4. The importance of Management and Productivity in Economic Growth

15. Finally it may be said that the worldwide intensification of the I.L.O.'s programmes in productivity and management development results largely from the growing appreciation in the economically informed opinion of the relative importance of the management factor in the formula of economic development. Only a few years ago economic growth was analysed in terms of two principal factors. One was the increase in the numbers of persons working; the other was the use of more capital. Management was seldom given sufficient importance.

16. More recent studies both in Europe and in the United States have revealed that effectiveness in the use of resources and skills is probably the most important single factor. In the United States authoritative studies went as far as to assert that the economic growth in the United States since 1930 is only in one-third traceable to direct increase in labour and in capital. The remaining two-thirds of growth, the studies concluded, occurred thanks to the constant improvement in the efficiency with which material resources and human skills of the country have been employed as well as the quality of resources used and this is principally

due to the action of management ¹⁾.

17. The above source reveal that managerial action accounts for a very large proportion of economic growth (for example, more efficient use of materials and capital equipment, better allocation of labour and materials and capital equipment, better allocation of labour and materials, improved quality of capital goods and tools employed or of industry sponsored research and development). Other growth factors are those of economies of scale (a problem related to economic integration or freedom of trade), the rise in the general level of education and progress in basic research and development, with which this paper is not concerned.

18. Thus, in general, as the qualitative aspects of industrial development become better understood, they are now held to be more important than was recognised in the immediate past. Even now they are not always given sufficient weight in economic planning. Within the framework of present policies the I.L.O.'s management and productivity services can of course intensify their contribution to industrialisation. Nevertheless, in many ways these programmes can diversify and lead to a much better impact if supported by conscious policies of government (for example, the stressing of regional development in each country providing for staff development programmes in the initial stages of new industrialisation schemes, the redesign of tax incentives to increase exports, etc..). These and other problems certainly deserve close attention of the international agencies. Specifically it might be incumbent upon the U.N.C.I.D. to examine the policies of Latin American governments and to undertake steps likely to bring about changes in public policy where they would be beneficial. In this reappraisal of policies the I.L.O. management and productivity services can assist by sharing their practical experience and insight into the workings of the industrial apparatus in Latin America with which it is familiar thanks to numerous missions now closely working with the industrialists and organised labour within the region.

1) Edward Denison: The Use of Economic Growth in the United States and the Alternative before Us;

John Kendrick: Productivity Trends in the United States;

Theodore Schultz: in Journal of Political Economics,
October 1962.

B. I.L.O. MANAGEMENT AND PRODUCTIVITY PROJECTS
IN LATIN AMERICA

19. It may be useful here to review briefly some of the I.L.O.'s technical co-operation projects for management development now in operation in the various countries of the region, including some perspectives of action to be taken in the future.

20. In Argentina, a project to help in setting up the Argentina Productivity Centre in Buenos Aires, financed from the Special Fund, has been functioning since 1960. A team of experts in all fields of management, numbering ten at its maximum strength, has been attached to the Centre and has carried out a wide range of training and other activities not only for the staff of the Centre but also for the staff of other institutions in Argentina in the management field. Seven centres for management development and productivity are being set up in the provincial areas. Two of these are already in operation.

21. Discussions with the Government of Brazil with the view of providing technical co-operation in management development have recently been in progress.

22. In Chile, an I.L.O. senior management development expert attached to the Servicio de Cooperación Técnica has currently initiated a series of study groups for exploring the scope of increasing Chilean exports. A large Special Fund project about to start envisages assistance in depth to selected sectors of industry by a team of international experts in the different aspects of management development.

23. I.L.O. assistance to the countries of Central America in the field of management development and productivity improvement dates from 1956. At present, I.L.O. experts are stationed in Guatemala (2), El Salvador, Honduras, Nicaragua and Costa Rica, with a Chief of Project covering the region as a whole. An itinerant Seminar for Top Management organised by the I.L.O. in 1964 enabled industrialists participating in the Central American integration scheme to follow an intensive course in management development, and acquaint themselves with industries and business prospects throughout the Central American common market.

24. A project for establishing a Central American Regional Productivity Centre is now in preparation.

25. Colombia has received assistance in setting up a productivity centre, and two experts in management development have been attached to the Ministry of Labour, one of them for the last three years. In Jamaica and Puerto Rico short survey missions have been carried out in management development and

productivity improvement, and the Government of Jamaica has requested co-operation in setting up a national productivity centre.

26. Management development has been well established in Mexico for some years, and the Mexico Productivity Centre has provided experts in this field to the I.L.O. The I.L.O. has recently given the Centre assistance to develop its work in particular fields, such as management accounting.

27. An I.L.O. expert in management development was attached to the National Productivity Centre in Peru in 1959 and further expert co-operation was given in 1964.

28. A project for setting up a management and productivity development centre in Trinidad began in 1965. Uruguay has received co-operation in productivity improvement during 1963-64 and further co-operation specifically to help raise productivity in the textile industry is being provided in 1966. The I.L.O. has been providing assistance to the Venezuelan Institute of Productivity over the last three years under a Funds-in-Trust arrangement. A much larger project financed from the Special Fund is now in operation. It covers the whole field of management and includes special provision for assisting in the promotion of productivity in provincial areas.

II. POTENTIAL CONTRIBUTION OF THE I.L.O. MANAGEMENT DEVELOPMENT SERVICES TO INDUSTRIALISATION IN LATIN AMERICA

29. Unquestionably the impact of the I.L.O. management development and productivity services on industrial progress in Latin America can be substantially increased thanks to a wide range of specialised programme possibilities.

A. BROADENING OF "TRADITIONAL" PROGRAMMES

30. First of all it will be useful to examine the potential contribution which may result from a diversification or modification of the programmes already practised in some form in Latin America.

1. Growth Potential Enterprises

31. One of the fields where a new approach can be expected to be fruitful is in giving priority (in terms of managerial assistance, training, technological help, as well as credit) to enterprises which show a definite potential for growth. As

is well known, in any group of industrial firms some will be more dynamic than others and in a situation where rapid industrial growth in a country occurs there are only a fairly limited number of undertakings which will be able to take advantage of the opportunities and grow into larger industrial units. These "growth-potential enterprises" should be singled out as the principal candidates for assistance.

32. A comment as to how this activity ties in with both the "traditional" productivity programmes and industrialisation may be in order. This form of assistance to industrialisation implies two things. One is the assumption that the expansion and diversification of existing enterprises is in effect the most important source of industrial growth. This at any rate applies in the more advanced countries where a certain industrial plant already exists. Secondly, it goes without saying that expansion and diversification are among the basic functions of management in general and therefore detailed studies of these subjects should form an integral part of the programmes in the I.L.O. missions and in the national institutions such as productivity centres.

2. Sectorial Management Development Programmes

33. The I.L.O. experience in other areas of the world and recent preliminary work in Latin America indicates that the so-called sectorial approach to industrial development may be very desirable. There is evidence that industrialists are more responsive to projects where their common interest will act as a stimulus to discussions and where corrective action will likely benefit the sector as a whole. For example, productivity measurement and interfirm comparison programmes in Argentina have evoked a particularly lively response on the part of the managers. Equally encouraging are the programmes of this nature in Peru where productivity services did extensive pioneering work in this regard.

34. Secondly, it appears logical that sectorial work may also lead to organised co-operation of industry with the national institutions of economic planning. Discussions along these lines have revealed for example the willingness of some employers to undertake a practical follow-up of economic reviews of individual industrial sectors, prepared by E.C.L.A. Once the broad economic studies by E.C.L.A. were completed, the group representing industry (particularly employers, but also including workers' representatives)

would develop the study further; using the practical knowledge available in the key enterprises of the sector, the industrialists may be capable of coming up with a specific programme of development for their branch of industry to be discussed and co-ordinated with the planning authorities.

35. Thirdly, it may become advisable to set-up some sectorial programmes from the earliest stages of processing in order to include the raw materials which may be indigenous in a given country, for example cotton, iron ore, other minerals, etc. A study is at present being made in a sample industry, outside of Latin America, in an attempt to design a project which will embrace the entire sector from the earlier stage of extraction or production to the final product.

36. It is important to emphasise that in either of the three possible approaches outlined above extensive management training and a considerable promotional effort will be required. As in all productivity programmes, the acceptance of change by management and labour is the condition of success. This also is a reason why at least one third of the time of productivity and management services is devoted to promotion. This aspect cannot be overestimated, and it should be underlined very strongly that promotion of this nature is a highly professional affair.

3. Encouragement of New Industries

37. The programmes discussed above presuppose that expansion and diversification of existing industrial undertakings will account for a large share of industrial development, at least in the more advanced countries. Nevertheless, there has also grown in Latin America a whole series of activities designed to attract foreign investors, to create mixed foreign and domestic enterprises, or to encourage new national industrial ventures. In this connection it becomes necessary to bring about closer co-operation between the I.L.O.-assisted productivity institutes and national development agencies ("Corporaciones de Fomento").

38. In the Caribbean the corresponding institution is the "Industrial Development Corporation" (I.D.C.) whose pattern of operation deserves to be briefly mentioned here. The Caribbean I.D.C. was set up primarily as an institution designed to attract foreign investors. This approach

has been successful in some of the Islands. In due course, the projects of the I.D.C. also covered the promotion of new national enterprises and it was soon found that training of local managers and specialists was often required, together with occasional direct consulting assistance. Finally, some credit schemes for small-scale manufacturing industries were also added. This being the case, it became quite logical that productivity services and management development centres should be implanted within the framework of the I.D.C. and so an interlocking relationship between industrial promotion and productivity was quite readily created.

39. Development in Latin American countries was different in this respect. The concept of Corporación de Fomento came into existence long before productivity services were thought of. As a result the Corporación de Fomento acquired its own momentum and often became, in proportion to local conditions, an industrial giant. By now, however, it is apparent that in some countries the development of physical industrial resources has far outrun the availability of skilled human resources and the approach followed by the Corporación de Fomento may have to be revised. If so, the emphasis might well be shifted from intense creation of new productive assets to efforts designed to improve the productivity of the firms that were already brought into being with the Corporación's assistance. Secondly, it might be recommended that adequate staffing of new industrial projects be envisaged right at the inception of the project, with appropriate plans made at that time for management training. Furthermore, it is recommended that a set of standards of managerial performance be made part of the government-sponsored industrial programme. It is possible for productivity centres to work out standards of performance applicable to specific industries. Some centres have done work in interfirm comparison and productivity measurement and the I.L.O. can provide assistance in this respect to those centres which still need it.

4. Management Consulting

40. Undoubtedly the development of consultancy must closely parallel industrial growth. While management training and development are essential to provide the basic knowledge and specialised services which managers require to run their enterprises efficiently, experience in industrialised countries has shown that this is not enough.

The recent extensive development in Europe and the United States has shown that the appearance of advisory groups specialising in various phases of industrial operations forms an indispensable part of the "human infrastructure" of development and these have grown parallel to the growth of management development facilities. This is not surprising, because the more knowledgeable managers become about their jobs the more they become aware of the need for specialist assistance in specific areas.

41. In some Latin American countries management consulting firms have not always been very successful in finding a sufficient number of clients. This reflects the resistance on the part of industry to accepting outside assistance, because of a lack of realisation that assistance was needed. For this reason some of the I.L.O. programmes in Latin America have been stressing the need for the setting up of management consulting services and have in fact held courses for consultants.

42. It would help the development of sound consultancy if government and public service organisations would employ their services more frequently. It might be possible and even preferable for a Corporación de Fomento to "farm out" consulting work rather than to build large staffs of their own for such tasks as assessment of markets or managerial assistance to firms which get into difficulties or which are being established.

43. The development of consulting firms may also be encouraged by creating mixed advisory companies. There are, for example, a number of North American or European consulting firms which have deservedly excellent reputations. Co-operation with some of these firms would benefit the developing country. In order to create national counselling talents, a pattern of mixed consulting companies might suggest itself. Such companies should then be encouraged by long-term contracts from government organisations. In all these programmes the productivity centres could act as initiators and co-ordinators.

5. The New Enterprise

44. By and large the Corporación de Fomento type of operation has concentrated on the creation of larger industrial units. In other cases foreign or domestic firms already in existence received assistance to expand or diversify. Seldom were these programmes, so far, concerned with the creation of completely new enterprises, particularly in small-scale manufacturing. Yet present-day opinion among those concerned with economic development increasingly leans towards the view that such ventures should be strongly encouraged. It is felt that it will be beneficial for industrial growth and to the promotion of employment to induce men to become industrialists or to take up the challenge of small-scale manufacturing, in short to awaken in the country the spirit of individual enterprise.

45. So far programmes of this nature have not been very successful in their initial stages. In one Latin American country, for example, after extensive market research a list of desirable new products was drawn up and the quest for suitable prospective entrepreneurs instituted. The results of this pilot programme did not meet the expectations. Even in the United States, programmes of similar nature have ended up with only a small percentage of those attending ever going into individual business. It is, therefore, inevitable that such programmes in Latin America will require a very wide "coverage" whereby the promotional services will canvas a large variety of prospects ranging from the distributive trades, through handicraft to professional associations. It may also be advisable to organise lectures in the universities and technical schools on problems and potential rewards of individual enterprise. The whole subject is alien to the traditional outlook of most students. Learning about the workings of business may attract a number of venturesome individuals into industry, while the others will in any case be better citizens of a modern country if they have a more concrete notion of what industry is all about.

B. NEW TYPE OF PROGRAMMES

1. Industrialisation, Agriculture and Infrastructure

46. Is it possible to have successful industrial growth without effective agriculture? Historically the case of the U.S. would demonstrate that industrialisation must go hand in hand with agricultural growth, (which in the United States was also combined with the opening of the interior). Also the more recent post-war economic development in Canada is a striking illustration that the economic tenet of "balanced development" indeed holds true. The fact is that the post-war development in Canada is characterised by the parallel growth in three main sectors: industry, agriculture and mining. The same may apply to Latin America with the difference that Latin America has more mouths to feed and therefore must consider agricultural development as being even more important.

2. Opening the Interior

47. Latin American economic development, though impressive in certain centres, is in general confined to the fringes of the Continent. With some exceptions, the vast hinterland beyond the coastal belt is not only underdeveloped, but in a large measure unexplored. It certainly contributes only a fraction of the wealth and occupational opportunities which the Latin American countries need for their industrial development and in order to absorb their fast-growing population. The opening of the heart-land is the central problem of Latin America's economic development and in fact of industrialisation. Agricultural progress must be treated in this context. In what way can the I.L.O. management development and productivity services contribute to this paramount task? Based on experience in other parts of the world three basic fields of application may be mentioned.

3. Economic and Physical Infrastructure

48. Both the opening of the interior and the programmes of industrialisation require redoubled efforts in the modernisation of commerce, transport, and distribution as well as in public works of all kinds. Industrial development will also bring into being, in fact must bring into being, a number of intermediate institutions such as new industrial associations, local Chambers of Commerce, and

inevitably more government agencies. All these new activities must be staffed by newly created executives and administrators. Undoubtedly, therefore, training must be expanded in order to develop competent men in the many fields of these "industry supporting activities".

4. Labour Intensive Public Works

49. Another form of potential assistance in Latin America's rural development is that already tested in I.L.O. earthmoving operations in Asia. Although originally these techniques were developed in Asia where a large number of unskilled men required some form of employment, it now appears that the system also applies in Latin America where there are, in some countries, numbers of unemployed or underemployed, unskilled persons. The launching of such programmes in Latin America therefore should be thoroughly explored, particularly in view of the fact that the opening of the interior is in effect one vast engineering operation requiring the construction of railways, roads, electrical installations, tele-communications, housing, etc.

50. Currently the I.L.O. is operating two types of projects of this nature. The first involves the creation of national centres for research, training and productivity in public works. The essence of the programme is that many earthmoving projects can be conducted predominantly with hand labour (therefore avoiding the use of expensive imported machinery) at a cost which can be equal to that of mechanised operations provided that the organisation of work, the development of proper hand tools, the training of work squad leaders, etc. are done competently and on a sufficiently large scale. However, it is recognised that manual labour cannot compete in all fields with machines and a part of the training offered by such centres would be in the operation and maintenance of earthmoving machines. The second type of project concerns the assistance in the field of low-cost housing and of self-help-roads, i.e. feeder roads which can be constructed by local populations predominantly with manual methods.

5. Special Programmes Geared to E.C.L.A. Priorities

51. The suggested programmes discussed under this heading are based on E.C.L.A.'s recommendations contained in the paper: "El Proceso de Industrialización en América Latina", document E/CN.12/716, 10 April, 1965.

(i) Economic Integration

52. As pointed out in E.C.L.A.'s paper the economic integration of Latin America is indispensable for the rational growth of the capital goods industry which otherwise cannot benefit from economies of scale. Needless to say the economic integration would also greatly assist the growth of inter-American trade based on the comparative advantages of specialisation. The I.L.O. management development and productivity services can help integration and inter-American trade in a variety of ways. Integration is not only a question of tariffs or inter-government agreements but also must be implemented in a practical manner at the level of individual enterprises.

53. As mentioned briefly earlier in this paper, in an itinerant seminar in Central America a group of industrialists from all the countries of the Central American Common Market and Panama travelled throughout the area for five weeks, meeting local businessmen in each of the capitals, visiting local factories and in general becoming familiar with business conditions and specific marketing opportunities in their new Common Market. To most of them this organised business travel in the neighbouring republics was a real eye-opener.

(ii) Export Management Training

54. The projects involving the setting up of facilities for training in export management are under discussion in certain Asian countries, possibly as extension to existing productivity centres. The I.L.O. might undertake similar projects in Latin America. It is envisaged that they will involve training in export management of industrial executives as well as men from appropriate government agencies, and from industrial associations. The training would cover market research, traffic, documents, payment problems, as well as product development suitable for foreign markets and sales management. In addition such projects would endeavour to set up export committees within selected industries so as to mobilise the industrialists themselves for this important work.

(iii) Priorities in the Consumer Goods Industries -
Importance of Marketing

55. The E.C.L.A. makes the point that one of the conditions for more effective industrial development in

Latin America is the acceleration of growth in the "traditional" industries (for example, textiles and clothing, footwear and several other consumer industries). It is also economically useful that the traditional industries tend to employ more labour per unit of output and therefore would absorb more of Latin America's excess labour. At the same time the traditional industries must be made more efficient, since their primary purpose is to supply goods at popular prices. Hence the need for a renewed productivity drive in selected consumer industries (possibly combined with introduction of new intermediate technology adapted to Latin American conditions).

56. It will be necessary to intensify marketing training in order to develop internal consumption which is still lagging. In the first place the traditional industries should be induced to design new and cheaper products so as to better meet the limited purchasing power of the lower income groups, while complying with their tastes and habits. For example in Central America a successful attempt was made to develop an enriched flour particularly suitable for the cooking habits of the Indian population. Next it is important to improve distribution both in the physical sense, i.e. transport, and the marketing sense (the development of outlets suitable for rural populations).

57. In all these activities marketing information will be vitally needed. At the moment this is one of the weaker points of industrialisation in Latin America. Modern marketing requires, for example, detailed data of the structure of purchasing power throughout the country. This is seldom available in Latin American countries. Also needed are commercial atlases and other data on trading areas and distribution structure. Market auditing firms which study the retail sales, report on the radio and to television audiences, etc. operate in Latin America only in a limited way. Thus little sampling of tastes and buying habits in the interior has been undertaken except in one or two larger countries. These, and similar activities can be undertaken by productivity centres, marketing associations and other institutions so as to develop in the country, possibly in association with business schools, a depository of marketing knowledge which would be available to all those concerned with marketing of cheaper products distributed for consumption by lower income groups.

58. In this connection it may be stated that the stimulation of consumption is undoubtedly an important aspect of industrial growth. There is, in fact, evidence that intense promotion speeds up the tempo of economic life (for example by increasing the trade turnover), and brings forth new consumption of industrial goods, may prompt the farmers to increase yields in order to buy industrial goods. Also a link between labour productivity and effective sales promotion is undeniable, for the availability of suitable consumer goods (priced within buying range of the working man and of his household) are a stimulation for individual performance, particularly where payment by results schemes are in operation.

6. Public Enterprises

59. A challenging and potentially very important contribution of the I.L.O. in Latin America may lie in the management of publicly-owned enterprises, particularly public utilities where better management and utilisation of resources is reflected in better service to the whole community of users at lower cost.

60. Unquestionably, the effectiveness of management of publicly-owned enterprises has a very tangible bearing on industrialisation in Latin America. First of all, the publicly-owned companies and particularly the manufacturing or mining enterprises, should be, like all large firms, an important source of investment funds. Actually, their operating profits as well as funds generated through the depreciation accounts of such companies should be available for reinvestment (both for renewal and improvement of present production facilities and for expansion and diversification programmes). If, as is often the case, the public enterprises are unable to return profits, they in fact fail in their basic economic function. Secondly, if the public enterprises instead of returning profits, require public subsidies, they become an outright drag on the economy.¹⁾

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It is recognised on the other hand that certain public services such as railways and internal airlines may have to run wholly unprofitable services in order to serve isolated or sparsely populated communities and that the cost of these may offset profits made in sectors of denser traffic. Unavoidable losses can, however, be minimized by good management.

Also, if public enterprises add in this manner to budgetary deficits - main cause of inflation - there arises a secondary economic effect: a further shrinkage in national savings and investment.

61. It is important for Latin American countries to ensure the highest possible degree of efficiency of public enterprises whether in the utilities or manufacturing fields. An inter-continental programme may be necessary. In such a programme the I.L.O. could co-operate by organising training programmes for the executives of public enterprises

7. Co-operation with Other Agencies

62. On many occasions the I.L.O. management and productivity services have co-operated with other international agencies, particularly with the O.A.S. and the E.C.L.A., either in the form of joint participation in conferences and seminars or by exchanging information on each other's activities. In the case of the O.A.S. which has undertaken some programmes in management development field, activities have been in fact co-ordinated in this manner. Informal contacts and co-operation with the U.S.A.I.D. in the field is a frequent occurrence. As regards the E.C.L.A., a permanent liaison office maintained by the I.L.O. in Santiago has facilitated the exchange of ideas and joint participation in some of the international conferences and similar events. It is expected that in the future, as the I.L.O. sectorial programmes expand, the role of the I.L.O. will be in fact to implement the productivity and development programmes based on E.C.L.A.'s sectorial studies. Both E.C.L.A. and O.A.S. together with the I.L.O. have been instrumental in assisting the initial efforts to organise the Inter-American Productivity Association (Asociación Inter-americana de Productividad). During 1965 an I.L.O. expert has been devoting most of his time to co-operation and assistance to the permanent secretariat of this institution. Whether joint missions, i.e. projects supervised by more than one agency, could be effectively undertaken, remains to be seen. Conceivably it may be difficult to assure efficient team work under such conditions. However, there is, unquestionably, ample room for a much closer, sustained co-operation between the international agencies in research on matters of economic policies, priority of programmes and other issues of importance for Latin America's industrial development.

