

What is development?

Development is about promoting positive progress. It's defined as the process of change that allows the basic needs of a population, country or region to be met resulting in an increased standard of living and quality of life.

Development can be economic or social (human)

Economic development:

- The traditional and arguably the easiest way to compare countries at different levels of development
- Based on the growth of a country's economy and the generation of wealth
- Typical measures of economic development include:
 - Gross domestic product (can be per capita)
 - Gross national product (can be per capita)
 - The % of the workforce employed in secondary/tertiary sector industries...
- It is concerned with promoting the standard of living through increasing the wealth of a country's inhabitants

Social (human) development:

- This approach considers a country through a more social lens and is relatively new, emerging more so in the 1980s.
- This approach includes looking at things such as life expectancy, birth rates, women's access to the workplace, health and education
- It is more about social **wellbeing** than wealth generation and economic levels

How do we measure development?

Development is measured through indicators. These indicators are measures of a certain thing or aspect of society. For example, the number of children that die before their first birthday per 1000 live births is an indicator of the infant mortality rate. From this, we can infer information about a country's healthcare, access to vaccinations etc.

Development indicators vary depending on whether we are looking at economic or social development. The most common indicators across both types of development are defined below.

1. GNP – gross national product – is the total income received by a country from its residents and businesses **regardless of whether they are located in the country or abroad**. If we divide this sum per person, the indicator becomes known as GNP per capita.
2. GDP – gross domestic product – the value of all the goods and services generated by people and businesses **within** a country's borders. If we divide this sum per person, the indicator becomes known as GDP per capita.
3. Poverty headcount ratio at \$1.90 – the percentage of the population living on less than \$1.90 per day
4. Birth rate – the number of live births per 1,000 people per year
5. Death rate – the number of deaths per 1,000 people per year
6. Infant mortality rate – the number of babies that die before their first birthday per 1,000 live births per year

3.1 Development

Candidates should be able to:

Use a variety of indicators to assess the level of development of a country

Identify and explain inequalities between and within countries

Classify production into different sectors and give illustrations of each

Describe and explain how the proportions employed in each sector vary according to the level of development

Describe and explain the process of globalisation, and consider its impacts

Further guidance

Indicators of development (including GNP per capita, literacy, life expectancy and composite indices, e.g. Human Development Index (HDI))

Primary, secondary, tertiary and quaternary sectors

Use of indicators of development and employment structure to compare countries at different levels of economic development and over time

The role of technology and transnational corporations in globalisation along with economic factors which give rise to globalisation
Impacts at a local, national and global scale

Case Study required for 3.1

- A transnational corporation and its global links

Composite/multivariate indicators:

Because development is not something we can judge based on one indicator, there are a number of measures that combine multiple indicators together to give you a more **holistic** picture of a country or area's economic development. This is because the economic circumstances of a country affect its social development and vice versa.

For this reason, measures of development now often combine social indicators (health, education/literacy, well-being etc.), political factors (right to free speech, freedom from discrimination etc.) and economic factors (how much money is generated by a country's economy etc.). These indicators are put through complicated calculations often to determine one figure which can be used to rank countries. These measures are known as **composite** or **multivariate**.

Advantages of composite indicators:

1. They give a better picture of a country's overall development **because** they take in to account multiple indicators
2. They can be used to summarise complex or multi-dimensional issues to help decision-makers in government
3. They are easily mapped, allowing for comparisons to be made between countries
4. In providing a single summary figure, they can help to attract public interest

Disadvantages of composite indicators:

1. They may be misleading if poorly constructed. E.g. a country may have incomes but low access to healthcare and, depending on the weighting given to each, may come out looking good or bad
2. The 'big picture' they help to create can **mask internal inequalities and variations between regions** as a single figure is used for a whole country
3. Sometimes the data needed to calculate them can be missing
4. They often miss out an environmental component e.g. in the HDI
5. The use of some economic figures e.g. GDP doesn't account for the informal economy – those who are paid for their work 'cash in hand' and are not taxed through the formal system so accuracy is questionable

The Human Development Index

The HDI is arguably the most well known composite indicator. It combines three indicators to return a result on a scale of 0 to 1 (where 0 is not well developed and 1 is very well developed) so the higher the score, the better developed a country is. It includes an indicator of:

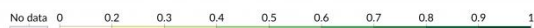
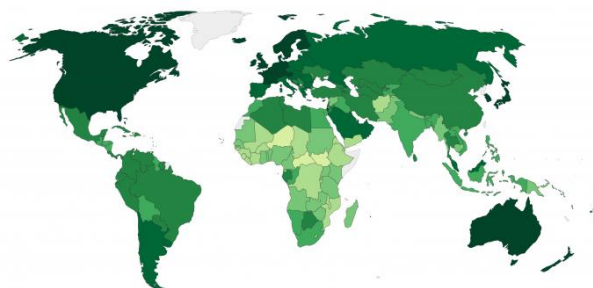
1. **Longevity** – measured through life expectancy at birth
2. **Knowledge** – mean and expected years of schooling
3. **Income** – gross national income per capita



Human Development Index, 2017

The Human Development Index (HDI) is a summary measure of key dimensions of human development: a long and healthy life, a good education, and having a decent standard of living.

Our World
In Data



Source: UNDP (2018)

OurWorldInData.org/human-development-index/ • CC BY

Advantages of using the HDI:

1. Easy to compare between countries
2. Allows ranking of countries in order of development
3. 3 indicators is better than 1 single indicator – uses 2 types of social data and one type of economic data
4. The data is regularly updated (annually) so is a reasonably accurate reflection

Disadvantages of using the HDI:

1. The three indicators are good but not ideal because they don't include an environmental element
2. The HDI produces a single figure for an entire country, which **masks internal disparities** between regions
3. The index is relative, not absolute – so if all countries improve at the same rate, the poorest countries don't get any credit for progress
4. It's creation by the United Nations was partly politically motivated to focus on health and development
5. Some countries don't submit their data to the UN and so aren't included.



UNITED NATIONS

Why are their inequalities between countries?

Inequality in this context refers to the degree of difference between countries. Some countries are very developed and have been designated **high income country** status. Others have a mid-level income and have been designated a **middles income country**. Those with the lowest incomes are designated a **low income country**. These classifications are based on very specific income bands.

Inequality can exist within and between countries

This can occur because:

1. Their **geographical location** and **physical geography** impact their natural resource endowment and their ability to trade with other countries. Those with plenty of natural resources (e.g. oil / coal) and who are able to readily extract it because they are politically stable, will be able to trade. This is easier for coastal countries as they can export by sea and not have to travel through other countries which is the case if your country is **landlocked**. If you have to export through neighbours, you are constantly relying on good relations and for that country to remain politically stable too.
2. The **size of a country** can determine the availability of **natural resources**. Larger countries often have a wider range of resources available which they can export to help kick start their development.
3. The **natural climate** of a country is very important. Too hot or too cold and development is stifled because productivity of your workforce declines. Additionally, livestock in hot and cold countries are more susceptible to illness for example the tsetse fly in some African countries which can make cattle less productive. Too hot or too cold and soils also become infertile, growing seasons are impacted and fewer crops can be grown for sale. It's also true that the natural climate can impact how a country generates energy (e.g. windy countries can rely more in wind power) which may be advantageous.
4. How a country engages with other countries politically and economically is important. **Trade blocs** can encourage trade by removing the barriers to trade, but they're largely beneficial to countries in a trade bloc. Those outside the trade bloc (often the poorer countries) are left unable to afford the **taxes and import tariffs** they have to pay to ultimately sell their products within the trade bloc.
5. It's important to have a **stable government**. Many developed countries have stable governments which are democratically elected. Countries under authoritarian rule often face higher levels of corruption, are more likely to suffer civil unrest. They are also less likely to be trade partners with other countries or engage in bilateral treaties.
6. A country's **population policy** can also cause inequality. Policies that encourage or dissuade people from having children will ultimately affect the workforce. If there are fewer people in the workforce, productivity and the skill base will decline and companies may look elsewhere to locate their businesses.

Classifying types of production

The sectors of a country’s economy can be categorised in to four groups.

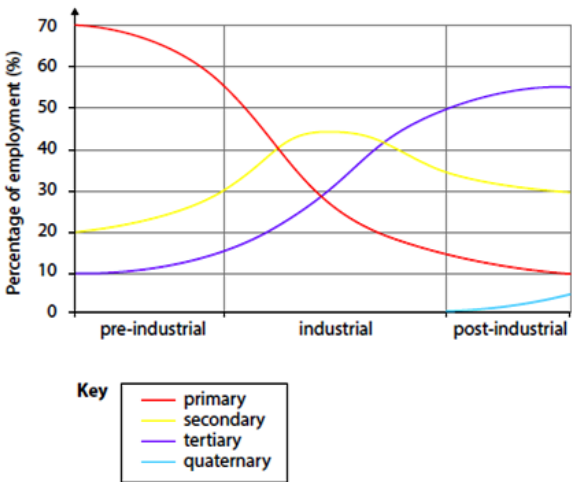
- Primary** – these involve the extraction of raw materials (mining, lumberjacking, fishing etc.)
- Secondary** – these involve manufacturing raw materials to **add value** and make them more valuable for sale
- Tertiary** – this refers to the service sector and jobs related to the provision of services (e.g. doctors, teachers, hairdressers etc.)
- Quaternary** – these jobs revolve around high-tech industry. They are jobs that provide information and expertise, e.g. microelectronics.

How do types of production change as a country develops?

As country’s become more economically developed, their employment structure changes.

- 1. Pre-industrial** societies have a large portion of their workforce employed in primary industry (the extraction of raw materials). Raw materials are often sent to developing countries.
- 2. Industrial** societies have a higher proportion of their workforce employed in secondary industries – this is because manufacturing tends to be located in developing countries today meaning more people are employed in jobs that **add value** to raw materials. The final products are then exported to developed countries for sale.
- 3. Post-industrial** societies are those that are very well developed – so much so that they have **offshored** their manufacturing to developing countries where it’s cheaper. For this reason, fewer people are employed in primary and secondary industries. Instead, more are employed in the tertiary sector in service base jobs e.g. finance, insurance etc. and the quaternary sector (microelectronics etc.)

All these trends (changes over time) are reflected in the Clarke Fisher Model:



However, some developed countries are attempting to **reshore** manufacturing i.e. bring secondary sector jobs back. This is the case in the USA under the Trump administration, which tried to bring manufacturing back to the USA.

Why do employment structures change?

As countries develop, their employment structures change. This is because once industrial societies deindustrialise. This process is one whereby fewer people are employed particularly in secondary industries because it is cheaper for companies to manufacture in developing countries (often LIC/MIC countries).

It is cheaper to **offshore** for Transnational Corporation (TNCs) to move its manufacturing because as labour forces in developed countries become wealthier, they demand higher wages, holiday pay, and laws to protect their rights. This means the manufacturing companies make less profit. To maximise their profits, they look to countries where labour laws and environmental laws are less restrictive, allowing them to pay lower wages, ask workers to work longer hours and to pollute the environment. This maximises the TNCs profits because it reduces their costs. It’s hoped that these cost savings are then passed on to the consumer who purchase the finished products. As they cost less to produce in developing countries, they likely cost less to buy in the developed countries.

A lot of countries will develop and their labour forces will demand greater wages and protections. When this happens, TNCs tend to relocate again to keep their costs low and so the process continues. As countries develop, their employment structures will shift over time. The typical picture is shown in the Clarke Fisher model and the table below.

	Primary	Secondary	Tertiary	Quaternary
LIC	High	Low	Low	Low
MIC	Medium	High	Growing	Low
HIC	Low	Low	High	Growing

What is Globalisation?

Globalisation is the process whereby industry, culture and people become more interconnected and inter-reliant on one another. For businesses, globalisation involves the development of international influence as they start to operate across multiple countries. There are 3 forms of globalisation:

- 1. Economic globalisation:** largely caused by the growth of TNCs, this involves the **transfer** of money around the world at much higher levels
- 2. Cultural globalisation:** the impact of typically Western are, media, sport, leisure activities etc. on the rest of the world through the internet, social media, the press etc. Increasingly, this is leading to the emergence of what some argue is a single global culture.
- 3. Political globalisation:** the growing influence of Western democracies on other countries.

It’s important to remember, however, that the pattern of world power is changing. Historically, Western influence has been dominant, but things are changing.

What has caused globalisation to occur?

- 1. **Improvements in transport and communication technologies** have made it easier, faster, and more efficient to transport raw materials and finished products around the world. The B747, A380, and container ships means goods can be moved on mass around the world. This even includes perishable goods on boards owing to **containerisation**.
- 2. **The growth of TNCs** (who have grown to take advantage of improvements in transport and communications to minimise their costs and maximise their profits). These companies sell in a bigger range of countries, giving more people access to their products. This means TNCs increase the size of their 'market' whilst people have more choice of goods to buy.
- 3. **Advances in internet connectivity** – fibreoptic cables now connect countries across oceans, allowing money to transfer from one place to another at the click of a button.
- 4. The push for **free trade** means companies can move their products around the world without having to pay taxes on imports or exports. This has been helped along by trade blocs such as the EU which break down economic barriers between countries.

The growth of TNCs

Historically, many companies operated in just one country. However, as transport and communication technologies have become cheaper, many companies have taken control of their **supply chains** and started to sell in more countries. This has often meant operating across multiple countries – hence the name transnational companies. These companies have grown to become some of the most powerful in the world and include Toyota, Nike, Adidas, Pfizer etc.

Typically:

- 1. The **headquarters** and **research and development (R&D)** elements of these businesses remain in HICs where they can access highly educated labour forces
- 2. Their manufacturing is often carried out in LIC/MICs where workforces are cheaper, can work for longer, and environmental laws are less stringent allowing companies to pollute more freely without necessarily incurring costs

Advantages of TNCs
More employment in developing countries
Often, TNCs pay above minimum wage in developing countries (cheap labour does not necessarily mean exploited labour)
Transfer knowledge and skills to labour forces in developing countries, allowing them to access better jobs long-term
TNCs may invest in improving infrastructure e.g. water supply, electricity and roads
The income workers make can benefit local businesses long term as it is reinvested in the local economy leading to growth – the multiplier effect
TNCs introduce new technology to countries

TNCs continued

Disadvantages of TNCs
Profits 'leak' out of the country where manufacturing takes place back to the HIC where their HQs are, denying the developing country of possible income through taxes
Some labour forces are exploited – it's difficult for TNCs to regulate every aspect of their operation and they often outsource regulation to a third party, which can lead to workforces being exploited and it going unreported
Management and other 'high skilled' jobs may go to non-nationals meaning some skills aren't transferred to the local population
Through a lack of local environmental laws and regulations, water, air, land, and noise pollution will likely occur
Although often paid above the minimum wage, pay is low and may still not be sufficient to allow adults to feed and/or educate their children
Some areas may become dependent on a TNC for jobs. When they close certain plants to relocate as it becomes cheaper to manufacture elsewhere, local workers may be left unemployed and without work

A TNC and its global links: Shell

Background:

- This is a European-based TNC involved in oil and gas production.
- It is jointly owned by the UK and Netherlands. Shell operates in more than 70 countries and employs more than 92,000 people worldwide.
- In 2004, Shell produced 3% of the world's oil and 3.5 % of the world's natural gas
- In 2013, it's income was \$16.5 billion, with investment in to research and development at \$1.3 billion

Shell has five elements to its business:

- 1. Exploration and Production
- 2. Oil production and distribution
- 3. Gas and Power
- 4. The production of petrochemicals
- 5. Renewable investments

Shell in Nigeria

- 60% of Nigeria's population live below the poverty line – life expectancy is 54 years old and oil accounts for roughly 95% of its export earnings and 20% of its GDP
- For over 60 years Shell has operated in Nigeria. It has 8 natural gas stations and has built over 6,000km of pipe and flow lines. It employs roughly 5,000 people (95% of whom are Nigeria). Another 20,000 are employed indirectly by companies providing services and supplies.

Issues with Shell's operations in Nigeria

- For many years, Nigeria has suffered from political instability. The oil-based economy gives Shell considerable power and influence in the country with oil and gas extraction taking place at considerable expense to the environment.

Issues with Shell's operations in Nigeria continued

- Conflict arose between Shell and local tribes close to extraction, with the **Ogoni people** of the delta protesting, sometimes violently, about environmental issues and lack of government support
- Shell has extracted \$30 billion from the land of Ogoni people since the 50s yet the Ogoni people have seen no benefits of the profits. Instead they live with the pollution and poisoning of the land and water from pipelines, oil spills and gas fires.
- Conflict with the government arose after a protests organised by the Movement for the Survival of the Ogoni People. The protesters were attacked, and the movements leader arrested and criminally prosecuted. This attracted widespread criticism from many countries.

Environmental effects:

- Oil spills (over 4,000) since 1960 have contaminated food supplies and destroyed natural habitats
- Gas flaring – the burning of gas – cannot be collected resulting in air pollution (the government set a 2008 deadline to eliminate this practice)
- Deforestation to clear the land to produce oil and gas has reduced local forest cover and the supply of foodstuffs

The positive and negatives of Shells operations

Positives:

1. Shell has started to make efforts to clean up the environment after oil spills. In 2004, 199 sites were cleaned following oil spills.
2. In 2000, the Shell Foundation launched a \$30 million programme to fund sustainability and biodiversity initiatives
3. \$12 billion has been sent to LICs to improve infrastructure and promote development. \$750 million was invested in improving refinery safety conditions to protect workers and \$159 million has been spent on voluntary social programmes to, for example, improve education

Negatives:

1. Drilling for oil is dangerous and dirty – Shell's accident record isn't great. Over 3 decades, multiple incidents resulted in deaths or environmental damage: a US tanker ship blew up killing 10 people, a 400,000 gallon oil spill in San Francisco killed birds and destroyed wetland areas
2. Shell marketed the pesticide DDT which was responsible for widespread environmental damage e.g. the thinning of bird shells leading to fewer surviving
3. Offshore drilling has impacts on marine life and water quality. Shell on many occasions dumped waste including a tanker (the Brent Spar) in to the sea attracting much criticisms from Greenpeace who once occupied a rig to raise awareness

