

WHAT HAS COMMERCIAL EDUCATION TO OFFER THE SOUTH PACIFIC?

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COMMERCIAL EDUCATION : WHAT IS IT?

Commercial education covers a wide range of related subjects which generally include consumer education, commercial law, book-keeping and accounting, economics and secretarial studies.

There are, broadly speaking, four levels in commercial studies education.

(1) Consumer Education

The first level of commercial education should be designed to equip individuals as 'consumers' with the skills, knowledge and understanding necessary to cope successfully with and contribute to their commercial environment.

(2) Vocational Education

The second level should be and has been traditionally geared to provide vocational competence for those seeking employment, mainly in some kind of office position in government and commercial establishments.

(3) Business/Managerial Education

The third level of commercial education should cater for professional managerial competence for people at senior levels in industry, government, co-operatives and retailing.

(4) Small Business Education

The fourth level should be directed at those people who are or intend to become independent owner/managers of small businesses (included in this are farming and co-operative ventures) and it should be designed to increase their entrepreneurial and managerial competence.

At the school level one of the objectives of such a course would be to orientate students *to thinking of creating employment for themselves rather than simply thinking of seeking employment*. The course may only give them a very basic understanding of some of the skills and knowledge required in

starting and operating a small business, but this would be an initial preparation and could encourage more people to take the plunge into establishing small-scale business. It should also reduce the very high failure rate of such ventures.

IS COMMERCIAL EDUCATION NEEDED IN SOUTH PACIFIC SCHOOL SYSTEMS?

The following affirmative answer to the above question is based on a number of (it is hoped) not too sweeping generalizations about the South Pacific.

(1) South Pacific Economies

These economies have varying percentages of their populations engaged full-time or part-time in the cash economy. However, it is certain that this percentage will rise year by year with more urbanization, industrialization and commercial development.

However, all the countries of the South Pacific have 'dual economies'. They have at one and the same time economically developed and sophisticated urban areas and rural areas which are far less commercially developed and in most cases only partially integrated into the cash economy. The urban sector in many respects is very similar in its range of activities to any urban areas of the western, materially more developed world. For example, one finds:

- a highly complex banking system
- public service administrative functions
- manufacturing and retail facilities
- import-export activities
- wage and salary employment domination
- sophisticated advertising
- advanced communication systems.

The rural areas, on the other hand, are often only partially integrated into the market economy. Cash crop production is, however, increasing and there is growing pressure from rural people for a greater share of the benefits of modern production.

(2) Employment Prospects in the South Pacific

It does appear that the paid employment prospects for South Pacific Islanders in the near future are not good. For example, in Fiji there are between 2,000

and 3,000 new paid jobs available each year, which are competed for by approximately 14,000 school leavers.¹ In Solomon Islands, with one-third the population of Fiji, there are only 300-350 extra non-agricultural, paid jobs available annually with approximately 3,100 young people leaving school. In Western Samoa there are about three school leavers for every available new paid employment position in the non-agricultural sector.² These examples are, in general, typical of the paid employment prospects for young people in the South Pacific.

What are the prospects for an improvement in this depressing situation? Examining the various sectors of the economy we find:

(a) The Public Sector

If the South Pacific follows the recent pattern of the western world it is likely that employment prospects in this sector will be limited and in some cases there may even be a decline in the numbers of public servants or in the percentage of the work force employed in this sector. Recent developments in Fiji highlight this situation.

(b) The Private Sector

(i) Large-Scale Manufacturing

One would have to be very optimistic to believe that this is where substantial employment opportunities for South Pacific people will lie in the near future. Certainly, the multi-national corporations, which are responsible for most large-scale manufacturing in the world, see countries such as South Korea, Taiwan, Singapore and the Philippines as the main areas for the establishment of new plants in the future.

(ii) Mining

The prospects here are somewhat indeterminate, depending on discovery, economic feasibility and world economic conditions. In the case of the last factor, the prospects for the next two or three years, at least, are not favourable.

What can be said is that even if mining developments were to occur, such projects do not generally lead to the creation of a large number of jobs. For example, between 1950-51 and 1977-78 the mining industry's contribution to Australia's exports rose spectacularly from 4% to 32%, reaching almost \$4,000 million.

During the same period the mining industry's share of total employment remained virtually static at 1.3%.³

(iii) The Small Business Sector

Included in this sector are farming and co-operative ventures as well as small-scale manufacturing, retailing and service firms.

This sector appears to have the best prospects for future employment opportunities in the South Pacific. This conclusion is based on the following considerations.

Firstly, if one looks at more materially developed nations of the world and using Australia as an example, one finds:

- 93% of enterprises in the manufacturing industry can be classed as small firms;
- 76% of all wholesalers are small business entrepreneurs;
- 93% of services in the selected services industry are small business entities;
- 98% of retailers are small business ventures.

A similar statistical breakdown exists in other countries, irrespective of whether they are in North America, Asia or Europe.^{4, 5}

Secondly, in the Third World there is a strong body of opinion which believes that small firms are the most appropriate device for the economic development of these areas. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) rejected the western economic models which equated development with urban industrial growth and which assigned a specific value to large-scale industries. Instead, its projects are directed to strengthening the capacity of developing countries to build up facilities of socio-economic growth in rural and non-metropolitan areas. ESCAP envisages that rural industrial transformation will have to begin with small industries because they make limited demands on investment, skills and infrastructure.

Finally, there appears to be a growing concern within the South Pacific to encourage a type of economic development which will be more able to accommodate the traditional cultural patterns and which will also slow the migration of people from rural to urban areas.

In fact, this will only occur if rural life is made more attractive, which to a large extent means raising income and material standards in these areas by encouraging and facilitating economically productive small-scale developments which are based on appropriate technology and sound financial management.

COMMERCIAL EDUCATION DEVELOPMENTS WHICH MIGHT OCCUR

(1) Consumer Education

Every student at the junior secondary level should be exposed to a consumer education programme. This should provide students with the skills and knowledge to enable them to cope with the commercial transactions which will increasingly become part of the daily lives of more and more of our people.

Such a course would include: how to make rational consumption decisions.

This may range from choosing between simple day-to-day household products to, for example, buying an item on credit. In the case of the latter transaction, how many of our citizens, already completely involved in the market economy, in fact how many people anywhere in the world, can work out what is the real interest rate they pay on a loan? Some examples:

- an 11% service charge on charge accounts at stores is really 18% per year;
- a 7% car financing plan (on new cars) is more than 13% per year true interest;
- a 5 cents per \$ account fee for retail store budget accounts repayable over 20 weeks is really a true annual interest rate of at least 24%.

It would also familiarize students with and develop skills in a wide range of commercial transactions:

- from opening and operating a savings or cheque account to completing a tax return;
- from basic money management and wise shopping to making major purchases of a house or a car;
- from basic elements of commercial law to making a will;
- where applicable — how to get advice and legal aid on consumer matters.

The area is extremely wide. However, consumer education course prescriptions could be written to meet the individual needs of each country in the South Pacific.

(2) Vocational and Professional Commercial Education

This form of education does exist in most countries of the South Pacific although not all systems introduce it at the secondary level. Where it has occurred, it has normally been introduced as a University Entrance type subject in accounting and/or economics or at the Technical College level. In a few instances, which include Tonga, Western Samoa, Fiji and Solomon Islands in the South Pacific book-keeping and/or commerce have been taught at the junior secondary level.

However, too often these subjects have been seen as appropriate for the duller students in the schools, whereas the more academically able students are encouraged to take science, humanities, etc. Without denigrating these latter subject areas, it can be argued that many countries are now reaping the harvest of this practice of directing the 'duller' students into commercial subjects. In the western world the majority of small businesses fail within two years of establishment.⁵ Studies in the USA suggest that poor management is responsible for 91.4% of all small business failures.⁶

Similar studies have been done in Third World countries. In Kenya, for example, the major reasons for small business failure were lack of knowledge of book-keeping and poor management. For the male chauvinists amongst us the second major reason given was "women and extravagance".

Vocational and Professional Commercial Education, where it is introduced in the secondary schools, should not be seen as something for the academically less able. If we want economic development, we must not downgrade the learning of the skills which help to promote it.

(3) Small Business Education

It is at this level that there is a great need for South Pacific countries to consider introducing courses at the secondary level and short courses for adults.

At present commerce and/or book-keeping courses in the South Pacific judging by the course prescriptions, are designed on the basis of training people to become clerks or elementary level book-keepers – to seek employment rather than to create it. If the arguments presented earlier are correct fewer and fewer of these jobs will be available in the future.

Consequently, students should be encouraged and guided to think about how they can create work, how they might start and efficiently run a small business and how they might improve the management of their father's or uncle's store or farm, or the village co-operative.

One is not suggesting that the introduction of such a course would by itself lead to a boom in the small business sector; there are, of course, many other cultural and economic factors involved.⁷ For example, any young graduate of such a course, aiming to establish a small business, is likely to need financial assistance, and further technical and financial advice.¹

A POSSIBLE 'SMALL BUSINESS' COURSE OUTLINE

Ideally, a course should be developed which could be introduced as early as the third form and which would be designed around the idea of 'Starting and Successfully Managing a Small Business in the South Pacific'.

The course could include:

- **Book-keeping** but not book-keeping taught merely to enable students to pass their exams. It should be taught in a way which will develop in the students the basic accounting skills and, just as important, will show them how this financial information could help *them*, as small businessmen, to make decisions which will make their businesses more profitable.
- **Starting a business** What to produce or sell? How much money will be needed? Sources of borrowed money. Costs of the money. Legal requirements of starting and running a small business. What government financial assistance and advice is available. Etc.
- **Organizing production** Where to get supplies. Their cost. Employer/employee relations. Union requirements.
- **Costing** How to work out what any goods or services really cost to produce.
- **Marketing** What price should be put on the product. Advertising. Export/import trends. How to get the goods to the market.

The reader's reaction may be that these concepts are too advanced for the junior secondary level. They may be if it is only the less able students who are encouraged to do such a course. However, there are a small number of examples overseas which suggest that students of this age are quite capable of coping with such a course.

In Trinidad the Management Development Centre of Trinidad and Tobago conducts an elementary business course at Mucurapo Senior Secondary School for students of 14 years and over. In Malaysia, the Government has launched a National Co-operative Society for Youth (KOBENA). This scheme, as well as providing basic business management training, provides grants and loans. The scheme is already involved in trading, batik manufacturing for export, transport and low-cost housing development.¹

In Australia there is a scheme called "Young Achievement – Australia" where secondary students are given the opportunity and limited financial assistance to establish a small-scale business. They work under the guidance of their teacher and also receive advice from the executive of any local company which has agreed to participate in the scheme. The students are responsible for all aspects of running the business: they decide what business to establish

and how production will occur, they divide their group into those who will handle the accounting, marketing, etc. So far this scheme has been very successful. A variation on this practical method of teaching managerial competence could be developed for the South Pacific. If such a course as this were developed it is important that it should not be taught in a highly theoretical way; it must have a very applied approach, with students actually running a small business, even if it is only the school canteen; at the very least, it is possible to stimulate a business situation in the classroom.

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