EMPLOYMENT PROBLEMS AND THE URBAN LABOR MARKET IN DEVELOPING NATIONS

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ISBN 0-87712-224-5

Library of Congress Cataloging in Publication Data

Kannappan, Subbiah.
Employment problems and the urban labor market in developing nations.

Bibliography: p.
1. Labor and labo.ing classes – Developing countries. 2. Labor supply – Developing countries. 3. Wages – Developing countries. 4. Urban economics. I. Title.
HD8943.K36 1983 331.12'09172'4 83-10804
ISBN 0-87712-224-5

To A. Subbiah, my late father, banker, scholar, Tamil nationalist, and man of integrity; and Parvathi Subbiah, my mother, with an infinite capacity for love and empathy; who together combined the strengths of the old and the new and lived by the precepts of the Tamil savant Thiruvazhzhuvar's *Thirukkural:* "Every country is my native land and every man my kinsman."

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Preface and Acknowledgments

This study is concerned with urban employment problems and the functioning of labor markets in developing nations. It takes a critical look at the state of the art as it has unfolded during the seventies in the output of professional economists, but it goes beyond that. A study of this scope necessarily reflects gains made by earlier scholarship and would not have been possible without support from many sources. I take this opportunity to say something briefly about these aspects.

Perspectives of economic growth and transformation which emphasized the expansion and growth of the "capitalistic" sector occupied a prominent place in the development of the fifties and sixties. The labor problems of industrialization, including the development of an industrial labor force, management, and trade unions, attracted much attention. The focus, however, was too restrictive and overrated the potential of the "modern," mainly urban, industrial and commercial sectors. It also underrated the resilience and relevance of the traditional order in the emerging economic transformation. It ignored the substantial and subtle overlaps of modernity and tradition, and the prevalence of myriad combinations of "old" and "new" forms of capital, technology, skills, and organization. Concepts like "full" commitment and "modern" management established norms of efficiency in economic and work organization that were belied by the survival and vitality of numerous alternatives, including traditional and non-Western forms, as well as the substitutability and complementarity among these.

By the way of contrast, the seventies focused on the larger agricultural sector and the non-"capitalistic" residual, presumed lagging, parts of the urban economy. Perennially pessimistic perspectives of population pressures spawned or reinforced other gloomy assessments of urbanization. It was felt that factor market distortions discouraged employment generation while favoring the "modern" sector. These new dualisms also exaggerated the significance of the "modern" sector, this time in pejorative terms. Political pressures in the urban labor market were held

to result in unconscionably high urban wages. A broadly defined "modern" sector thus polarized the urban economy into its affluent and miserable components, and the discrepancy widened over time as the result of a disproportionate inflow into the latter of those awaiting entry into the former.

The new dualisms also missed the nature and scope of the transformation that is underway, and the diversity and richness it encompasses. Such transformation affects all aspects of the economy and the relevant labor markets. Rather than being a dichotomous development, growth is an interactive process of expansion of both capital-deepening and capital-widening activities which encourage factor mobility and profit-maximizing forays across chosen dualistic frontiers. Just as the new is a challenge to the old, the old is ever present in the shaping of the new. This is nowhere more clearly seen than in the growth of labor markets in rural and urban areas. The dualistic labor market models, with their arbitrary modern and traditional sectors, were developed in perilous disregard of this pervasive factor, building their edifice instead upon the weak foundation of an alleged public interest in underwriting the claims of a narrowly based interest group and ability to deliver on the same. My monograph is thus an assessment both of this failure and of this transformation as it affects urban labor markets, about which we are desperately in need of more knowledge and analysis. This assessment must necessarily be tentative at this stage, but enough is known to warrant setting forth a serious agenda for further research and innovations in policy.

Although I am under no illusion as to the completeness of this monograph, I hope it makes a convincing case for new directions of effort. Despite the meager bequest of the "scientific" economics of the seventies, there are welcome signs of rumblings in the ranks (Stark 1982). Whether this will lead to worthwhile improvements depends upon efforts to incorporate the significance of cultural and social factors, which formal analyses tend to bypass. In developing nations, perhaps more than elsewhere, growth should be seen as a transformation rather than a transition, lest we overstate the extent of actual change and prejudge the obsolescence of traditional institutions and channels in the labor market. Adam Smith and Alfred Marshall were among the earliest to emphasize that labor market transactions involve a good deal more than a simple exchange of services for pecuniary rewards. T. W. Schultz and George Stigler emphasized the role of human capital and information, and Albert Rees argued for the significance of formal and informal channels in the labor market. While both Sir Arthur Lewis and Berthold F. Hoselitz emphasized the tensions inherent in changing custom to contract, and the "alienation" that is implied, the latter developed in greater detail the factors which would "fractionalize" labor markets and perpetu-

ate informal social control mechanisms (Hoselitz 1962). Economic theory and history are thus replete with indications of the importance of the social context in analyzing labor market behavior. Labor market analysis in developing nations thus depends crucially on, and cannot stray far from, the insights of the social sciences, notably anthropology and sociology.

The evolution of the labor market in economic growth raises issues connected with market relationships and economic organization as well as the channels governing employment and skill acquisition. A "universalistic" framework of institutions like schools and employment exchanges coexists with an "ascriptive" framework of established family and kinship associations, and the relationship is both substitutive and complementary. While the importance of the former is readily acknowledged, economists (and advocates of modernization) have greater difficulty in understanding the role of the latter. But it is important in urban and metropolitan labor markets, even in the so-called "modern" sector, no matter how one might shape and delimit this elusive concept. This is, of course, obvious in self-employment and many of the crafts. In the arts and construction, many of the important skills are acquired outside the process of formal schooling. Traditional ties seem overwhelmingly important in most forms of entrepreneurship, as we can see from prevalent ethnic clusters. In all of this there is a dynamic we scarcely understand unless we realize that people react to change by relying on existing endowments and sources of strength. Dualizations of the urban labor market, such as "modern" or "traditional" and "formal" or "informal," reflect partial, outside perspectives rather than a discriminating framework for analyzing this dynamic as it affects labor markets.

Nothing like this is accomplished in this study; hence, it must remain inadequate at this point. But its emphases are overdue. We need to move towards a true analysis of supply and the role of differentiating labor quality elements, both traditional and modern, in the determination of the diverse productivities, labor utilization rates, and search and recruitment practices we observe, instead of sheltering behind what are essentially demand-derived demarcations and concepts (formal and informal sectors, the institutional wage rate, etc.). We point repeatedly to what is lost when available information, too often meager, is obscured by conventional classifications and aggregations unrelated to labor market behavior, and to the richness and detail which emerge when analysis is freed of such preconceptions. This point is important, for the contemporary focus on labor markets derives from an interest in disaggregated outcomes focusing on inequalities and poverty, and the factors which lead to or sustain these results. It is up to the reader at this point to judge the value of this study and, one would hope, to contribute further to the

development of our understanding of this subject, so important in studying the vexing issues of "growth with equity." For, perhaps more so in the social than in the exact sciences, progress is not a function of isolated breakthroughs but is dependent upon the legacy of related efforts.

At this point, I should like to say something about my indebtedness to numerous productive professional associations, as well as support from various sources, which made this study possible.

My early associations with the Inter-University Study of Labor Problems of Development, and in particular with Professor Emeritus Charles A. Myers of the Massachusetts Institute of Technology and other scholars in India and the United States, were crucial in developing my understanding of the labor problems of India as well as other developing economies. This has been fortified by field experiences in a number of developing countries. Specific mention must be made of membership in employment strategy missions to Sri Lanka and the Sudan for the International Labour Office (ILO), to Morocco for the World Bank, and to Malaysia and Thailand for the International Institute of Labor Studies (IILS) at Geneva. My associations with the IILS also enabled me to convene an international research conference focusing on urban labor markets in developing nations and to share in the ongoing work of the World Employment Programme, which attracted numerous scholars from rich and poor countries alike. The Fourth World Congress of the International Industrial Relations Research Association (1976) focused on urban labor markets in developing nations, and as *Rapporteur* I had the responsibility of bringing together scholars from around the world, as well as the pleasure of benefitting from their work. These conclaves, as well as this study, owe a good deal to the continuing moral support and encouragement from members of the Task Force on Urban Labor Markets of the Midwest Universities Consortium of International Affairs (MUCIA) and its Chairman, James G. Scoville, who was also among the earliest to emphasize the viability of traditional skills in the urban labor market. My intellectual debt to Professor Koji Taira of the University of Illinois, an active member of the MUCIA group, is profound, dating back to 1965, and has been acknowledged in various publications.

It is this history of interest in the field, and a growing sense of unease at prevalent directions of research, that convinced me to undertake a comprehensive analysis of the state of the art and to utilize my sabbatical in 1978–79 for the first stage of this effort. As there was much interest and research on this subject at the World Bank, I decided to spend the year in Washington, D.C. This was made possible by the interest shown by Peter Thormann, John Eriksson, Michael Farbman, and William Miner, all with the Agency for International Development (AID). Farbman and Thormann in particular helped to delimit the focus of the effort

to qualify for AID support. Thormann was also persuasive in stressing the value of incorporating personal experiences and insights, if only as a modest supplement to the concerns of the technical literature. In Washington, D.C., office space and related support were initially provided by William W. Whitson of the Congressional Research Service, and later by Harold W. Guthrie of the Urban Institute. At the World Bank, Mark W. Leisserson, Chief of the Employment Division, was especially helpful in facilitating entry. The documentary output of the World Bank—alas, no longer free—was indispensable. Equally valuable were the research documents from the ILO's World Employment Programme. These were made available by Harold Lubell of AID, who had formerly directed ILO's urban employment studies; Jean Decker of the ILO's regional office in Washington D.C.; and Ajit Bhalla, Chief of the Technology and Employment Division of the ILO at Geneva. John Brattin, Guy and Mary Coriden, and Alison Masson were predictably generous in facilitating this temporary move. Dipak Mazumdar of the World Bank, and his wife Pauline, gave me the use of their distinctive and elegant home in Old Town, Alexandria.

In the substantive phases of this work in 1978–79, Richard Webb of the World Bank (now governor of Peru's Central Bank) was an important and valuable ally. We had a number of discussions on the overall scope of the subject, and he helped me to identify particular studies and ongoing research projects of value. He also commented on one or two chapters of the early, but rough, drafts of the study which were prepared chapter by chapter over the succeeding fourteen months. There were a number of other profitable exchanges during this year with other researchers at the World Bank and elsewhere in Washington, D.C., too numerous to mention by name, which added materially to my appreciation of the state of the art of this difficult field.

A completely reorganized and substantially rewritten manuscript was then prepared and circulated in its entirety for comments during the second quarter of 1980. Mark W. Leisserson and Harold Lubell were especially helpful at this stage. Leisserson made a detailed chapter-by-chapter review of the study, disputed and clarified substantive points, and made suggestions for reorganization and improved presentation. Lubell took it upon himself to take the study to France over the summer vacation, and gave me the benefits of his considerable knowledge of the subject and of his painstaking review of the manuscript. Many friends, with substantial overlapping interests, whose comments would have enriched this study, were unable to match this effort because of assignments abroad, travel plans, or other demanding commitments. W. Paul Strassmann read the manuscript with his customary promptness and favored me with useful general suggestions for revision. Also valuable

were encouraging comments by Dan Hamermesh (on the wage and concluding chapters) and Rakesh Mohan of the World Bank and now with the Indian Planning Commission (on the chapter on urban growth).

Following these comments, the manuscript was again entirely revised in late 1980 and sent to the publisher in March 1981. A rather lengthy review process preceded acceptance in January 1982, but details were not finalized until spring. Further revisions were thus undertaken in June and later in the process of meeting editorial demands. Difficulties in obtaining copyright releases from publishers, some defunct, from all over the world, delayed publication beyond the scheduled deadline in 1982 but provided yet another opportunity to revise the concluding chapter in March 1983. However, these revisions were not as thorough as I would have wished, and accomplished more in improving the presentation and clarifying the analysis than in updating the manuscript. I regret the inevitable oversight of some recent contributions.

My task would be incomplete if I did not, before concluding, reiterate my debt to AID, whose support made it possible for me to spend a sabbatical in Washington, D.C. Mike Farbman was especially diligent in stressing deadlines and revisions and later in facilitating publication. I am also grateful to AID's Development Studies Program (DSP) and its thoughtful Chief, Mike Calavan, for my assignment there in 1982 provided the occasion for the last revisions and the tedious prepublication chores set out for me by a relentless editor. Never, at any stage did AID's support involve an attempt to influence or restrict the development of my views. In fact, the contrary was the case. Given my dissent from conventional wisdoms, including those prevalent at AID, and the difficult problems they had to contend with, I sensed among the officials I dealt with only an invitation and challenge to develop my ideas adequately. It is, I think, a matter of pride and comfort to encounter such intellectual integrity and dedication in a federal agency whose major role is to help formulate sound policies for improving the conditions of the world's poor.

Mention has already been made of the sabbatical leave in 1978–79, for which grateful acknowledgment is due to the Department of Economics, the successive Chairmen, Byron Brown and Robert Rasche, Richard Lewis, the Dean of the Graduate School of Business Administration, and other authorities at Michigan State University. Further progress benefitted from support as follows: All-University Research Grants, the Department of Economics, and the Asian Studies Center. The incomparable secretarial staff of the Department of Economics were always cheerful

and always helpful. Invariably reliable, Ruth Monroe covered the home front during absences and Jean Moeller deftly juggled accounts to fund travel, xeroxing, and the like. Beverly Janz, Shelley Saub, Judy Smalley, and Kelli Sweet, delighted at the reprieve from the unappetizing fare of mathematical symbols and class grades, typed some of the chapter drafts over several revisions. Terie Snyder promptly reproduced copies as needed for publishers, reviewers, and others interested. Special thanks are due to Ralph Smuckler, Dean of International Studies and Programs, for continuing support and encouragement over the years. Eugene DeBenko, International Librarian at Michigan State University, was helpful in more ways than one, especially when the moon was full. He made sense of my bibliography, and reordered the jumbled sequence of first names, last names, dates, titles, etc. Final thanks are due to Betsy Vernon, the relentless editor mentioned earlier, who left no stone unturned to think of more work for me. She worked on improving my style and exposition, on getting me to complete my footnotes and citations, on correlating text and tables, and on keeping me within copyright laws and out of jail. The manuscript is better for her intervention.

My son, Ken, an undergraduate in Economics at Yale University while this book was being written, reinforced my belief in the soundness of some of its main arguments, although he will see it only now. My daughters, Maryann and Sheila, seem equally confident and each of them will also get a copy, although they have expressed no interest in reading it. A copy will also go to Nancy Connolly, and I hope it still interests her.

Subbiah Kannappan
April 1983

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Introduction

The Study: Focus, Scope, and Sources Examined

Over the last few decades, the growth and change in the developing world have been of unprecedented proportions. We have seen the emergence of many new nations, increases in population, and growth of economic activity. The increase in the number and absolute size of the world's metropolises is one index which reveals these changes. The growth in the urban labor force has been particularly rapid, in part because of sizable migration from the countryside, and diversified employment structures have emerged. Interest has increasingly focused on fuller and more effective utilization of this labor force and on the encouragement of more equitable outcomes (ILO 1976a).[1] For many, the urban – particularly metropolitan – labor market has played an important, but not necessarily a satisfactory, role in this process.

This study is an attempt to take stock of derived knowledge about the economic aspects of these problems. Our focus is on the strength of received tradition, particularly professional economic thinking. Professional endeavors are rarely random, and the coverage of different aspects of a problem varies in depth and sophistication. Uneven development of knowledge with respect to certain regions or specific modes of thought or analysis is pervasive in development studies, perhaps intrinsic to the process of dissemination. We have tried to compensate for these deficiencies by occasional forays into related literature, primary sources, and personal experience. But these are limited in scope. Thus this monograph is less a study of urban employment and labor markets than a reflection on and critical assessment of the state of the art.

We are concerned with labor markets in the broadest sense, both with the signals which emanate at the marketplace and the responses to them. Some of these, such as those pertaining to government policy, are cen-

tralized at a high level of decision making. Most household decisions – to work or not to work, to migrate or stay in rural areas, to change jobs or acquire new skills – are clearly less coordinated, although they would be responding to common pressures. Some trade unions and firms may be at an intermediate level, with a capacity for coordinated decisions which have a wide impact on the marketplace. The signals and responses we are concerned with deal with offers to work or offers of jobs, the terms and conditions of employment, hiring conditions, incentives for employment or mobility, and legal or other regulations affecting these. One must also note certain institutional characteristics which are prominent in developing nations. The formal wage-employment market and related institutional structures are more limited, and traditional foundations and rural-urban migrations have a greater impact on the functioning of urban labor markets in less developed countries than in developed nations. Our summary focus is on how these converge as supply and demand components in determining labor market outcomes: wages and earnings, employment, and measures of labor underutilization.

The study focuses selectively on some well-reported metropolises in the developing world, but this focus is by no means exclusive, given the value of the related urban literature. Economic analyses of urban employment problems, and the development of the relevant economic intelligence, are a relatively recent phenomenon. This development occurred independently of, and moved away from, earlier concerns with comparative industrial relations and the human problems of industrialization (Kerr et al. 1964). Its focus also represents a departure from earlier scenarios that considered industrial and urban growth to be a consequence of capital accumulation and economic transformation (Fischer 1933, Clark 1951, Lewis 1954, Kuznets 1966). This reflected a feeling that, despite economic and industrial growth, there were serious, perhaps worsening, problems of welfare and equity as a result of population growth and inappropriate economic policies. The 1970s added a more specific focus on the urban labor market. One school of thinking which gained considerable acceptance explained urban unemployment and labor force growth in the context of lagging industrial employment as a consequence of a singular link provided by the urban labor market between the capitalistic urban sector and the much larger rural labor force. Mostly this derived from aggregative, and consequently simplified, abstractions of this labor market. For the most part we will limit ourselves to the literature of the seventies which reflects these traditions.[2] This will constitute our main source of information and focus of analysis in terms of metropolises (and empirical studies) to be covered. This limitation should also enhance the comparability and manageability of

yses as appeared directly relevant, without attempting a systematic coverage of smaller towns or cities.

The Concern about Overurbanization

We now turn to the substantive concerns of this study. As indicated earlier, the recent rate of growth in developing nations is unprecedented. Increases have been recorded in population, levels of economic activity, and urban and metropolitan totals. The urban manifestations of this phenomenon have aroused much interest and concern, even alarm.[4] A common view is that rates of urbanization are excessive, even explosive. Cited in support is the contrast between the low rates of growth of industrial employment and the higher rates of rural-urban migration, the major source of population increases for many metropolises. Demographic pressures appear to converge in centers which are politically significant, even volatile. Anxiety and disquiet rise in proportion to the perception that the process of urbanization lacks rationality or self-corrective mechanisms. We thus confront the question of whether there is a failure of the urban labor market. We will also contrast this perception with the more classical view of economic transformation (and urbanization). We will then formulate three sets of issues which will guide our appraisal. The chapter will conclude with a description of the coverage and sequence of the subsequent chapters.

Ironically, urbanization and the growth of huge metropolises arouse concern at the same time that there has been unprecedented economic growth. But the sheer numbers involved appear large and, to many, unmanageable. Thus, in 1975, there were at least 10 cities in the developing world with populations of more than five million, a total well in excess of the population of some 35 developing nations (Linn 1979, p. 1).[5] The annual increments to the urban populations are also large: Jakarta and Seoul add a quarter of a million people each year, while Sao Paulo adds half a million. The number of "millionaires" within individual nations has also grown. In India, the number of cities with populations of more than a million has increased sharply. Projections for some cities are astounding. An instance is Mexico City, which is expected to have 30 million inhabitants by the end of the century.

These figures have evoked disturbing visions, and are often held to be symptomatic of much that is wrong with the developing world. Population growth, poverty, rural-urban migration, the educational system, labor market institutions, the social structure, and concomitant economic policies—all have been subordinated to this gloomy perspective.

the experiences to be analyzed. We will next briefly identify the main sources to be covered.

In general, we have restricted ourselves to the technical literature appearing in English. The principal, influential analyses have been published in leading American and British professional economics and development journals, and this literature constitutes a natural point of departure, but comparable scholarly monographs have also been consulted. Increasingly, international organizations and donor agencies such as the U.S. Agency for International Development have become major sponsors of research in this area. The OECD, the World Bank, and the ILO have thus helped mobilize talents on a systematic basis for concerted analyses of urban employment problems.[3] The ILO's World Employment Programme in particular has been a major source of knowledge regarding the situations of various countries about which others information is lacking. We have also used material from developing nations, but the coverage has not been systematic. However, international sponsorship still plays a major role in the research output of many developing nations (other than countries such as India) and partially offsets this deficiency. International sources have also been important in dealing with the non-English-speaking, relatively advanced Latin American nations such as Brazil, Peru, and Colombia. However, individual efforts – as opposed to institutionally sponsored international research – may encompass more diverse and contrary trends. While aware of their importance and alert to their significance, we have not attempted to traverse this ground in an organized manner except to the extent that these studies have made their mark in the recognized professional journals. It should also be noted that publications in related behavioral fields, such as anthropology, industrial relations, and sociology, and other diverse sources have not been directly canvassed. As a result, this is mainly an appraisal of what English-speaking development economists have been writing about urban labor markets. No effort was made, except for an occasional spot check, to supplement published analyses with direct empirical data (census data, sample surveys, etc.) on individual metropolises or nations.

A further qualification is in order concerning the geographic focus on metropolitan areas. Much general information and many national breakdowns pertain to urban areas, whereas most of the detailed analyses pertain to individual metropolises. As we shall see later, metropolises are disproportionately important in developing economies, and the absolute size at which they become important is naturally different from country to country. However, some knowledge of the smaller towns may also advance our understanding, as the metropolises represent rather diverse and composite agglomerations. Again, we have included only such anal-

Thus George Ball, a statesman reputed for his mature judgment, raised the following question and seemed to provide the answer:

> Can democracy survive in a sea of anarchy that begets totalitarianism? George Ball...raised that question recently when he wrote about...the poverty-stricken, stagnating Third World and the need for economic development. 'This Third World will be increasingly chaotic.... A swelling flow of adolescents to overcrowded cities will swamp overfilled labor forces.... Unemployment and urbanization will threaten the continued authority of governments, driving more and more activist young into outlaw gangs [and] terrorism...and impel migrations that will threaten neighboring states." (US AID 1979, inside back cover)

Naturally, such apocalyptic visions of doom spawn drastic and even draconian prescriptions, despite contrary traditions or inferences from economic theory. Rural-urban migration, for instance, may be supported in terms of a priori economic analysis and global modeling as an instrument for equalizing incomes and increasing output (Adelman et al. 1976). Nevertheless, few have been confident (Adelman et al. 1976, p. 46).[6] Spurning national traditions, advocated policies even appear to favor the (mainland) Chinese solution of controlling individuals with a view to regulating rural-urban migration.[7]

Gloomy assessments such as the statement by Ball appear to view economic development and urban growth as independent. One reason for this is sensitivity to the political tensions arising from urban growth and the overwhelming—at times exclusive—role attributed to the demographic factor.

Political Aspects

The political aspects of the problem are easy to see. In many developing nations, modern political entities are being shaped from diverse, sometimes conflicting, traditional loyalties to language, religion, region, tribe, and nationalities. An astute observer of the Indian (and development) scene places at the head of India's problems

> ...India's cultural and linguistic diversity. India is not really a nation: it is an ontology, a set of beliefs and perceptions which barely hold together a people who would seem to have as little in common as a single nation formed out of Ireland, Hungary, Mexico and the Philippines. One senses that India has had to devote enormous amounts of energy to holding herself together.... (Eberstat 1976)

However, the city—particularly the metropolitan city—is not just the kaleidoscopic entity which houses this diversity and mirrors its conflicts

but the central element of cohesion of a modern state. And this is the role of the metropolitan city in a large number of developing nations, even those less diverse and amorphous. As a nerve center of administration, commerce, national and international transport, education, entrepot trade and manufacture, and movements for political and social change, the metropolis enjoys a pivotal role in the evolution of the contemporary (developing) nation-state. Even peasant-based revolutions require, for their consummation, its ultimate fall or capture. Colombo, Abidjan, Khartoum, Bogota, Sao Paolo, Nairobi, Bombay, Kuala Lumpur, Calcutta, Lagos, Lima, Teheran, and Casablanca are among the major metropolitan centers which perform this vital, cohesive function in nation-states which vary greatly in the extent to which they constitute an integrated political entity.

One does not have to search hard to see how important the metropolitan area is as a focus and disseminator of national tensions. Urbanization means the amassing in limited space and identifiable form of various population categories such as the poor, industrial labor, and skilled and educated workers. Sometimes the concentration is disproportionate, at other times less so, but there is always the prospect of political articulation and action, both legitimate and radically disruptive. Also, migrants may be seen as crowding into urban areas in search of jobs, and depressing the prospects for the natives (Katzenstein 1975, Weiner 1978).[8] The metropolitan area is the locus of regional and national governments concerned with managing the tensions of development and making appropriate decisions.

Although urbanization brings to the surface much poverty, inequality, and unemployment, there are many indications that urban (particularly metropolitan) populations are in relative terms the more advantaged segments of the national population. Certainly most rural-urban comparisons place them in a preferred category. Secular trends are more difficult to obtain or interpret, but there is no basis for unqualified assertions of deterioration. If anything, the growth in the urban force suggests the presence of larger numbers with higher living standards (Gregory 1980). A priori assertions to the contrary, particularly in models envisaging a widening income gap within urban areas (to be discussed later), there is no evidence of a relative increase in the segments of the urban population which are worse off than their rural counterparts. The concern with the urban malaise thus derives less from increased urban misery than from its heightened political potential – a potential for worse, for the urban ills possess the fly-in-the-ointment characteristic of a continuing, highly visible reminder of the development problem.

The Demographic Factor

Nothing brings home the nature of the unfinished business more starkly than the population problem and its fallout for urban areas. Referring to the "quantitative imbalance between labour demand and labour supply," Paul Bairoch thus argues:

> . . . it cannot be denied that the high rate of population growth, particularly of the active population, is the main cause of this imbalance. . . . Thus at what might, at a very rough approximation, be considered as similar stages of economic development, the total population in the developing countries is increasing five to six times more rapidly than was the case in the countries that are now industrialized. This is a factor of outstanding importance in analysing the economic problems of the Third World in general and employment and urban unemployment in particular. (Bairoch 1973, pp. 7–9)

A list of sources attributing problems of urban employment, unemployment, and poverty to population pressures would exhaust the space that this book can reasonably command. Even discussions which acknowledge the relevance of nondemographic factors stress the more rapid rates of growth of urban labor supply relative to demand, and predicate this phenomenon on high population growth rates, including natural growth rates in urban areas (World Bank 1979, Squire 1979).

"Overurbanization" and "Excess-Supply-Limited-Demand" Paradigms

Discussions of urban growth thus often refer to "overurbanization," and an extensive literature, as well as some controversy, have developed around this concept.[9] It assumes an optimum level of urban development; but the concept remains theoretically ill defined, and many positions, regardless of merits, are antiurban.[10] More colorful, and perhaps quainter, formulations envisage a transition from "rural underemployment" to "urban overunemployment" (Bairoch 1973, ch. 4). Even sophisticated discussions which tread these grounds warily assume rather than demonstrate the importance of an "excess-supply-limited-demand" paradigm.[11] Implicit in these concepts of "overurbanization" and "excess-supply-limited-demand" is the supposition that adjustment mechanisms are weak, that there is a failure in market terms and at policy levels. Such failures have been identified on several issues. We will only briefly recapitulate them, as our concern is with the labor market.

As indicated above, any discussion of overurbanization brings to the fore the more general issue of demographic pressures. Of equal general concern are patterns of economic growth which are capital-intensive and minimize the scope for employment increases. Pro-urban biases and

tendencies have also been noted, and are held to be significant in patterns of public expenditure and decision making. The educational system and outcomes have been similarly criticized for favoring an excessive inflow of the educated into urban areas. Such concerns are also clear in discussions focusing on employment policies and outcomes. Employers have been taken to task for needlessly high educational criteria governing hiring or for their high-wage policies. Job seekers have been blamed for overcrowding the cities. Discussions of these issues take turns blaming decisions makers and respondents in the marketplace, or both. The "rationality" of prevailing market signals and responses to the signals is at issue.

Where private and social interests are opposed, the different parts of the economic system will work at cross-purposes. Thus, despite controls, China appears to have a higher rate of urbanization than India (Mohan 1979, pp. 5, 7). "Black labor markets" also exist, presumably because the attractions of urban employment frustrate and foil regulations in force (Howe 1971).[12] The widely heralded recommendations of the Indian Educational Commission favoring absolute enrollment limits must similarly come to terms with a situation where educational costs are low relative to the gains (Blaug 1969). But there are also dangers in adopting every prescription as a social norm. We must be sure that it stands on its own merits.

It is not clear that an unrestricted policy of controlling urban growth qualifies, as resource movement from low to high productivity areas is, in principle, to be welcomed. The exceptions are if we can assert that urban growth impinges upon socially optimal urban limits (and not merely the interests of present residents) or that migrants are irrational and would be better off in rural areas. Without such a rationale we run the risk of merely sweeping urban ills under the rural carpet. Even desirable policies may be found wanting. Decision making may have an urban basis and technological choices may be adverse to employment generation. But labor-intensive technology would add significantly to the urban inflow. Economic policies, including those which favor urban growth and demand for labor, should not be prejudged merely because they generate urban rather than rural employment. The clearest basis for judging them to be dysfunctional is when comparable employment can be generated less expensively with fewer external diseconomies in the rural areas.

The urban labor market is relevant here because it makes a difference whether we are dealing with deficiencies in market signals or in responses to the same or neither. Given high wages, workers will press for, and employers restrict, employment; and their responses, although rational

under the circumstances, tend to aggravate unemployment. However, the overall effect would be to discourage urban labor force growth while accentuating the gaps between the city and the countryside. Alternatively, our concern may be with the responses of individual workers and employers. Are these responses informed? adequate? Do people learn from experience? Do they adjust their sights about the jobs they can expect, the earnings they can command, the workers they can hire? What are some of the mechanisms involved? How effective are they?

In discussing these issues, it is important to keep in mind that some outcomes, such as poverty or inequality, may persist despite rapid and desired adjustments in the labor market. These would normally be of an ameliorative and corrective nature. The labor market would direct human resources toward areas of higher productivity and discourage them from seeking employment where the prospects are relatively poor. Migrants who do not find jobs will return to their places of origin, withdraw from the labor force, or accept jobs at whatever pay they can command. If the urban environment becomes inhospitable, migration will slow down or proceed in other directions, or be only partial, with migrants having one foot in the city and one in the village. Neither "overurbanization" nor "excess-supply-limited-demand" will be the likely outcome – at least to any persistent degree – if such adjustments take place. However, if urban conditions are in fact preferable, rural-urban migration may be a rational process representing a movement toward equilibrium. True, there will be a period of job search, and reservation prices above prevailing market levels may well encourage unemployment. Or there may be an overcrowding in low-paying or casual jobs, if this does not adversely affect the search for the preferred job. But such unemployment or underemployment would be short-lived and would continue only so long as the benefits from the idleness and job search outweigh the costs.

Even with "failures" on the population, technology, or education fronts, there need not be an urban imbalance. Growth in population per se may not encourage rural-urban migration unless there is a corresponding urban demand. Holding demand conditions constant, we will see little increase in employment under assumptions of wage rigidity; but wage flexibility will stimulate employment as well as minimize unemployment. Technological biases would also have a minimal impact under assumptions of wage flexibility. Technological rigidity would only limit the growth of urban employment rather than increase urban unemployment. The Bairoch phenomenon would be of negligible significance, as social institutions supportive of underemployment are stronger in rural than in urban areas. Insufficient demand or painful necessity may sim-

ilarly dampen the ardor or terminate the idleness of those, including the educated, who are said to be responding only to the "lure of the city lights."

The underlying assumption is that as people learn from experience they choose from among the best options open to them and will not settle for urban misery unless the alternatives are worse. Here is where the political factor takes on some importance. It is often assumed that the urban environment delays such adjustments because of the potential for political action and the weakness of timorous governments. There may be some truth here, but it is unlikely to embrace all of the potential overflow. Cohesive action by the heterogeneous elements—in particular, the urban poor—has been greatly exaggerated (Nelson 1979).

Concepts of overurbanization or excess-supply–limited-demand thus necessarily incorporate notions of failure and of the existence of preferable, if hypothetical, alternative conditions. Attention has thus focused on a number of policy measures: the development of rural employment alternatives; educational content which keeps people on the land; a slowing down of population growth; alternative policies of urbanization; a less capital-intensive urban technology; and so forth. We can sympathize with the objectives underlying such policies without necessarily assuming that the problems meriting such concern either are disproportionately urban or derive from a flawed functioning of urban labor markets.

"Overurbanization" versus Economic Growth with "Unlimited Labor Supply"

It would be helpful at this stage to contrast these views of "overurbanization" with the classical conception of Nobel Laureate Sir Arthur Lewis, whose framework of the dual economy has influenced much contemporary thinking. Despite his emphasis on "unlimited" labor supplies, visions of an urban imbalance due to supply-side pressures were not important in his models of economic transformation.

Lewis defined labor "surplus" as a sociological condition of traditional society where employment and output were shared equally by the family at subsistence levels, thereby providing an "unlimited" labor supply waiting to be tapped. The mechanism that disturbed this population-subsistence equilibrium and triggered the growth of wage ("capitalistic") employment was capital accumulation. Lewis visualized an expanding "capitalistic' sector as drawing upon this vast pool of labor at the prevailing average output in "traditional" activity. Neither an undue preference for nontraditional employment (in fact, he assumed some transfer premiums would have to be paid) nor an increase in wages resulting from

interventions in the labor market was considered important. Capitalistic unemployment and underemployment were thus largely ignored, as migration was geared to demand and the real wage was held down to the level of the average rural equivalent. There was no reason to worry about how one reconciled an "unlimited" number of job seekers with a limited number of jobs. Imbalances would be temporary as the labor market would correct surpluses or shortages and establish an equalizing wage. The process might be painfully slow, but there would be no chronic imbalance.

It is important to note that various distributional questions were bypassed or ignored in this model, whose principal concern was a highly aggregative, economy-wide analysis of the transformation of a traditional economy. The differentiations within the traditional economy and labor force were secondary to such concerns. Productivity variations around the rural family average could be treated as irrelevant, given the emphasis on family decision-making and transfer mechanisms. Left equally untouched were the divergent incentives for labor mobility resulting from variations in productivity at both ends. The growth of intermediate types of capitalistic enterprise, capitalistic transformations within the framework of traditional economic activity, and other such combinations and permutations were also excluded by definition. In addition, Lewis did not deal with the sectoral breakdowns of this transformation. The model thus has little to say about the rural-urban and intraurban distribution of employment and unemployment or the concomitant issues of income inequalities and poverty. Exogenous disturbances to the stable population-subsistence equilibrium (with further downward pressures on subsistence levels) were also outside the framework of the model.

Nevertheless, the model had value as a powerful tool for analyzing the role of demand in stimulating growth and economic transformation. Contemporary thinking appears, however, to have moved into this vacuum by introducing various supply-side assumptions conducive to disequilibrium in the urban labor market. The abstractions of the Lewis model gave place to a simpler one-to-one correspondence of "urban" with "capitalistic" and "rural" with "traditional" economic activity. Growth of urban employment outside of a well-defined "modern" sector (in practice, tertiary employment) came to be treated as a direct manifestation of a rural overflow reflecting population pressures. The urban modern sector became the capitalistic sector, and the urban nonmodern sector the equivalent of the traditional economy. The constraints of demand, an essential ingredient of the Lewis model governing migration, were thus ignored. As noted earlier, rural underemployment became "urban overunemployment" and, more generally, all rural-urban migration came to

be seen in these terms. References to psychosocial variables, such as disenchantment with rural life, attraction for the city, and the perverse influence of the prevailing educational systems, strengthened the conception of urban disequilibrium. All this is a far cry from the demand-derived influences and constraints which Lewis stressed.

Wage Pressures within the Lewisian Framework

Without necessarily departing from the Lewisian framework, some hypotheses have emerged which may be interpreted as being conducive to an urban imbalance. These have argued that the urban wage would be significantly higher than the rural average and would thus contribute to an overflow.

One hypothesis relates to the economy of high (efficiency) wages and is considered particularly relevant to modern technology, which requires a minimum efficiency. The better-fed or housed worker, it is argued, is more productive. This outcome may introduce the need for rationing. The worker responds to the prospects of good nutrition and health, as in George Orwell's *Animal Farm;* but unlike that situation there are potentially a large number who would qualify as workhorses. Even if incremental productivity is entirely a function of the current wage (and the concomitant consumption input) and is captured by the employer, if there are no real differences between the employed and the others with like potential there will be an excess supply, as there will be more than enough workers getting a psychic benefit from being well fed and housed. A fortiori, if the employer provides valuable experience with generalized market value as a by-product, rationing will become unavoidable unless real wages are lowered and some of this cost (and choice) is shifted to the potential employees. However, employers may well conclude that this is a poor substitute for stiffer hiring criteria, which would reduce the nonwage costs of employing labor.

Another view is that a high wage facilitates recruitment of the right type of workers. If there are difficulties related to the search, the employer may elect to establish a wage which would facilitate selection at the place of employment. The "going" market price may be the average for the desired quality or may even provide for some premium. Dipak Mazumdar's (1973) analysis of the Bombay *badli* system is apt and convincing on this point. But the excess here will be limited in scope as the hiring criteria tend to become established. Even "bribery" in the selection process would not exceed essential lubricant levels, given competitive entry into the recruiters' (jobbers') ranks and the employees' self-interest.

A third hypothesis is that high urban wages and job rationing may be tied to specific institutional settings in the urban labor market. As a matter of corporate policy, certain types of employers (to be distin-

guished later as a blue-chip, enclave category of foreign, large domestic, and public enterprises) may hire at wage levels which are high by prevailing local standards. Theoretically, the same result may also follow industrial adjudication or wage legislation. Trade union pressures may be a major impetus for such action, or trade unions may achieve this result by collective bargaining.[13] In all of these cases, however, it may be presumed that employers adjust hiring to levels at which marginal factor cost equals marginal revenue product (ILO 1971a). If the employers also vary hiring standards and restrict the pool of eligible contenders, this need not result in an overflow. If the criteria are sufficiently stringent or esoteric, the chances are that even those with useful skills may not try. Here there is an obvious difference between a criterion of exclusion, such as race, where the presumption may be that there is no productivity difference between those hired and those excluded, and an alternative criterion, such as education or age, where there may be some differences in productivity. An urban imbalance from job rationing arises as a major factor only when there are no systematic differences between those hired and those excluded and there is widespread ignorance concerning hiring criteria in force. A priori generalizations on these matters would be hazardous.

The more stringent the criteria, the less the need for job rationing. Such criteria need not be rational, however. Where the employer's requirement is geared to an attribute which is inelastic, there may even be a shortage of labor in the urban economy (as argued by Mazumdar [1959b] with respect to Bombay). There may well be a case for less stringent hiring criteria, as many have argued, and this would depend upon whether they bring the employer closer to a least-cost, profit-maximization situation. However, aberrant behavior in this regard is not a factor contributing to the urban imbalance.

The situations discussed above are consistent with specific or short-lived imbalances in segments of the urban labor market. They do not basically conflict with the Lewisian scenario, nor do they raise problems of any fundamental significance in dealing with the labor markets of developing countries. Problems of the third type noted above were commented upon widely in the literature of the fifties and sixties. Some of these also discussed the issue of labor redundancy in some depth as, for example, the considerable literature surrounding the Indian (textile) industry. But these were geared to specific industries or contexts, and some of the analyses explicitly differentiated and excluded the broader urban labor market. The theorizing of the late sixties and seventies went beyond such circumscribed frontiers and nuances by emphasizing modern-sector labor market distortions as the source of *urban-wide* imbalances.

Wage Pressures beyond the Lewisian Framework

The generalization incorporated three features. First, the urban labor force, including potential entrants due to rural-urban migration, was treated largely as a homogeneous entity. Second, the complex of institutional pressures gave birth to a dominant and disequilibrating urban wage rate. In practice a residual urban labor market was exempt from this, which resulted in a modern/nonmodern urban dualism. This also contributed to the homogeneous perception of the urban labor market and associated decision making. Third, political public-policy pressures were assigned a decisive role in this outcome. This contrasted with the ambivalence and indecisiveness reflected in the considerable literature on industrial relations in developing economies, which saw unions as weak but vocal and government regulation as a double-barrelled instrument favoring as well as curbing assertive unionism. Some analyses went much further, envisaging the integration of unions as subordinate entities in a national development effort.[14]

Such theorizing thus represented not only a departure from the narrower focus of the earlier urban labor market studies but a sharp break with the Lewisian model as well. Michael P. Todaro, a principal spokesman of the new approach, has argued that LDC realities "are sharply at variance" with the major assumptions of the Lewisian scenario of urban expansion: a rate of urban labor force growth (including migration) that is proportionate to capital accumulation; a rural labor surplus and urban full employment; and constant real wages (Todaro 1977, p. 190). The new approach assumed instead an urban-wide imbalance and corresponding wage pressures. The contrast is explicit, as we can see from the following words of Todaro:

> Almost the reverse is true in most Third World countries, i.e., there is substantial open unemployment in urban areas but little general surplus labor in rural locations.... One of the most striking features of urban labor markets and wage determination in almost all developing countries has been the tendency for these wages to rise substantially over time, both in absolute terms and relative to average rural incomes, even in the presence of rising levels of open unemployment. (Todaro 1977, pp. 190–91)

Actually, the emphasis on urban-wide labor market distortions relegates the traditional sector's labor surplus, the extent to which it has been "used up," and urban demand deficiency to positions of secondary importance. However, such theorizing raises issues of considerable significance with respect to rural-urban migration and the efficient and equitable functioning of the urban labor market. Its judgments are also more sweeping. As such, it deserves separate and detailed treatment.

Political/Institutional Wage Pressures as the Source of Urban-wide Unemployment

The East African experience of the sixties provided the historical context for the development of the new theory. The cohesiveness attributed to wage setting in the urban economy derived from what may be called the politics of wage determination. The influence of the political factor in pushing up wages has been expressed by C. R. Frank, Jr., as follows:

> In the modern urban sector, the central government usually sets the pace.... in East Africa, British Central Africa, and Ghana, minimum wage legislation essentially determines the whole wage scale. Minimum wages are periodically adjusted upwards...[and this] is very effective in raising the whole wage scale since the wages of most unskilled workers are at or near the current minimum wage....
>
> [Even where the minimum wage is not the major factor], the government wage scales have a substantial impact on wage scales throughout the modern sector of the economy.... First, the preponderance of government...means that other employers...be in a competitive position...at all levels. Secondly, the larger private employers, for political reasons, want to achieve and maintain a reputation as "progressive employers." (Frank 1968, pp. 263-64)[15]

In support Frank mentions the pressures in 1964 for a living wage in Uganda, and the wide differentials within the civil service. He concludes that the African governments "within a very large range...have the power and the apparent determination not to let 'economic forces' determine employee remuneration" (Frank 1968, pp. 265-66). In a similar vein, it has been reported for the Sudan in 1975 that the

> urban workers are privileged, not only because their standards and conditions have been raised by administrative action far above the levels of the informal sector, but because they work for employers who—even outside the public sector—are themselves freed to some extent from competitive pressures by tariffs, tax holidays, subsidies on capital imports, and a favorable exchange rate. (ILO 1976b, pp. 110-11)

It is noted that the 1974 minimum wage order had a negligible impact, but that there was a potential for using it to reshape the entire wage structure.

> What this might mean is that the statutory minimum wage becomes the key rate in the economy's wage structure so that a future statutory increase of the minimum rate would generate an upward movement in the entire wage structure. A situation of this kind is found in a number of African, Latin American, and Asian countries. (ILO 1976b, p. 112)

A formal expression of these views may be seen in the Todaro model, which has been a dominant perspective in this area for something like a

decade now. It focused attention on the level of the urban wage and a corresponding queue of those desiring high-paying urban jobs. Institutional rigidities and pressures maintain (through unions, minimum wages, and modern large-scale employment) and periodically propel real wages up even higher, insuring high rates of urban-ward migration and open unemployment (or its cousin, overcrowding in the urban non-high-wage sector). Embellishments of this model have argued that increased urban demand for labor will not help either, for any depletions from the queue will be made up or even exceeded by the hidden reserves outside the urban force. Two factors are thus crucial in producing this situation of substantial migration in the context of unemployment: a rigidly maintained high wage and the probability of finding employment at this pay (Todaro 1971, p. 393). We should now take a look at this probability and the assumptions about it that are entertained in the literature.

The Todaro Model and Variants

Todaro explains the importance of the probability factor as follows:

> Without introducing the probability variable it would be extremely difficult to explain the continued and often accelerated rate of migration in the face of sizeable and growing pools of urban unemployed. Arguments about the irrationality of rural peasants who unwittingly migrate to urban areas permeated by a widespread unemployment are . . . ill-conceived and culture-bound. . . . The key . . . lies in viewing the migration process from an "expected" or permanent income approach where expected income relates . . . also to the probability that he will be successful in securing wage employment in any given period of time. (Todaro 1971, p. 393)[16]

C. R. Frank, Jr., and Richard H. Sabot, who share this tradition, also explain the probability as some function of the unemployment rate. Frank, for instance, specifically distinguishes a subjective probability, which may be termed the decisive penultimate variable in the migratory decision, as follows:

> Prior to entering the urban labour force a prospective entrant's assessment of this probability is likely to be very crude but nevertheless proportionately related to the ratio of the current number of persons gainfully employed.
>
> Once a person has entered the labour force . . . [this] will change through time as the amount of his information increases through experience. Furthermore, the average length of time a labour force participant goes without a job is dependent on the ratio of those unemployed to those employed. The longer the labour force participant remains without a job . . . his assessed probability of getting a job decreases. . . . (Frank 1968, p. 267)

If, as a result of the growth of urban demand, there is a larger increase in supply, there would also be an increase in the numbers unemployed, but this would result in a fall in the subjective probability as well as in the

rates of rural-urban migration. But the stock of unemployed and underemployed, which is building up very rapidly, may be quite large before some sort of equilibrium is reached.

Todaro carefully distinguishes his model of migration from others which have assumed an economic incentive to migrate in the context of large rural-urban differentials. Open unemployment at any given rural-urban differential will diminish the incentive to migrate. But the scales may and probably will be tipped in favor of migration once we take into account a longer time horizon. Since job probabilities will improve over time, there is an incentive to enter the urban labor force and join the unemployed while waiting for a job to open up. This involves comparing a future stream of incomes with current alternatives, a calculation in which the job probability is introduced. The equation is reproduced below:[17]

$$V(0) = \int_{t=0}^{n} [p(t)\,Yu(t) - Yr(t)]e^{-it}dt - C(0)$$

where $V(0)$ = discounted present value of "net" urban-rural income stream;
$Yu,r(t)$ = average real incomes in urban and rural areas;
$C(0)$ = cost of migration;
$p(t)$ = urban job probability in period t; and
i = the discount rate reflecting migrant's time preference.

Todaro then incorporates this behavioristic theory into a dynamic equilibrium of urban labor supply and demand, as follows:

$$\pi = y\,\frac{N}{S-N},$$

where π = probability of obtaining an urban job at any one time,
N = urban employment level,
S = urban labor force total, and
y = rate of urban job creation;

$$d = W \cdot y\,\frac{N}{S-N} - R,$$

where W = urban real wage rate,
d = expected urban-rural difference, and
R = average rural real income;

$S = fs(d)$, saying that labor supply depends on d;

$y = fd(W,a)$, where a is a policy parameter.

These give us the migration response function:

$$\frac{\partial s/s}{\partial d/d} \gtrless \frac{W \cdot \pi - r}{W} \cdot \frac{(S - N)}{(S)}.$$

When the term on the left is larger than the term on the right it will add to the unemployment total; when it is less it will reduce the total; and when it is the same it will leave the total unchanged.

Before commenting on the model, it would be worthwhile to spell out some of its key features. Todaro is talking in terms of an all-urban real wage rate. Expected rather than actual income differences are important because he assumes substantial urban unemployment and entrenched rigidities in the urban labor market which would maintain rural-urban differences at a nonequalizing and attractive level for an indefinite period. The entire burden of adjustment towards equilibrium rests on net migration accompanied by a rising level of unemployment. Over time the probability of urban (modern-sector) employment, π, will fall as unemployment increases. Given the urban wage rigidity, there will be urban mass unemployment or its corollary (once we introduce a nonmodern sector), urban-wide underemployment. Equilibrium will ultimately be reached in the Todaro model when, because of rising mass urban unemployment, π has fallen sufficiently low to make moving unattractive to a potential migrant. Urban job probability may stabilize at a ratio of N/S when increases in employment are matched by proportionate increases in unemployment, and may frustrate efforts to reduce the latter by urban job creation.

Difficulties and Implications of the Todaro Model

The Todaro view of urbanization raises major questions about the development process, facts at issue, and the relevance of traditional labor market analysis. We shall comment upon these briefly.

First, unlike the Lewisian model, Todaro's view is that, because of chronic urban unemployment and pervasive underemployment, migration serves no useful social function. It merely encourages an urban gamble or scramble for limited opportunities rationed out on no apparently valid economic basis. The social opportunity cost of adding to urban employment will be equal to at least the average rural product multiplied by the additions to the number of job seekers and the increase in employment (drawn presumably from the ranks of the currently idle).[18] At any stable value of π the social costs exceed the social gains, and the difference would become larger the lower the value of π.

There is also the related issue of the economic value of and deterrents to migration at the private level. These would assume significance if

there are variable productivities at both ends of the migratory process. The urban wage rate may be unattractive for many migrants and would limit the rural inflow if there were other appealing alternatives. More generally, expected gains may vary widely and not very systematically for different categories of the rural-urban flow and may not be adequately captured by the rural/average-urban differences. One must include in this category those tempted by the attractiveness of return migration or other urban employment. For some of these the productivity potential of urban (modern-sector) employment may provide a stepping stone. For many migrants, such gains may also accrue from urban employment below the urban (modern) wage rate and may even be a rational, terminal goal. This raises questions not only about expected income differences, but about variations in the costs of waiting for modern-sector employment for different categories in the urban labor market. The Todaro model skips over this aspect.

The Todaro model also has major implications for the links between economic growth and income distribution. A restrictive interpretation would transmit demand impulses deriving from economic growth mainly through the derived demand for labor in the urban modern sector. Mobility patterns are unidirectional, towards well-paying city jobs. This would not only encourage a polarization of urban income distribution, but would severely limit "trickling-down" benefits to the paced expansion of employment at the institutionally determined modern-sector wage.

Second, the model raises important issues of fact. Todaro is critical of the ethnocentrism of the advanced economy models which assume urban full employment. The question nevertheless arises as to the applicability or universality for the Third World of his assumption of urban-wide institutional rigidity in the labor market, a characteristic one would more readily anticipate in industrialized economies. This is of more than Keynesian proportions, especially when it is assumed that urban money wage adjustment would maintain the urban real wage advantage in the context of growing unemployment, a capability which unions in the industrial economies may possess only at or near full employment. Of equal importance are assumptions concerning the level and trends in unemployment and rural-urban wage differences as well as the urban wage structure. These are not the matters of "empirical detail" which economists may be likely to set aside, but are at the core of his analysis.

There are two components which determine a migrant's probability of finding a job in the urban modern sector through a process which is essentially random. Job probability is inversely related to the ratio of the unemployed to the employed in the urban labor force. A migrant's probability increases as a direct function of the time he has been in the city, as this will lead to "more contacts and better information systems" (Ndegwa

1973, p. 68; Todaro 1971). Incidentally, the existence of an urban traditional sector also avoids the "all or nothing" prospect facing the migrant, where he succeeds in getting a job either at the urban wage rate or not at all. This leads naturally to a discussion of factors other than the unemployment rate as determinants of urban job probability, as well as an examination of how the urban experience and feedback mechanisms might influence the subjective probabilities which are, after all, the actual guides to behavior.

Third, the characteristics of the urban labor market, its structure, probabilities of finding well-paid employment, and hiring and job search patterns have been simplified unduly. The urban labor market is basically dualistic, for the simple reason that the rigid urban real wage attracts an overflow. Although the model is developed in terms of an urban wage rate, and "urban" and "modern" are used interchangeably, an urban nonmodern sector becomes a necessity.[19] Treated in residual terms, it becomes indistinguishable from the traditional economy. The residual is fed, replenished, and swollen by the failure of the modern sector to provide employment. This is reflected in a dual urban wage structure and a widening intraurban gap. Since it is growing urban unemployment—not any closing of the rural-urban gap—which acts as the equilibrating factor, the model's vision of the growth of the urban residual or traditional sector paradoxically is directly tied to the rural surplus at the prevailing rural real wage.[20]

Todaro's dual labor market may or may not be better constructed than its western cousin, but in one respect at least it rests on a more uncertain foundation. Issues of class, social segmentation, and contributory ethnic factors, which govern and ration opportunity, are hardly touched upon.[21] These may affect urban job probabilities in various ways, giving some only a dismal chance, and others a better than even crack, at obtaining the preferred urban job. We know only that modern-sector job favors are rationed out by the government-administrative-corporate (and even union) complex, but this is not true of the criteria they would employ. This would surely have some bearing on how many would want to try and whether probabilities are indeed random. This consideration would be relevant anywhere in the urban economy where wages are rigid. An important issue raised, but not dealt with, by the Todaro model is, therefore, the criteria governing urban employment and their relationship to labor mobility.

The issue also arises whether subjective as well as objective probabilities might change in a manner unrelated to the general unemployment rate. Even within the framework of a given rural-urban differential, there may be differences in the extent to which prople are or are not easily discouraged. This should necessarily include the possibility that some

would leave the urban labor market entirely or settle for lower-paying, nonmodern sector openings. By the same token there may be differences in the labor quality elements which they represent as well as in the relevance of urban nonmodern work experience which would affect modern-sector job probability. Making all this a linear function of time may be unduly restrictive—perhaps even contrary to reality, as pointed out above by Frank.

As noted earlier, experience with "excess supply" might also encourage employers to make their requirements more rigorous, if only to minimize the costs and annoyance of dealing with unneeded applicants. More than likely, employers will change the composition of their labor force so that wages not only equal the value of the marginal labor product but also equilibrate supply and demand for the type of labor desired. One may disagree whether a hiring criterion—say, education—is a rationing or efficiency device; but one cannot disregard the employers' self-interest in indicating the favored criteria, except initially or when quantities and qualities remain chronically undefinable.[22] Also nonprice rationing would generally tend to strengthen parochial considerations in selection. All these weaken the notions of both a random probability whereby each worker believes he has an equal chance, and a steady progression in such probability depending upon the time spent in the queue, the number of visits to the factory gate, and so on.[23]

We will conclude this discussion with a statement of some of the analytical and practical difficulties the model poses.

A careful scrutiny of Todaro's model reveals the following relationships and underlying behavioral assumptions. The urban migration decision is a function of expected income differences. Expected income differences are in turn a function of the urban unemployment rate. The urban unemployment rate is a function of the migration response coefficient, which is an elasticity term relating percent change in labor supply to percent change in expected incomes. And this we know to be a function of the unemployment rate.

First, the elasticity coefficient, the migration response, can be large or small, as Todaro himself points out, and there is no a priori or empirically deduced value which may provide a rule-of-thumb guideline as to what to expect. The elasticity is dependent not only on the observed differential and urban job probability but also on the response to them. Both are difficult to determine (we will take up the rural-urban differential later). Even when we cross these two hurdles, we cannot gainsay the response, which will depend on a host of factors: the cultural/family mechanisms as well as the communication, transport, and institutional aspects of the infrastructure which govern labor mobility. Paradoxically, a very high elasticity would not only mean large numbers flocking in,

but also—as urban job probabilities and expected incomes fall in response to the sharp increase in unemployment—a quick end to the inflow; but not because modern-sector wages fall. So what feedback mechanism influences migrants to stop coming in, to lower their estimates of expected income differences?

A great deal in this model depends upon the urban unemployment rate. A generalized rate for a metropolitan area is difficult to rely upon. Such data are not available for many countries and the data that are available are subject to major qualifications. We will take up the empirical estimates later. Our concern here is rather with why decentralized responses by households and job seekers should correspond to such an overall statistic.

A metropolitan rate would vary in its reliability for different segments because of the wide geographical area involved and differences in the areas of origin of the migrants with respect to such considerations as local rural-urban differentials, propensities to migrate, and related cultural factors. West Bengal, Bihar, and Orissa, all served by Calcutta, or the vast areas served by Sao Paolo, Khartoum, or most other metropolises, incorporate widely divergent conditions as well as widely divergent perceptions of job prospects upon migration.[24] In India, despite a long history of gathering data through the employment exchanges and sample surveys, expert committees have found it difficult to attach value to any single estimate because of the vast regional and other differences affecting the different components of the labor force (Government of India 1970).

When it takes a census authority or expert mission 12 to 15 months to arrive at a tentative estimate of the general unemployment rate, and it is not a task which they attempt often, the assumption that such an estimate provides the input for a particular behavioral response from potential migrants or labor force entrants—and that there is some regular, functional relationship here—may be heroic and naive at best. One is reminded of Milton Friedman and Simon Kuznets, who wondered how an exercise in computing returns to training in five professions—which they found to be very complicated—could guide individual choice as to what profession to pursue.[25] We can anticipate defenders of positivist economics by pointing to the more intractable aspects of the problem.

The urban unemployment rate might also mean different things to different people, not just because their own experiences are different, but also because of varying expectations about the costs of looking for urban employment and the rewards from finding it.

The urban unemployment rate would also incorporate varieties of unemployment experience, including variations in the duration of unemployment. Many job seekers, including poor migrants, may experience

low unemployment rates, and even bring the overall rate down, without necessarily improving anyone's prospects in modern-sector employment. Given imperfections in the labor market, we will have to deal with variations both in the cost of waiting and in the ability to finance the same. There are probably few countries for which we have anything better than one or two spot estimates of unemployment, perhaps inspired by a technical aid or employment strategy mission. And for many we have to rely almost entirely on census figures, which not only do not give breakdowns in terms of duration of unemployment but may markedly differ from survey estimates. This is one of the reasons why Mark Blaug observed aptly and extremely forcefully that the

> relevant evidence is not the rate of open unemployment among particular categories of people but rather the waiting period before entering a job, or the average duration of unemployment. There is a world of difference between a situation in which everybody takes six months to find a job and then holds on to it until retirement and one where 90 percent find work on the day they leave school, while 10 percent take five years to get a job, although both situations yield identical unemployment rates.... Unfortunately, India is unique among the developing countries in providing this kind of information.
>
> ...data on unemployment in less developed countries are worth little unless they are crossed-classified by age, education and the duration of unemployment.... Since this evidence is, to my knowledge, unavailable for any developing country, there is little point in quibbling about unemployment statistics. (Blaug 1973b, pp. 10-11)

Spot estimates reflect conditions of the moment, incorporating various stages of adjustment towards equilibrium, and may or may not provide the best guide to long-run prospects for different individuals contemplating migration. One would rely upon the general unemployment rate if indeed it were a good indicator of future changes in job prospects. This may assume a structural interdependence among components of the urban labor market which may be irregular at best, or may not be there at all. And we are talking of a peculiar kind of interdependence, not the kind served by a discount rate which integrates money and capital markets. We are focusing on interdependent rigidities in the wage structure and movements, similar in direction and magnitude, of the various unemployment rates.

Finally, we come to the key theoretical issue. We know that subjective assessments vary and for good reason. It is not clear why, and within what time dimension -- if ever -- they in fact approximate actual openings. What is the basis for the Frank proposition that subjective probability is "proportionately related" to the ratio of the unemployed to the employed? How significant is the overall unemployment rate in bringing about an alignment of the probabilities which vary so much at a moment of time as well as over time for different groups and jobs? Could we

argue that it is at least a useful proxy, guiding us to the hunches and advice the migrants would follow from those they have learned to trust or imitate, such as friends, relatives, or other role models? But would the sum of such behavioral responses be well represented by the unemployment rate—because it provides the best clue either to subjective probabilities or to the eventual outcomes?[26] Would this be a cumulative, consistent, and smooth movement towards equilibrium? If so, how long would it take? Why should most decisions, in theory, settle down to a response pattern where discounting money income differences by the unemployment rate makes the best sense? *The real problem is that what Todaro identifies as a job probability factor provides no clue to the subjective assessments guiding actual movement into (or out of) the urban force, but is only a mathematical truism which says that available jobs can be parceled out only in so many ways.* If there are 100 jobs, and 1000 unemployed, only 1 in 10 will find employment. It is not a theory of labor mobility (the discovery of which is relegated to empirical studies) but a coefficient which automatically equalizes expected average dispensation for any number of job seekers to the wage bill or any addition thereto.

A final difficulty is related to the equilibrium concept in the Todaro model. Despite the preponderant importance attached to the unemployment rate, two other factors may have a decisive effect on the outcome—namely, prevailing rural-urban differences and supply elasticities. Equilibrium is reached when net additions to the labor force equal net increases in demand and there is no change in the level of unemployment. The equilibrator is the unemployment rate which, acting as a probability factor, equates expected earnings with additions to the modern-sector wage bill. But given the wide variations in the supply elasticity coefficient, the unemployment rate can assume an indeterminate range of values. It is not clear that the unemployment rate is of central predictive importance, nor what one should be looking for in verifying the utility of this approach.[27]

Post-Todaro Developments and Empirical Applications

The Todaro model became the dominant perspective of the seventies. It may not have displaced the earlier concerns with demographic or economic policy failures, but it shifted the spotlight to the urban labor market and the implications of its dualism. It also inspired further studies, both theoretical and empirical.

Later refinements were built on this foundation of urban wage rigidity and the existence of a favored urban-modern sector. The residual urban economy was treated in increasingly homogeneous terms. The urban income gap became a formal measure of underemployment. Increasingly, all of the residual was treated as a mirror image of the high-wage

sector, an "informal" (as opposed to "formal"), more structured component of the urban economy. Highly competitive characteristics were imputed to the former. Urban employment, unemployment, and underemployment problems were reduced to a straightforward issue of how to handle the queue for jobs – a more equitable rationing system, as it were. The hiring criteria of the formal sector, educational credentials, job search processes, and the urban-wage structure became subordinated to this critical perspective. One line of development went farther, and somewhat confused the urban dichotomy. The urban residual sector was seen both in terms of a rural overflow and as a reservoir of discouraged, but potentially dynamic, entrepreneurship. The privileged character of the "formal" sector was complemented by an emphasis on the "actively harassed" character of the informal sector. Favored policies included a restraining role for the government in wage determination, alternative hiring criteria for formal-sector employers, and elimination of the barriers to the growth of the informal sector. These approaches are incorporated in a number of metropolitan employment studies and reports of comprehensive employment strategy missions sponsored by the International Labour Organization, which constitute a focus and key source of information for this monograph.

For the most part, the later developments reinforced the Todaro framework: an urban economy of limited diversity and an undifferentiated labor force; a bimodal wage structure and increasingly unequal income distribution; circumscribed avenues of gains from mobility, focusing on a modern-sector job; and job probabilities which were mainly related to the length of the urban "stay." Institutional employment affiliation was elevated to a position of unusual significance in determining the level and distribution of urban unemployment and incomes.

The job probability concept was extended naturally to cover the related aspects of job search and labor mobility. The urban nonmodern sector continued to be viewed mainly as a temporary or transitory solution, of value only to the extent it reduced the costs or enhanced the benefits of waiting. Such waiting was seen as productive not so much for the skills or experience it offered, but for improving one's knowledge of and position in the queue. Some sort of overall order seems to be expected here, rather than the conditions of the primitive hiring hall where the less aggressive and assertive always get left out. Such transitory participants have been appropriately termed "visitors" (Mazumdar 1976c, 1977). Refinements within this framework incorporated the possibility that some may bypass the nonmodern sector altogether or prefer to be unemployed because employment in the nonmodern sector may lower the prospects of obtaining a modern-sector job. This possibility may either impede the job search process or be prejudicial.

What does this imply for labor mobility? First, job search takes place only in the city, and potential rural migrants enjoy equal probability of success. Second, migrants as well as other labor-force entrants are guided by the ultimate lure of the modern-sector job in the city. This gives us a step theory of migration as well as step-wise movements within the urban labor market towards the modern sector. Migrants move first to the smaller towns and cities, from there to the urban nonmodern sector, and thence to the modern sector, the terminal stage for most. Mobility and migratory patterns are thus dominantly of a simple, linear line of progression. When the market matrix is inoperative, factor prices do not necessarily equalize the closer one gets to the urban area. The privilege of proximity to modern-sector employment exercises its toll in terms of reduced earnings in the urban "informal" sector as well as the neighboring towns.

The Framework of This Appraisal

This lengthy introduction has served to set the stage for the issues we will consider in this study. The state of the art is clearly undeveloped, and we suffer also from limited information.

It should be clear by now that this monograph does not necessarily share the predilections of currently dominant approaches, but the concern over questions of welfare and equity which they have emphasized remains. The issues raised are so broad and poorly understood that it would be premature, perhaps presumptuous, to focus attention on affirming or negating prevailing influential hypotheses.

In appraising the existing literature, we have a broader effort in view as well. The aim is to develop some issues of importance which are deserving of scholarly attention. These neglected aspects present issues suggestive of both optimism and pessimism concerning the functioning of urban labor markets in developing economies. A fuller development of these themes, including specific formulations, will necessarily be dependent upon much additional research.

The boundaries of this inquiry will be somewhat difficult to define with precision, and some blurring at the edges will be inevitable. Although our focus is on the urban labor market, it is clear that the economic and demographic framework affects its functioning and outcomes. Further, as Harvey Leibenstein showed several years ago, we are entitled to talk about shortages and surpluses in both a positivist and a normative sense (Leibenstein 1965).

Many "excess-supply-limited-demand" models may be founded on excellent logic for limiting supply or increasing demand (say, by tackling the population or technology problem) without necessarily implying an

imbalance in the labor market. We are not concerned with optimal population or urban limits. But the emphasis on chronic urban imbalance due to population pressures and rural-urban migration naturally prompts further questions about the urban economic environment which attracts this inflow and whether there are other, as yet poorly recognized but discernible rational purposes and limits guiding this inflow. Thus we need to know more about the nature of emerging economic activities in urban areas, including the pattern of demand for labor as growth gets underway and the possibility of equilibrating movements. This will complement the brief discussion in this chapter of Sir Arthur Lewis's ideas.

Although it is currently fashionable to incorporate demographic pressures and wage distortions in discussions of excessive urbanization, what we observe today in the developing economies can be explained in terms of established, traditional theory that is applicable to developed economies as well.[28] Productivity differences between farm and nonfarm activities and changes in these determine the increases in the nonfarm/farm population and employment ratios. Low IDC ratios reflect low productivities, and increases in the rates of urbanization may similarly correspond to unprecedented improvements in economic performance. In this connection, it is relevant to stress an important distinction. The Harris-Todaro models, even if sustained, serve only to explain continuing migration in the context of urban unemployment rather than rates of urbanization. These would be larger at higher rates of productivity increase.

The point is that there is a marked and paradoxical contrast between the vitality and vibrancy inherent in changes in patterns of economic activity and the new directions of labor mobility on the one hand, and the perhaps increasingly gloomy assessments on the other. But this is inevitable so long as we function at a high level of aggregation and simplification. The more detail we can get on the interrelationships among economic growth, urbanization, and the structure and processes of the labor market, the better position we are in to assess current development and policy choices. Much that is happening, including much that arouses concern, may be seen as by-products of growth and change or as adaptive responses by rural and urban populations rather than as manifestations of collective or decentralized failure. Urban inflows, low productivity employment, and distribution of incomes may represent fundamental conditions undergoing change rather than peculiarities of wage determination.

Major Issues

We emerge, then, with three sets of interrelated issues. First, what are some of the determinants of the growth of the urban labor force and the

corresponding breakdowns in economic activity? The emphasis on demographic pressures and economic policy failures will be supplemented by focusing on the relationship between economic development and transformation and urban growth. The following are some of the specific questions to be addressed: What is the nature of the agglomeration economies which influence metropolitan economic structures? What can we say about scale considerations favoring urban location? Is there a viable base for economic activity outside the modern sector? (The answer to this may have some bearing on decisions favoring urban-ward mobility independent of opportunities in modern-sector employment.) What mixtures of modern and traditional inputs and activities appear to emerge? This line of investigation will also be helpful in indicating the extent to which aggregations presently employed serve their purpose or obscure relevant detail. The aggregations refer to both two-sector classifications of the urban economy and attempts to express more detailed standard international classifications in such a manner.

A second and related set of questions concerns the organization and functioning of metropolitan labor markets, the main theme of this study. The important issues are how labor is recruited; the differing requirements of employers; levels, patterns, and trends in remuneration; policies and practices regarding advancement or upgrading; applicability and impact of public regulation; degree of unionization; nature of employment organization; and so forth. For the most part the literature rests content with rather simple assumptions in this respect. Contemporary dichotomies are based on presumed modern-traditional differences in terms of outputs, inputs, or sectoral affiliation. A major question for us is whether these also correlate with variables that are important for labor market analysis. This point is often overlooked. For instance, even studies that investigate the hypothesis of a dual wage structure rarely examine whether their classifications of the urban economy reflect corresponding labor market pressures. This point is important whether we are considering employment breakdowns, the wage structure, or labor market practices.

Let us begin with employment. The paramount question is what the details reveal and how satisfactorily they can be dealt with in a dual framework (or the sectoral groupings on which it rests). What can we infer from available data on employment and its distribution about the types of employers, workers, and practices involved? Are there systematic differences between government and private employment, between domestic and foreign employers? How significant is the size distribution in terms of employment practices? Is self-employment necessarily low-skilled and wage employment necessarily better paid? What differences can we observe in the participation of migrants in the labor force and in

different branches of employment? Do prevailing employment dualisms also imply systematic differences in quality/skill of labor employed? Is this true of employment in secondary-sector or manufacturing units as compared to private employment in trade or commerce? Is the modern sector effectively unionized? How confident can we be about the cut-off lines presently employed to distinguish modern from traditional activity?

The wage structure is important for whatever rationality it displays and for what it reflects about the disequilibrating features attributed to it in contemporary theorizing. How supportive is available information on rural-urban and intraurban differentials on this point? What is the role of institutional biases as compared to productivity considerations? What skills and attributes appear to command a premium and why? Are skill/productivity differentials basically rationing devices? Do the dynamics of the interrelationships among various clusters of the wage structure and movements over time indicate an underlying coherence and self-corrective features, or are they of a haphazard and worsening nature?

Finally, we are concerned with prevalent labor market practices concerning recruitment, job search, remuneration, and advancement, and the recourse to formal and informal channels as well as ascriptive and universalistic criteria. We must also take note of the diversity of employers, job seekers, and labor market organization. Are there important differences with respect to these practices among different labor market participants? What is the relative importance of formal and informal channels, and ascriptive and universalistic criteria, say, in modern-sector employment? How variable is the practice within this sector? What is the role of such formal organizations as the employment exchange or unions? What channels are available to migrants? In less developed economies, characterized by a labor surplus, can search costs be dispensed with? Does the existence of social ties and parochial channels significantly modify the assumptions of random access to skills, relevant job experience, and information, and therefore of employment probabilities? The more diverse the urban economic structure and labor inputs employed the less valid it would be to talk in terms of the simple binary outcomes of the wage distortion models. Related questions emerge. Are underemployment and labor market imperfections more pervasive, and less a function of organizational characteristics, than indicated by the two-sector wage distortion models? Is urban unemployment more specifically related to an enclave, high-wage sector? Are the benefits of growth diffused principally through the restrictive channels of a dual labor market with increasing polarization of at least the urban income distribution? Or can we see signs, even incipient, of other "trickle-down" channels?

Third, we come to alternative perspectives scarcely touched by the

literature. Economy-wide developments and structural transformation would affect urban labor-force growth, which involves differentiated rural and urban hierarchies in a variety of enterprises and activities. This perspective is only partly Lewisian, although the emphasis is on the expansionary influences generated by economic growth and the urban economy rather than on disequilibrating supply-side pressures. However, the scenario is by no means simple or sanguine, as success in the urban economy would be a function of adaptation to changing requirements and opportunities, but the ability to adapt would in turn be a function of attributes, both ascriptive and universalistic, which are inequitably distributed.

This may well be the more important aspect of the "malfunctioning" of urban labor markets. The concern would then be not with the disequilibrating aspects of rural-urban migration, whose equalizing influence would be positive, or with institutional classifications of employment, but with apparently efficient but inequitable social hierarchies and divisions which foster employment clusters of widely varying productivity. This may well be the dominant process of adaptation and the dominant issue. As noted above, given the neglect of this theme in the literature, our questions and answers can represent only inchoate formulations and indications. Available information suggests that this adaptation to urban opportunity may involve a broad rural spectrum which relies upon traditional strengths and ties for more varied goals than modern-sector employment. Such information makes it imperative to investigate further along these lines.

Obvious issues include the importance of such ties and hierarchies in the urban labor market, the adaptability of traditional skills in urban employment and the relevance of urban experience in self-enterprise, and the prospects for "universalizing" labor market practices and criteria. A more general focus would be on the interplay of rural development and urban growth, and the prospects for the growth of activities which combine traditional and modern activity as well as innovations in the production of goods and services.

The Sequence of Chapters

Chapter 2 presents an overview of the relationship between growth, urbanization, and labor market outcomes. Such notions as urban "inflation," overurbanization, and "excess-supply-limited-demand" share the concepts of an excess labor supply resulting from policy biases (for example, capital-biased technologies) which inhibit employment growth and population pressures which increase urban unemployment. Evidence cited in support includes the slow growth of employment in certain types

of economic activity: secondary sector, industrial, manufacturing, and in recent years the urban formal sector. It is recognized that employment in these select categories may encourage residual urban employment, as would a rural overflow, but few argue that there is an independent source of growth and potential for productive employment. This is an aspect we will consider in Chapter 2. We will also look at the patterns of urban (especially metropolitan) concentration in the developing economies and the factors conducive to this development.

Chapter 3 presents a detailed review of selected studies of individual metropolises which have applied the two-sector model of the urban labor market in an integrated and systematic manner. Such case studies formalize the dualism implicit in sectoral classifications which distinguish between (urban) employment characterized by (rural) supply pressures and the rest for which there is "genuine" demand. We will review these studies in detail rather than compressing them into prevailing classificatory schemes, in part because we want to get a first-hand look at the range and diversity of the phenomena to be analyzed. This will give us an added opportunity to examine the validity of generalizations about the employment implications of economic and population growth, and will also take us closer to the structure and organization of metropolitan labor markets. The chapter will focus on the urban labor force, its participation rates, its composition, and measures of idleness. In addition, it will consider the prevailing models that classify economic activity into urban formal and informal employment.

Chapters 4 and 5 continue the review of the literature by focusing on the urban wage structure and on labor market channels and practices, respectively. The wage structure is examined in terms of levels, differentials, interrelationships, and trends. We seek to ascertain what it indicates about the functioning of labor markets and the strength of nonmarket forces emphasized in the Todaro-type scenarios. Chapter 5 presents details of how the urban labor market is organized, the nature of information and migratory flows, the skills that are traded and that command a premium, and the interplay of particularistic and universalistic characteristics which provides a pervasive foundation to all of this. There is surprisingly little coverage of these aspects in the formal literature which has generally favored limited, homogeneous categories and a simple view of labor mobility and migration as a quest for "modern"-sector jobs. More detail on the labor market is crucial for understanding patterns of migration, employment, and unemployment; but it is also difficult to obtain, as it deals with qualitative aspects not readily available from censuses and surveys of the labor force. We have tried to remedy this deficiency to some extent by going beyond sources included in the review.

Chapter 6 emphasizes the importance of going beyond approaches which merely theorize a chronic excess and weak adjustment mechanisms. The need to develop alternative perspectives of urban growth and employment, including priorities for research, is also discussed.

Notes

1. See also World Bank (1979). The second in a series of annual reports by the president of the World Bank, this focuses on urbanization and employment problems.
2. The following bibliographies or sources would be relevant: Hicks (1973); Findley (1977); Mulat (1977); Yap (1977); ILO (1978a); Squire (1979); World Bank (1979, 1980). Particular mention should be made of papers by Michael P. Todaro (1969, 1971), which significantly influenced, and were representative of, the literature of this period.
3. The first to gain international attention was by Turnham and Jaeger (1971). On research underway, see ILO (1978b); World Bank, *Research Program: Abstracts of Current Studies* (annual publication); and working papers released throughout the year by both organizations.
4. For an influential early view see Terzo (1971/72) and related studies sponsored by the Ford Foundation.
5. See also White House (1980), vol. 1, p. 12. The latter sees an eventual slowing down, however, due to "increasing illness and misery."
6. A qualification was added (to the lesson from simulation exercises) that rural-urban migration would encourage such positive effects *as long as it was not excessive!*
7. The scholars ranged from American development specialists to a graduate student in development "prelims" who sought to demonstrate, with a preference map and related paraphernalia, that individual welfare was maximized by such restriction. His overall performance rated a distinction, alone among several examinees over the years. See also Grant (1971).
8. Katzenstein does not feel that the "demographic" factor is adequate to explain anti-immigrant nativist pressures.
9. For references to some of the relevant literature, see Moir (1977), pp. 25–41, especially p. 25, footnotes 1–3.
10. See World Bank (1979), p. 77: ". . . it is extremely difficult, if not impossible, to determine the optimal rate of urbanization and the best spatial distribution of economic activity in any given country." See also Mohan (1979b), p. 2, who argues that Indian planners appear to have taken an a priori position "that urbanization is undesirable in itself . . . ," without adequately examining the premises or objectives sought.
11. Linn (1979), p. 5, explains the basic approach as follows: "In a nutshell, it is . . . that urban labor supply tends to expand more rapidly than urban labor demand, thus limiting urban employment opportunities, and depressing

wages and income, especially for unskilled workers." An examination of Chapter 2 indicates this to be a starting point of the analysis rather than one that remains to be demonstrated.

12. See also "China: The Jobless Generation," *Time*, September 2, 1979, p. 34.
13. For a fourfold typology applicable to organized wage determination in Indian industry, government, large-scale banking, etc., see Kennedy (1966), chaps. 5 and 6.
14. E.g., Sturmthal (1960) and Kannappan (1968b), which assess prevailing professional thinking.
15. The first condition does not square with assumptions of an urban labor surplus.
16. See also Todaro (1969) and Harris and Todaro (1970).
17. See Todaro (1971), Appendix, "A Mathematical Model of Rural-Urban Migration," pp. 411–13.
18. This is under the assumption of rural full employment.
19. Todaro's references to the preferred urban job, the probability of obtaining it, and the corresponding wage rate thus refer to the "modern" sector, which is by no means a clear-cut empirical concept in terms of his own usage. See Nelson (1979), p. 404, note 23.
20. Retaining the rural full-employment assumption would mean an increase in the rural real wage and continued upward institutional pressures in the urban labor market to maintain the rural/urban differential.
21. In another respect also the Todaro dualism emerges as different. Indian studies show that only a minor segment of the formal or organized sector has well-organized "internal" labor markets with "ports of entry" and structured lines of progression (Papola 1975, Dutta 1980). These may, however, be true of the more restrictively defined "enclave" sector. See also Cain (1976).
22. For instance, one device commonly employed by enclave-sector employers is to specifically exclude candidates earning less than a certain income from applying. Newspaper advertisements in Nigeria, Ghana, India, Ceylon, etc., display this restrictive feature consistently. James (1960) claimed that the Bombay textile labor market was effectively insulated from the surrounding metropolitan labor market by the requirement of prior factory experience.
23. See Stiglitz (1974), especially the appendix, for further mechanical elaborations of the probability factor along these lines.
24. Not irrelevant is the discussion in Chapter 2 of the uniqueness of the primate city and its implied remoteness from the different national regions.
25. Referring to their calculations of the rates of return from different professional choices, Friedman and Kuznets observe: "...a not unimportant by-product of this section is that it demonstrates the difficulties involved in a serious attempt to choose between professions on strictly financial grounds and the uncertain applicability of the most careful calculations of the fortunes of a given individual in the uncertain future. An appreciation of these difficulties and uncertainties goes far toward explaining and perhaps justifying the loose methods by which young men seem to form their expectations and choose their occupations." (1915, p. 142)

26. And what would these include? A modern-sector job, unemployment, underemployment, a gamble in self-employment that pays off (fails)? And within what time frame?

27. See also Godfrey (1973), pp. 67–68. For a critical assessment of the Todaro-Harris model, and a rather weak test of its efficacy, see Berry and Sabot (1978), p. 1216 ff., and note 79, including a study by Todaro. The assumption that urban employment probability (and therefore expected income) influences migration decisions is neither the "central" hypothesis of the Todaro model nor its distinctive contribution to the literature. Of indispensable importance are the assumptions about the rigidity of the urban wage rate, the job choices open to migrants, and the role of cumulative increases in unemployment in bringing about equilibrium. The "severe" econometric test verifies a proposition about which, to my knowledge, there has been no significant controversy. See also Mazumdar (1979), pp. 2–3.

28. For an example of such incorporation see Blomqvist (1978), p. 3. For a coherent alternative formulation, see Suits (1980).

2

Magnitudes, Determinants, and Patterns of Metropolitan and Urban Labor Force Growth in Developing Economies

This chapter will provide background information on urban labor force growth and its relationship to demographic and economic changes at an aggregative level. These data comprise changes in the composition and location of economic activity, including urban and sectoral breakdowns. We should also be alert to the emergence of new forms of economic activity.

Available information pertains to gross rural-urban breakdowns. Where possible, we will differentiate metropolitan areas and note the diversification and concentration of economic activity in them. Metropolitan growth rates reflect natural rates of increase as well as rural-urban migration. This latter is a function of differential economic opportunities. Policy biases, including wage distortions, favoring the urban economy may be expected to be stronger in the bigger cities or metropolises. National data and breakdowns for different city-size categories will be examined in this light. The metropolitan area is not merely a large employment center; it also incorporates diverse economic activities, some of which are more likely to be found in a metropolis than elsewhere. Given the characterization of urban tertiary employment as swollen by an influx of the rural surplus, we will also examine indications that it may represent emerging additional opportunities and "demand" for labor as well. The next chapter, which provides detailed breakdowns for selected metropolises, complements this discussion.

Overall Urban Magnitudes

A sizeable proportion of the world's population lives in poor countries. A 1975 estimate placed the global population at around 4 billion,

and roughly 2 billion of these were in less developed regions excluding China (US AID 1977). The Chinese population was estimated at around 900 million, although other estimates are lower and there is no professional consensus on this point.[2] So, roughly 70 percent of the world's population live in the less developed world (including China), and slightly under 50 percent if we include only the populations in the "developing market economies" (ILO 1976a, p. 18 ff.). Our concern is mainly with the urban portions of this latter population, although some of the lessons may also be relevant for the centrally planned developing economies.

Available estimates indicate a rapid increase in the urban total. Paul Bairoch (1973, p. 85) reports that between 1940 and 1970 "the urban population increased at an average rate of about 4.7 percent a year, rising from just over 80 million inhabitants around 1940 to just under 140 million in 1950 and to 360 million by 1970." It should be stressed that these are rough figures which also reflect "crossovers" and diverse definitions of the urban threshold.[2] Estimates vary depending on the countries or periods covered, and the ambiguities are further compounded by variations and inaccuracies in the original sources relied on. Nevertheless, it seems clear that the urban totals and proportions will continue to increase. Recent projects by the UN Population Division indicate substantial increases in the urban total for the less developed world between 1980 and 2000 (UNFPA 1979, 1980). The increases in percentages for the major regions are as follows: Africa, 336; South Asia, 298; Latin America, 235; and East Asia (except Japan), 225. The urban proportion of the total population increased from 20.6 percent in 1950 to 31 percent in 1975, and it is estimated that it will reach 45.8 percent in the year 2000. However, the growth rates are expected to decelerate from an average 4.0 percent between 1950–60 and 1970–80 to 3.5 percent during 1990–2000. In addition, by the year 2000 the urban proportion will be less than the 62.4 percent recorded for industrialized countries in 1950, although the growth rates for the latter will be only a third to a fourth of the corresponding rates for developing nations (World Bank 1979, p. 72 ff.).

Corresponding labor-force figures and urban breakdowns are more conjectural for several reasons. At the moment, they are derived largely from demographic breakdowns and various sex- and age-specific coefficients of labor force participation rates. The labor force concept is rather nebulous, as much useful activity is unremunerated in the traditional economy and the boundaries between market and nonmarket activity shift as the economy undergoes change (Standing 1977).[3] Such data as we have indicate rising urban participation rates for women and decreasing rates in the younger age group. Migrant streams represent sex-age characteristics with the highest participation rates, but we cannot say how this affects overall labor force growth rural or urban. If there is even

partial substitution for the absent labor, overall participation rates may increase, especially in countries like India or Sudan where women or others would have to provide added effort (Staudt 1976). However, as far as urban participation rates are concerned, it does not appear that the marked difference between, say, the countries of South Asia on the one hand, and Peru or Morocco on the other, makes any difference, since migrants in the former are mostly male and in the latter are male and female in equal proportions. As such, where migration is important one should expect the urban labor force to grow even more rapidly than the urban or rural populations. We will now briefly present available information on the labor force, keeping in mind that both migration rates and age-sex participation rates of the urban population may change as economic conditions change.

As of 1975 approximately 700 million people in the less developed regions (excluding China) were estimated to be in the labor force, including the employed and unemployed. This figure represents roughly 35 percent or more of the total population.[4] Of this total, 33 million were considered to be "openly" unemployed and 250 million to be "underemployed"; however, both estimates are subject to considerable qualification because of both conceptual and empirical problems. This total represented an acceleration in the labor-force growth rate from 0.6 percent in 1900–1930 to 2 percent during 1960–70. A further acceleration, to 2.7 percent per annum, is expected during the last quarter of the twentieth century. These labor force growth rates are generally lower than corresponding population growth rates because of the lags in additions to the working age population; but by the same token one should expect higher future rates of labor-force growth. Urban breakdowns are not available, but there has been rapid growth in the labor force in the educated categories as well as in industry and services, and changes in occupational composition have occurred. Tables 1 and 2 provide relevant data.

The single most striking feature of urban labor force growth is that it shows no clear correspondence with population growth rates – national, rural, or urban – or with indices of industrial development. It is perhaps this (along with comparative or intertemporal data on advances in the rate of urbanization) which has given rise to the concept of "overurbanization."[5] The intervening component is rural-urban migration. Approximately one-half of the increase between 1950 and 1970 – some 100 to 120 million – represented net in-migration between census years. The actual gross movements must have been much larger but, because good estimates of urban labor force turnover are lacking, we have at best a hazy idea of their determinants or magnitudes. There are obviously many who have continuing and stable, but short-term, links to the urban economy

Table 1

Population and Population Growth Rates for Less Developed Regions, 1950–2000

	Population (in Millions)					
	1950	*1960*	*1970*	*1980*	*1990*	*2000*
Low-Income Asia[a]	589.0	716.4	909.2	1,134.5	1,405.9	1,694.2
Sub-Saharan Africa[b]	169.3	212.2	272.0	359.9	480.1	613.5
Middle East and North Africa[c]	74.1	94.1	121.1	159.1	205.6	255.4
East Asia and Pacific[d]	80.5	105.8	139.6	175.2	214.3	248.6
Latin America and Caribbean	154.4	207.9	273.0	354.6	454.3	556.0
Southern Europe	83.1	96.6	111.2	128.6	144.9	160.2
All Developing Countries	1,150.4	1 443.0	1,826.1	2.311.9	2,905.1	3,527.9

	Population Growth Rate (in %)				
	1950–1960	*1960–1970*	*1970–1980*	*1980–1990*	*1990–2000*
Low-Income Asia[a]	2.0	2.4	2.2	2.2	1.9
Sub-Saharan Africa[b]	2.3	2.5	2.8	2.9	2.5
Middle East and North Africa[c]	2.4	2.6	2.8	2.6	2.2
East Asia and Pacific[d]	2.8	2.8	2.3	2.0	1.5
Latin America and Caribbean	3.0	2.8	2.6	2.5	2.0
Southern Europe	1.5	1.4	1.5	1.2	1.0
All Developing Countries	2.3	2.4	2.4	2.3	2.0

Source: Squire (1979), p. 16. Reprinted by permission.
[a]Includes Afghanistan, Bangladesh, Bhutan, Burma, India, Indonesia, Cambodia, Laos, P.D.R., Maldives, Nepal, Pakistan, Sri Lanka, and Vietnam.
[b]Excludes the Republic of South Africa.
[c]Excludes capital surplus oil exporters.
[d]Excludes Japan.

who may not be included in intercensus estimates of absolute increase.[6] All indications are that rural-urban migration will continue to be a major factor in the growth of many urban areas.

Population and Policy Biases as Factors Favoring Metropolitan Growth

Population growth is clearly important in determining rates of urban growth. But there is no one-to-one correspondence or predictable relationship, or even a firm basis for asserting its overwhelming importance. The intervening variable, rural-urban migration as an increment to the urban labor supply, is surely influenced by the overall stock of the population. But it is only one part of the story.

The relative magnitudes are rather overwhelming. The urban popula-

Table 2

Labor Force and Labor Force Growth Rates for Less Developed Regions, 1950–2000

	Labor Force (in Millions)[e]					
	1950	*1960*	*1970*	*1980*	*1990*	*2000*
Low-Income Asia[a]	259.4	297.7	351.4	428.8	523.8	623.2
	(44)	(42)	(39)	(38)	(37)	(37)
Sub-Saharan Africa[b]	78.5	93.7	115.4	143.1	182.5	235.4
	(46)	(44)	(42)	(40)	(38)	(38)
Middle East and North Africa[c]	22.9	26.9	32.6	42.2	56.0	70.0
	(31)	(29)	(27)	(27)	(27)	(27)
East Asia and Pacific[d]	35.5	43.8	55.5	71.7	89.6	108.9
	(44)	(41)	(40)	(41)	(42)	(44)
Latin America and Caribbean	54.2	67.1	84.8	110.2	147.9	192.8
	(35)	(32)	(31)	(31)	(33)	(35)
Southern Europe	37.5	42.0	45.3	51.7	58.6	65.9
	(45)	(43)	(41)	(40)	(40)	(41)
All Developing Countries	477.0	571.2	685.0	847.7	1,058.4	1,296.2
	Labor Force Growth Rate (in %)					
	1950–1960	*1960–1970*	*1970–1980*	*1980–1990*	*1990–2000*	
Low-Income Asia[a]	1.4	1.7	2.0	2.0	1.9	
Sub-Saharan Africa[b]	1.7	2.1	2.2	2.5	2.6	
Middle East and North Africa[c]	1.6	1.9	2.6	2.9	2.2	
East Asia and Pacific[d]	2.1	2.4	2.6	2.3	2.0	
Latin America and Caribbean	2.2	2.4	2.7	3.0	2.7	
Southern Europe	1.1	0.8	1.3	1.3	1.2	
All Developing Countries	1.6	1.8	2.2	2.2	2.0	

Source: Squire (1979), p. 16. Reprinted by permission.
[a]Includes Afghanistan, Bangladesh, Bhutan, Burma, India, Indonesia, Cambodia, Laos, P.D.R., Maldives, Nepal, Pakistan, Sri Lanka, and Vietnam.
[b]Excludes the Republic of South Africa.
[c]Excludes capital surplus oil exporters.
[d]Excludes Japan.
[e]Figures reported in parentheses are participation rates.

tion is generally 20 to 25 percent of the total, and even small additions to the rural populations can add substantially to the urban total. Since migrants are mostly persons of working age, the effect on urban labor supply may be considerable. Thus if both urban and rural populations were growing at 3 percent and the former was 20 percent of the total population, transferring one-half of the rural increase to urban areas would mean an increase of 9 percent in the urban population and changes in the urban and rural labor force of 18 percent and −0.75 percent, respectively (assuming a 40 percent participation rate and all migrants to be in the labor force).

What are the reasons for presuming transfers of such magnitudes? At one extreme, the overwhelming reliance on the population variable appears to be a reiteration of a pure "push" hypothesis. Population growth adds little or nothing to national product and merely adds to the rural or urban labor surplus. With increasing pressure on the means of subsistence, the added numbers have nowhere to go but to the cities. Thus, we have a Malthusian specter and nightmarish visions of an urban explosion from an overflow of the rural impoverished.

Other versions of urban growth are less Malthusian but stress the overwhelming importance of the population factor in terms of both natural growth rates in the urban population and its impact on rural-urban transfers. But it is not clear why population growth alone could account for the rapid urban expansion and migration, let alone in excessive quantities. Aggregative empirical illustrations presented as seemingly conclusive support of an "excess-supply-limited-demand" situation are not all that definite or consistent. Natural growth rates are expected to decline, particularly in the major cities. There are no clear correlations between rates of population growth and rural-urban transfers. We have already indicated the problem with labor force derivations and urban breakdowns, and the independence of urban labor force growth. But the Bairoch figures given earlier imply some overlap between periods of acceleration in population growth and acceleration in corresponding urban totals. Also, natural increases are important for several developing nations. These range between 40 and 60 percent of the growth of the cities, and are particularly high for Latin American nations. By the same token, rural-urban migration is less important and urban growth is expected to slow down, despite high rates of population growth. These trends to some degree weaken a priori assertions of overurbanization or excessive migration due to population pressures without necessarily reducing the need for a sensible population policy.

Detailed breakdowns of population and urban figures will show how difficult it is to draw conclusions from available global figures or national aggregates. It would be instructive to begin with a look at comparative figures of population and urban totals, which are given in Tables 3 and 4. These data make it clear that there is no simple, systematic relationship between population and urban levels or growth rates. The large, populous nations of Asia have a relatively low level and rate of urbanization, although absolute figures are large. India's urban population, for instance, exceeds the combined urban totals for Argentina, Brazil, and Mexico. Accurate figures are not available for China, but the absolute total is larger than India's and the urban proportion is low as in other countries of East Asia. In Latin America both population and urban growth rates are larger, but rural-urban migration is expected to slow down considerably. The sub-Saharan African (low- and middle-income)

Table 3

Average Annual Rural-Urban Population Transfers for Major Geographical Regions and Subregions
(As % of Urban Growth)

	Rural-Urban Transfers		
	1950-60	1970-75	1980-90
World Total	48.7	32.5	33.0
More Developed Countries	48.8	46.2	49.7
Less Developed Countries	59.3	42.0	42.2
Africa	56.3	45.2	38.7
East Africa	61.5	51.7	45.5
Middle Africa	78.7	61.1	48.8
North Africa	45.5	58.0	32.9
South Africa	36.2	28.3	28.0
West Africa	57.8	48.7	43.1
Latin America	38.4	29.5	24.1
Carribbean	19.5	28.4	28.0
Middle America	31.8	26.0	21.8
Temperate America	43.4	32.4	27.3
Tropical America	44.2	33.1	26.5
North America	42.3	52.9	45.0
East Asia	71.7	46.6	52.1
China	76.5	49.1	57.2
Japan	63.3	45.7	46.7
Other East Asia	47.9	49.5	41.2
South Asia	43.1	40.0	41.0
South East Asia	52.0	42.0	42.3
Middle Asia	32.6	37.5	40.2
South West Asia	52.7	40.0	69.5
Europe	44.7	57.8	55.8
Eastern Europe	43.1	64.6	64.4
Northern Europe	8.1	37.8	44.1
Southern Europe	38.6	50.6	52.9
Western Europe	64.4	71.1	59.2
Oceania	35.7	34.3	27.8
Australia and New Zealand	39.1	39.1	31.7
Melanesia	82.0	72.7	61.0
Micronesia	46.9	40.6	35.4
USSR	55.7	57.5	51.3

Source: Findley (1977b), Linn (1979), p. 73. Reprinted by permission.

Note: Rural-urban transfers include net migration in the rural-urban balance due to all urban in-migration and reclassification of boundary changes to urban areas. Rates have been calculated with the assumption that urban rates of natural increase are the same as the national average. Urban growth rates are from UN (1975a). Rates of natural increase are from UN (1975b). Medium variant was used. For further discussion see Findley (1977b).

Table 4

Net Rural-Urban Migration for Selected Countries

	Number (in thousands)		As % of Urban Growth	
	1950–1960	1960–1970	1950–1960	1960–1970
Low-Income Countries				
Nepal	36	241	56.3	81.4
Uganda	123	287	80.9	80.2
Cambodia	123	252	53.5	76.8
Tanzania	153	314	76.9	64.7
Pakistan	2,464	3,524	57.9	56.1
Indonesia	2,476	3,486	53.5	48.6
Kenya	185	189	62.9	48.0
Burma	311	403	40.1	35.6
Sri Lanka		211		33.7
India	3,971	4,630	22.0	18.2
Middle-Income Countries				
Ivory Coast	265	566	84.4	77.2
Ghana	594	959	68.9	66.6
Korea	3,647	3,540	92.3	63.8
Zambia	193	315	65.9	59.8
Uraguay	392	352	66.9	58.1
Malaysia	729	1,020	63.6	54.2
Tunisia	267	311	59.2	53.7
Algeria	727	952	61.5	51.4
Bolivia	83	99	48.3	46.3
Morocco	695	968	52.9	46.2
Nigeria	1,677	2,759	45.3	45.0
Venezuela	1,263	1,451	55.2	43.4
Chili	811	855	46.8	43.2
Colombia	1,432	1,840	48.6	40.8
Peru	590	708	38.0	40.4
Guatemala	218	305	52.8	39.0
Brazil	6,345	8,360	48.3	37.1
Thailand	371	552	35.8	33.4
Taiwan	673	841	30.1	27.5
El Salvador	41	57	29.5	24.5
Mexico	2,833	3,803	31.0	24.3
Argentina	742	843	28.5	20.6
Paraguay	25	34	15.7	13.6

Source: Squire (1979), p. 55. Reprinted by permission.

Note: The estimates of rural-urban migration are derived as the difference between the actual increase in urban population and its hypothetical natural increase assumed equal to that of the country as a whole.

countries have relatively small populations and low levels of urbanization but are expected to urbanize rapidly as a function of both high rates of population growth and rural-urban migration. However, a slowing down of urban growth is expected in the middle-income countries of the Middle East and North Africa, despite relatively high population growth rates. The UN projections referred to earlier, of urban population growth between 1980 and 2000, and data on rural-urban transfers (see Tables 3 and 4), indicate, for instance, variations of considerable magnitude. The rural-urban transfers are low for the Latin American nations with high rates of population growth and among the highest for the European nations with low rates. China, which is credited by many as having effective population and urban control programs, has higher rates of transfer than India does without comparable measures.[7]

The only supportable generalization seems to be that urban population and labor force totals have been growing at more rapid rates than their general counterparts and that rural-urban (and, for some countries, international) migration in important. But the unexplained variations among and within countries, particularly when we seek further breakdowns, limit the generalizations we can make concerning the demographic influence.

Apart from population, the other major concern is with the failure of public policies: those that limit or expand urban demand and hybrid combinations which encourage excessive migration. Indeed, one study has gone so far as to argue that the urban "employment" problem is really the same as that induced by institutional distortions in factor markets—making labor unduly expensive and capital unduly cheap (Joshi and Joshi 1976). As noted earlier, a major hypothesis of direct relevance to our study focused specifically on the peculiarities of urban labor markets in explaining excessive urban inflows. Others have focused on the public expenditure priorities of modernizing elites to build showcase capitals or metropolises—treating them simply as exogenous or autonomous variables (sometimes with the implication that there is no explicitly discernible rationale).

Various prourban biases within the educational system, among industrialists, educators, and policymakers, and within the entire framework of international contracts have also been stressed. Available information on growth patterns does not provide uniform support for these views.

In many LDCs, the labor force in metropolitan areas has grown more rapidly than in urban areas generally. Some of the most rapid growth has been in administrative and political capitals, confirming the importance of policy biases influencing urban growth. But some of the largest cities, Sao Paulo in Brazil and Calcutta in India, face a deceleration. There are

also complaints of urban neglect; Calcutta, in particular, deserves mention. And it is clear that other forces are also at work. Thus growth has been most rapid among small and intermediate towns that are not centers of industrial development and are not favored by policymakers.

In Tanzania seven small towns increased their population fourfold between 1948 and 1971. This represents an annual growth rate of 6 percent, or twice that of the rural population. Natural growth accounted for only one-fourth of the urban increase (Sabot 1977, p. 401). In 1971 fully 81 percent of the adults had been born elsewhere than in their current town of residence; and even with a restrictive definition of a migrant as one who had come into the town after the age of 13, two-thirds of the adult population were migrants. In Sudan, while the three towns representing the capital complex showed a threefold increase between 1955–56 and 1973–74, some of the smaller and outlying urban areas, with the barest infrastructure and devoid of institutions like modern corporations or trade unions, showed even sharper rates of increase. By comparison, Atbara, a model railway town with relatively abundant facilities, registered only modest increases (ILO 1976b, p. 364). In Papua, New Guinea, several of the small towns grew at an annual rate of 17 percent between 1971 and 1976 (Conroy 1976).

Detailed breakdowns for urban areas in different parts of the world and for cities of different sizes are illustrative of the enormous diversity of experience – and of influences at work determining urban growth. These data are presented in Table 5.

Generally, but not uniformly, the big cities in the size class of 1 million and over have been increasing their relative share of the total population, but the tendency is most striking in North Africa, South America, East and Southeast Asia, and the Middle East. South Asia and the Caribbean are, however, notable exceptions to this pattern. Also, the relative proportion of the population in the big cities is not uniform, ranging (in 1970) from a high of 35 percent of the national population in temperate South America to a low of 4.5 percent in South Asia.

A sample of six Asian countries shows the variation even within one region for some key indicators of urbanization (see Table 6). In the primarily agrarian economies of India, Indonesia, Thailand, and Malaysia, only a small *proportion* of the population live in urban areas. In all six countries, the urban areas are absorbing an increasing proportion of the increases in total population, but this varies.[8] The ratio of the proportion of the increased total population of 1960–70 absorbed by urban areas to the urban population proportion in 1970 shows the marginal rates to be highest in West Malaysia (2.25), followed by Indonesia (1.67), Thailand (1.6), and the Philippines (1.4), with Korea and India significantly

Table 5

Population Distribution and City Size in the Developing World

	Year	Population (in millions)	Percentage Distribution				
				Urban[a]			
			Rural	I	II	III	IV
Northern Africa	1950	52.044	75.4	9.8	4.5	3.4	6.8
	1960	66.012	70.4	11.3	6.5	3.8	8.0
	1970	85.095	65.4	13.5	7.7	2.6	10.7
Western Africa	1950	58.619	89.4	7.8	2.8	–	–
	1960	82.076	85.3	9.8	4.3	0.7	–
	1970	111.890	80.3	12.3	4.8	2.6	–
Eastern Africa	1950	59.828	94.4	4.2	1.4	–	–
	1960	76.251	92.5	4.7	2.8	–	–
	1970	97.242	90.1	5.0	3.7	1 2	–
Middle and Southern Africa	1950	26.321	93.4	4.9	1.7	–	–
	1960	31.487	88.4	7.1	4.5	–	–
	1970	38.297	84.6	9.4	4.5	1.5	–
Middle America	1950	34.670	60.8	25.5	7.2	–	6.4
	1960	46.917	53.8	28.9	8.4	2.8	6.0
	1970	67.404	47.0	32.9	9.3	1.9	8.8
Caribbean	1950	16.261	64.8	20.8	7.7	–	6.6
	1960	20.252	61.5	21.1	7.0	2.7	7.6
	1970	25.752	57.5	21.8	6.2	7.9	6.6
Tropical South America	1950	83.646	64.2	19.3	6.4	3.5	6.6
	1960	113.490	55.3	20.9	8.1	3.0	12.7
	1970	149.910	46.9	20.9	6.9	5.0	20.2
Temperate South America	1950	5.561	40.9	20.8	9.6	4.4	24.3
	1960	6.268	35.0	19.5	10.8	6.9	27.8
	1970	7.020	29.8	18.1	9.9	7.4	34.8
East Asia[b]	1950	601.392	87.9	4.1	2.8	1.9	3.2
	1960	721.281	82.0	6.2	3.0	2.1	6.7
	1970	817.575	74.7	9.2	3.7	1.5	10.9
South East Asia	1950	170.967	86.4	6.5	2.5	2.1	2.5
	1960	218.317	83.4	6.9	3.6	1.1	5.0
	1970	284.951	79.9	8.0	3.0	2.1	7.0
Middle East	1950	61.669	75.8	13.7	6.3	2.5	1.7
	1960	80.381	70.5	14.4	8.6	2.5	4.1
	1970	103.235	64.5	13.8	9.2	4.5	8.1
South Central Asia	1950	462.705	84.8	8.0	3.2	1.0	3.0
	1960	560.766	83.6	8.0	3.8	0.8	3.8
	1970	705.889	82.2	8.0	3.8	1.5	4.5

Source: Richardson (1977), Appenix I, Table I, pp. 1-2. Reprinted by permission.

[a]Urban size classes: I = < 100,000; II = 100,000 < 500,000; III = 500,000 < 1,000,000; IV = > 1,000,000.

[b]East Asia includes mainland China but excludes Japan.

Table 6

Comparative Urbanization Indicators for Six Asian Countries

	Ratio of Urban to Total Population Growth Rate	% Urban Population, 1970	% 1960–70 Population Increase Absorbed in Rural Areas	Primacy (4-City Index, 1970)	Rural-Urban Wage Ratio
Korea	2.55	56	30	1.45	0.88
Indonesia	2.26	18	70	1.20	0.75
W. Malaysia	2.00	17	62	0.93	0.40
Philippines	1.74	32	55	4.56	0.40
Thailand	1.68	15	76	9.00	0.43
India	1.58	20	75	0.68	0.75

Source: Richardson (1977), Appendix I, Table III, p. 4. Reprinted by permission.

behind (1.25). Furthermore, the largest cities do not appear to be disproportionately dominant in the urban structure.

Finally, even within one country there is considerable variation over time and across space, as seen in Table 7. Seoul, the capital city of Korea, shows striking and continuing growth even though it is close to disputed frontiers; but Pusan is relatively sluggish, while the much smaller cities in the provinces show more rapid growth (Rehnberg 1977).[9]

A variety of influences are obviously at work which affect urban, especially metropolitan, growth in the less developed countries. The acceleration in their growth rates in the 20 or 30 years since their independence and, for some, in the period since the onset of World War II, reflected the heightened pace of economic activity. In some cases, the original impulses were political such as the decision to build up the infrastructure of a national or regional capital. War, dislocation, and the influx of refugees also served to swell some of the urban populations—at least temporarily, until the additional numbers not absorbed in the urban economy were relocated elsewhere. However, less coordinated and differential economic influences have also been at work. The South Korean example, where agricultural price movements were important, echoes the migration to Calcutta during the Great Bengal Famine caused by the deterioration in peasant real incomes (rather than the sheer non-availability of food) (Sen 1977).[10] Even population growth at subsistence levels would increase the *volume* of transactions and economic activity which would find their outlets through larger human settlements.

Clearly any attempt to understand the factors responsible for urban

Table 7

Population by Political Subdivisions, South Korea, 1955–70
(In Thousands)

Unit	1955		1960		1965		1970	
	Number	%	Number	%	Number	%	Number	%
South Korea	21,526	100.0	24,989	100.0	29,193	100.0	31,459	100.0
Special Cities	2,67	12.2	3,609	14.4	5,233	17.9	7,417	23.6
Seoul	(1,5?5)	(7.3)	(2,445)	(9.8)	(3,803)	(13.0)	(5,536)	(17.6)
Pusan	(1,049)	(4.9)	(1,164)	(4.7)	(1,430)	(4.8)	(1,881)	(6.0)
Provinces	18,902	87.8	21,380	85.6	23,960	82.1	24,052	76.4
Other Cities	(2,657)	(12.3)	(3,388)	(13.6)	(4,572)	(15.7)	(6,192)	(19.7)
Districts	(16,245)	(75.5)	(17,992)	(72.0)	(19,388)	(66.4)	(17,860)	(55.8)

Source: Rehnberg (1977), p. 512. Reprinted by permission.

and metropolitan growth must go beyond a purely demographic approach. Even so, histicated variants must be treated with reserve, given the differences between and within countries in rates and directions of rural-urban migration. It is precisely this independence between the urban "inflation" and demographic growth which encourages alternative or additional explanations. But "unprecedented labor supply–limited demand" has remained the dominant framework, even among those skeptical about the "overurbanization" stereotype (Moir 1976, pp. 124–25). It seems to be taken for granted that the phenomenon requiring explanation is some form of an excess supply situation.

The treatment of demand merits special attention. The assumption that labor supply and demand functions are independent is less appropriate when one is dealing with certain aggregative phenomena and in certain contexts. Some approaches exclude by definition any role for demand, so that results are necessarily supply-determined. Neo-Malthusian approaches which ignore demand-inducing aspects of population growth—particularly the production function implications of the "deepening" of human capital; the assumption of stable labor force participation rates, which makes demographic factors dominant in labor force growth; and the equation of urban tertiary employment with the rural surplus—are all examples of such a one-sided approach. We will discuss these now.

One should broaden population analysis in terms of both economic influences and consequences. Population growth both affects and is affected by the demand for labor. The Coale and Hoover paradigm stressed mainly that the claims of consumption will limit the rate of investment in nonhuman capital. Such a formulation is restrictive when

we consider the prospects of improvements in the stock of human capital. Economic well-being and prospects for improvement in earnings can increase the demand for children as a source of psychic as well as pecuniary advantage. In a seminal article, Ram and Schultz (1979) emphasize the strikingly different perspectives one obtains from focusing on the increases in the life span of the (Indian) population over the last several decades.[11] These have profound implications for both production and welfare.

Also, despite contemporary conventional wisdom, which seems for the most part satisfied to derive urban labor force trends and participation figures from corresponding demographic measures, there is a need for caution. Automatic extensions of demographic exercises (with some adjustments for productivity) are particularly subject to error as indicators of urban labor supply. This is because the element of choice is of much greater importance when one is dealing with the urban labor force: in rural-urban migration; in the age-sex-skill characteristics of this migration; in the participation rates of the native population, especially in choices involving education or employment; and in decisions to retire or return to the village. Economic theory tells us that labor supply decisions will be influenced by levels of affluence, by changes in the competing attractiveness of working for a wage and other (for migrants, nonurban) uses of one's time, and changing values. There have been changes in all three dimensions in developing countries, as well as sharp variations in the relative attractiveness of rural and urban areas—changes which are independent of demographic change and which are particularly important with respect to the urban economy. These in turn reflect changes in the technology and organization of work, in forms of social security, in transport, in the educational and social structure, in laws, and so forth. Our knowledge of most of these is limited, and the broad a priori generalizations do not necessarily point in the same direction. In the short run, for instance, demographic growth would dampen labor force growth (rather than accelerate it, as is commonly assumed) because of the increase in the dependent population and the greater need for home care services. On the other hand, at the low levels of income prevailing in LDCs, growth in real per-capita product should increase such participation, given the (in some cases, increasing) attractiveness of urban areas and the growth of productive employment. Higher-paid urban employment, however, reduces participation by secondary earners. But this is only another way of saying that one should expect demand conditions to play an important role in the determination of the level and composition of the urban labor force (United Nations 1975).[12] Even a cursory examination of the migrant sex distribution in some urban areas emphasizes this point. In such "industrial" cities as Bombay, Calcutta, the copper belt

in Zimbabwe, and Khartoum, which have restricted scope for female employment, both the urban population and migrants are predominantly male. But housing and cultural factors are also at work, as witness the contrast with the more even sex distribution in parts of North Africa and Latin America (Lima, Casablanca, etc.). All we can say is that we know little about important aspects of the interaction of demand and supply which lead to the observed results.

Increases in population and economic activity must be seen as interdependent and complex relationships. Where there is economic growth, we must expect urban growth, even without the demographic pressures or urban biases which figure prominently in the literature. Such urban growth may be seen as a manifestation of the transformation which growth entails in the structure and location of economic activity and opportunity; in concomitant skills, tastes, and values; and in corresponding maximizing decisions. We shall develop these points in the following section.

The Impact of Economic Transformation

There are two aspects of this issue: the composition of the urban labor force and its disposition in urban, especially metropolitan, areas. We will take up the first now, starting with the proposition that economic growth will lead to an increase in the share of activity carried on in the secondary and tertiary sectors. There will be an emergence of nontraditional activity in both, or what may be called "new" demand; but given cost and scale considerations, traditional inputs will have a considerable comparative advantage in meeting the market demand in both of these sectors. Such a view would contrast with that envisioning urban growth as a manifestation of excess supply and urban demand as deriving only from industrialization priorities of an exogenous nature which carry an urban bias. There is in this, as in the emphasis on population, some truth, but it is not the whole truth.

One way to approach this problem is to look at the distribution of the urban labor force and whatever it implies about the breakup of the skills and labor requirements of the growing urban areas. The simplest formulations see a one-to-one correspondence between the growth of an urban service sector equated with unskilled work, and surplus labor among the poorest ranks of the rural peasantry.[13] However, as we shall see later, detailed breakdowns of the urban service sector show both high and low productivity segments, and the rural migrants are by no means disproportionately or even mainly from the ranks of the rural impoverished most deemed to be in surplus.

One study in particular is worth citing at this point as a direct examination of the relevance of the rural impoverished surplus to the urban service sector. Alan T. Udall (1976) found little tendency for the rural surplus in Colombia, faced with severe hardship as a result of the extensive rural "violence" between 1948–58, to affect the share of the service sector of Bogota's urban labor force. Udall indicates that the validity of what he calls the "service employment" (and consequent urbanization) hypothesis depends upon two crucial assumptions about the elasticities of demand in the various urban economic subsectors and the elasticities of supply. First, the greater the elasticity of demand in the service sector and the greater the difference between this and the elasticities of demand in other sectors, the larger will be the increase in the service sector's share of the urban labor force. The second point is not so intuitively obvious, but is nonetheless important. For any given increase in the numbers seeking urban employment, the service-sector share would be larger the more inelastic the relevant supply curve. Udall concludes by calling attention to shifts in patterns of urban demand, including the growth of small-scale businesses of all types.[14]

What are the likely sources of urban demand for labor in developing nations? Supposing we set aside those aspects of the pathology of urban development emphasized in the literature, such as the urban bias of the elite, price distortions in the capital and labor markets, and the limitations of borrowed technology. These have opposing effects; while they raise urban demand generally, they limit it for the unskilled urban or rural workers, whose net consequence is uncertain. But what would the situation be otherwise?

Simon Kuznets identified a secular tendency toward an increase in service-sector employment. Favorable factors would be the high income elasticity of demand for service-sector output and the complexity of the urban economy. High costs and low productivity would, however, have a dampening effect, but limited-capital labor substitution would encourage labor intensity. In LDCs, this tendency could be even more pronounced because of the primitive network of distribution and communications. In addition, limited technological change in services would favor employment of labor (Fischer 1933, Bauer and Yamey 1951, Clark 1951).

A contemporary study of relevance is Yves Sabolo's (1975) analysis of the growth in urban tertiary-sector employment and its decomposition into demand for "old" and "new" services, stemming from an increase in all expenditures. He recognizes three categories of demand for services: private consumption, government, and business. Private consumption includes such services as health care, transport and communications, financial and legal services, brokerage and recording, personal care, laundry and cooking, and education. The relationship between the in-

crease in consumption of services and total consumption generally implies an elasticity of demand greater than one even for very poor countries. Also, there is a corresponding increase in employment, the elasticity in this case being one; and this correspondence is *much* weaker in the case of the developed nations, whose elasticity of employment is only one-third that of the very poor countries. Thus, the demand for services is "true," and not merely a manifestation of excess rural labor.

In his analysis of demand, Sabolo distinguishes three categories of services: "old" services, "new" services, and a "complementary" demand for additional services (arising from the urban and industrial transformation of the economy). The second category is thin, being a function of low per-capita incomes; but collective demand or external demand (e.g., tourism) may stimulate early growth, and the first category may progressively shrink as a result of changing demand patterns as well as supply shifts towards more attractive alternatives.

There is in each of these cases an income-demand and a demand-employment relationship. National surveys yield widely varying income elasticities. The regression results relating tertiary employment to changes in per-capita income also rest on a tenuous basis. What is presented below are thus illustrative examples only. "New" services with high income elasticity include medical care, education, servants, laundry, shoe repair, entertainment and travel, and so on. State capitals and large cities appear to be affected in greater measure. And some items seem more important when recorded separately for higher-income families: maintenance and repair of vehicles, or telephones, for example. Employment elasticities confirm the importance of increased demand for "new" services and diminishing demand for "old." Complementary services seem also likely to increase in importance, particularly government, transport and communications, and professional and banking services. Overall, "complementary" and "new" employment elasticities were less than one (0.35 and 0.70, respectively), although both were clearly greater than in developed countries.

As economic development takes place, a number of activities within the tertiary sector (other than trade and miscellaneous services) will register productivity advances relative to "traditional" and "old" services. These growth segments indicate higher than average levels of income and education. These are enhanced by the skills and learning-by-doing which complement their relatively low capital intensity. Sabolo's major conclusion, therefore, is that there is genuine additional demand for "new" services.

Of greater importance for us is the cost of these services, since "new" and "old" services are substitutes at the margin. To the extent that "new" services are education-intensive, increasing costs may dampen employ-

ment increases. One would thus expect the most rapid increases in employment where "old" or "traditional" skills have a comparative advantage. These seem to exist in a number of personal services, with some product differentiation or specialized services (e.g., late hours; credit mixed with sale; housecalls by launderers, milkmen, or barbers). Some of these are associated with specific ethnic or particularistic attributes. Generally, for any given increase in consumption demand, the employment impact in developing nations should be greater because of the greater difficulties of substituting capital or other "modern" skills (or even the consumer's own skill or labor) for some of the "old" services. A major reason for an inadequate appreciation of this form of employment generation is the diverse, dispersed sources of decision making. Our employment statistics, especially projections, are based on ex ante recognition and enumeration and possibly underestimate this impact. Such recognition is tied, as Sen (1975) has pointed out, to the esteem in which different forms of employment are held.

A problem in the dichotomy between old and new services is the spectrum in between, with varying mixtures of old and new inputs and gradations of skill in each. We should identify, in services and associated small-scale activity, a separate category of urban demand for traditional inputs and skills. This may be due to entrepreneurial innovations among the latter, or because the inflow represents demand for traditional skills which have no reasonable urban substitute. Some innovation and selectivity must be assumed in all cases, but this would naturally be more important in some trades and occupations than in others. Even the general tendency to assume that domestic servants represent a random drawing from the rural surplus runs contrary to the selectivity in recruiting and the skills demanded. But other service workers, such as Quranic teachers, marriage brokers, scribes, cattle herdsmen, and labor recruiters, probably represent those whose differentiated skills in the traditional economy have a more innovative and entrepreneurial urban presence. In some cases, such as the Bombay *tiffin wallahs* (those who organize the dispatch and delivery of midday lunches to office workers in the city), the services provided compete with such modern facilities as cafeterias and restaurants (Kaufman 1979). One should thus extend the Sabolo formulations to provide for some elasticity of substitution between old and new services, with the lower output cost of the former (output per unit of service rather than lower earnings necessarily) as a significant element in urban demand.

It may be useful at this stage to draw more general implications from the Sabolo distinction between new and old services and the Kuznets discussion of favorable income elasticities and low productivity in this

sector. Sabolo's "new" services represent production conditions with capital and human capital (education) intensities, high productivities, and limited private demand; the old services, on the other hand, represent lower productivity but also lower cost inputs.[15] Given income elasticities of demand for service-sector output and assuming some substitution between old and new services, there would be favorable conditions for the growth of the former, drawing mostly on traditional skills and heterogeneous forms of capital (human, physical, and animal) which are relatively less expensive. However, it is unlikely that such services would be forthcoming unless at least the rural opportunity cost is met in the new activity. Nor are the rural impoverished the most fitting candidates to provide these services, as some innovation and organization would be needed in the emerging urban environment. One should thus expect the emergence on a relatively large scale of small-scale activity, including self-employment, in the services, skilled crafts, and small manufacturing. Industrial or sectoral classifications may miss much of the heterogeneity of this type of economic activity which draws on traditional skills and inputs supplemented by innovations to suit the urban environment. To fail to distinguish this from subsistence peasant activity is to miss entirely the factors which make for differential productivity in large segments of the urban labor market. Urban demand consists, then, of demand for the new, the old, and something that is neither (Sinclair 1978, pp. 85–89).

We have a conceptual problem here. These changes result in substitutions in both product and factor markets, but our sectoral classifications do not favor consideration of these. It is clear enough that "old" and "new" inputs substitute in the production process, but their existence also broadens the range of material and consumption goods. Gary Becker's analysis of final consumption as a combination of material and time inputs provides a more useful framework. We can then see labor substitutions resulting in service-sector growth as also deriving from their complementary role in the consumption of the output of the primary and secondary sectors. Technically, the demand for "old" and "new" services incorporates the demand for "old" and "new" labor inputs in a variety of complementary relationships with material inputs. But we need to remind ourselves explicitly that substitutions exist not only with respect to the final services (a certified teacher or nurse versus the traditional teacher or midwife), but also in terms of goods demanded for consumption and as intermediate inputs. These latter will also have to be thought of in terms of a broader range of choice, so that "old" and "new" labor inputs are not only substituting for a limited product market but are expanding the whole range of consumer (and producer) choice. The Bombay *tiffin wallah* makes it possible to think in terms of a choice not

only between a cold and soggy lunch brought along in the morning or a restaurant meal that is relatively costly and possibly adulterated, but a midday meal specially cooked and delivered!

Ignoring these productive outlets and choices can lead to rather simplistic views of labor market behavior. Echoing a common view, Sabolo states, "It is supply that induces demand for 'old' services rather than the other way around" (1975, p. 50). However, if demand is unchanged, every increment in supply would "create its own demand," but at a declining level of real earnings. Minimum reservation prices would weaken the incentive to join the urban labor force when urban incomes fall. Migrants are also less likely to be welcome among households already established in urban areas. Since urbanization has proceeded apace in the context of positive (for some dualists, widening) urban wage or earnings differentials, the attractiveness of urban employment is clearly a major factor for many. The Udall study discussed earlier raises the possibility of choosing among different types of urban small-scale activity rather than overcrowding low-paid tertiary employment. Demand conditions obviously affect the number as well as the distribution of choices.

The recognition of demand also helps us explain better the observed phenomena. Urban labor force growth has been rapid while manufacturing employment has lagged behind, particularly in the capital-intensive units. There has also been a change in its composition in favor of the more educated and youthful (emphasizing the selective nature of migrants). The urban labor force totals and breakdowns may certainly be viewed as disproportionate supply shifts due to population growth and the biases of the educational system. This is the general tendency. But it is also permissible to interpret them as labor supply responses to shifts in the location and composition of demand in favor of urban areas or certain types of labor. The historical record indicates that rates of employment growth in the secondary sector are higher than comparable figures for developed countries (Squire 1979, pp. 3–13). When demand shifts in favor of urban areas it would be natural for persons of working age to migrate. The modernization of the urban economy and its complexity would also favor educated workers. Such movements will continue until locational or educational differentials become less attractive. A recognition that such factors may be at work in urban tertiary employment adds a powerful explanatory variable and underscores areas of neglected research.

So far we have considered the relevance of demand factors in explaining urban and metropolitan growth. We have the further task of explaining why some of the demand associated with economic transformation, and the consequent growth of the labor force, tends to be concentrated in urban, particularly metropolitan, areas. Such concentration is conspic-

uous in developing countries, which is one reason this study focuses on metropolitan labor markets.

Implications of Urban Locational Advantages and Concentration

In analyzing the growth and functioning of cities and towns, urban economists find it convenient to use the concept *agglomeration economies.* This refers to a composite of influences which, *taken together,* favor the growth of an urban area because they provide a favorable economic environment conducive to business activity and expansion. Agglomeration economies and urban growth have a reinforcing effect on each other and neither takes precedence *per se.* Implicit is the potential for change over time in the agglomeration economies provided by any one city, including an improvement or deterioration in its relative standing among urban centers.

Most of the major metropolises are the product not of conscious and deliberate design but of gradual accretion over long periods, occasionally several centuries.[16] Despite the acceleration of recent years, and, for some cities, their colonial heritage as administrative headquarters, this record of "laissez-faire" growth implies economies with the following characteristics:

1. modern transportation facilities (rail, sea, and, later, roadways for motorized vehicles)
2. superior communication facilities (e.g., telephone, postal service, telegraph, radio communication)
3. availability of other infrastructures (e.g., sewerage, water, police services)
4. proximity to suppliers, markets, and technical know-how
5. interdependent linkages whereby a complex of industries and economic activities support each other
6. educational, health, and recreational facilities of both a cultural and productive value
7. access to political and administrative decision-making entities

The economic attractiveness of the big cities lies in these advantages, which are as much the result as the source of agglomeration economies.

The market factor requires further comment. Given the low incomes of LDC populations, limited land and capital, imported capital-intensive technology (especially in manufacturing), relative mobility, and/or the abundance of unskilled labor, urbanization may take place much more

rapidly than the development of the urban infrastructure or economy. While the LDC urban economies may provide economies of scale, the scale threshold – the city size at which it becomes profitable to sell or buy primarily with reference to the local market – may be larger in developing than in developed economies. Absolute scale advantages may thus begin only with fairly large cities, which have a disproportionate concentration of inputs on the productive side and outlets on the demand side.

Developing economies thus have primate cities but lack the primate city structure associated with increasing absolute levels of national output (Mera 1973).[17] This is true in countries such as Indonesia, Brazil, Nigeria, India, and Pakistan. These, however, have a low primacy rate because of either the swamping effect of their giant populations or the growth of small urban communities outside the primate city.[18] Nevertheless, some of their primate cities are larger than the entire populations of countries with a high primacy index. The larger countries also show some nonprimate city development. The growth of intermediate cities with scale economies is difficult to observe in the smaller national economies (Richardson 1977, p. 60, fn. 2).[19]

Other characteristics associated with the growth of big cities should be noted briefly. Their economies make them disproportionately important in the national picture. Some examples taken at random from different regions of the world are illustrative.

> In Latin America, the four largest urban concentrations account for over a third of industrial production and over a sixth of the total population; in Mexico, Mexico City, Guadalajara, and Monterrey account for 80 percent of the total industrial output. (Richardson 1977, pp. 13, 30)

> In Africa, a survey of 23 countries showed that in 7 countries the primate city accounted for over 80 percent of manufacturing activity, in 5 between 60 and 80 percent, in 4 between 40 and 60 percent, in 6 between 20 and 40 percent, and in only 1 less than 20 percent. Dakar in Senegal, although having only 16 percent of the population, accounted for 95 percent of electricity consumption, two-thirds of manufacturing employment, and more than one-half of the service workers. Lagos, with 2 percent of the population, contained one-third of the manufacturing plants in the country and accounted for more than half of the electricity consumption and telephone lines. Khartoum in the Sudan had a disproportionate share of the national income; almost all industrial investment; the bulk of employment in government, health, and educational services; and a near monopoly in enclosed entertainment space. (Richardson 1977, p. 30; Kannappan 1977b, p. 86)

> In Asia, the Manila region of the Philippines accounted for one-half of the GNP, two-thirds of manufacturing and commerce, three-quarters of transportation output, and a per-capita output twice the national average. The doctor-population ratio in Delhi-Union Territory approached that of many developed nations, while the rest of India lagged behind considerably. (Richardson 1977, p. 30; Jeffrey 1977)

In general, capital-intensive manufacturing tends to be concentrated in the big cities; such concentration would be more noticeable in terms of output than of employment.

We thus again emphasize a major point of this chapter. Anything useful we can say about the urban problem in developing countries depends upon our analysis of how economic growth affects urbanization, of which an important aspect is the primate city. While the latter depends upon absolute levels of economic activity, urbanization *per se* seems to be associated more closely with per-capita gross national product, as one may see from an examination of Chart 1. (Richardson [1977, pp. 4–5] sees this as a "highly correlated" association, but this may be too strong an assessment.) We can see why this should lead to a dual pattern consisting of low levels of urbanization and a high degree of concentration in LDCs.

Many economies of scale are dependent upon the size of the market, of which population is only one determinant, the other being the level of real incomes. Large-scale production and distribution will be restricted to a few, but an increasing number of, commodities and services involved in the economic transformation for which there is a national and international market. Increases in national output and the growing complexity of production, distribution, coordination, and administration would also favor certain urban-based activities. But these will inevitably be limited to a few urban areas which provide transport, markets, or resource-based economies.

Economic growth would thus induce urban expansion; but to the extent that the infrastructure, capital, developed land, and management skills are not easily dispersed, only a few urban centers will be the focal point of expansion. Capital shortages, technological indivisibilities, and political factors may induce a concentration of certain types of economic activity in a few major cities. Particularly important are the constraints indicated by the limited infrastructure or social overhead capital. Communications, transport, harbor and port facilities, railways, power, and so on are likely to be highly concentrated. Certainly a case can be made for dispersing these facilities, but initially at least there would be some advantages in developing them in an interlocking manner. Such things as access to centers of decision making, a framework of law and order, and related governmental considerations would also favor some concentration. The same would be true of facilities such as universities and modern hospitals, to the extent that they are considered necessary. Business decisions to invest would naturally be influenced by the availability of these facilities. Manufacturing in particular would tend to be located in the big cities and to show little growth elsewhere – unlike the situation in the developed countries. But there will be growth of small-scale activities

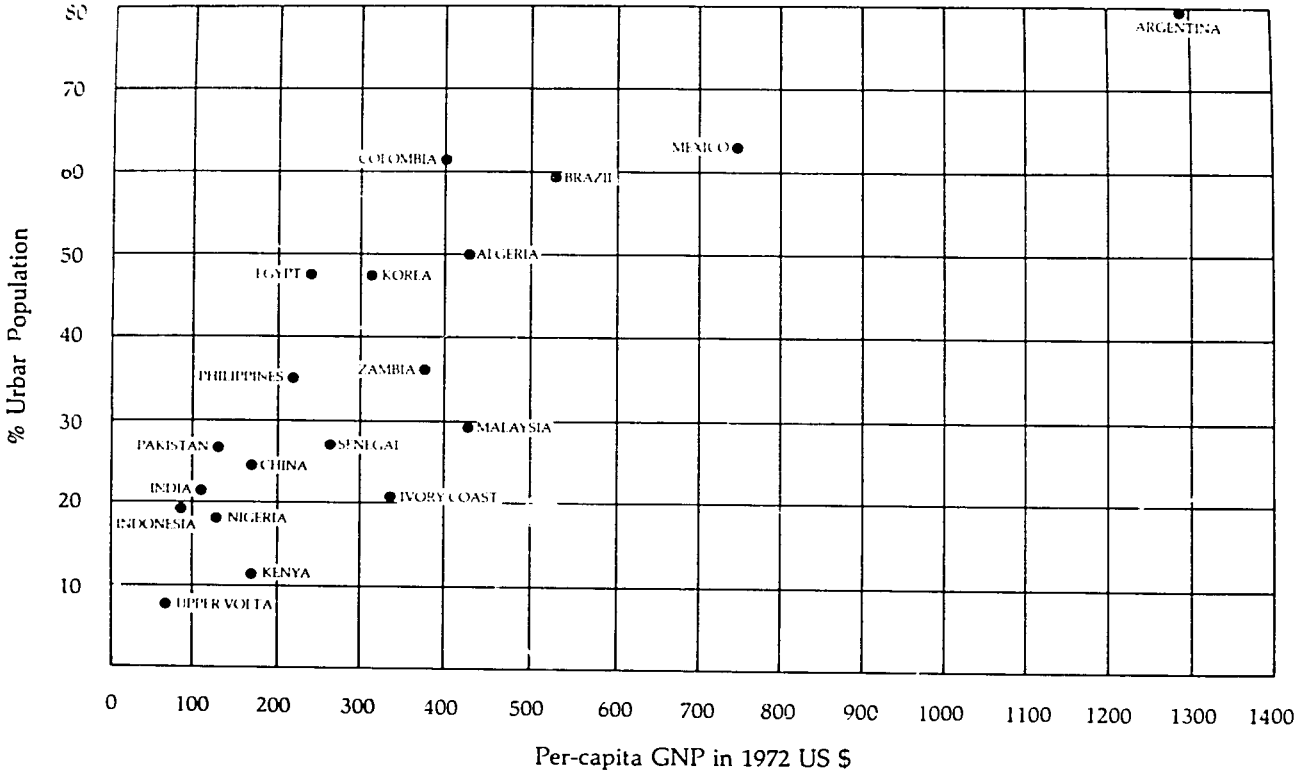

Chart 1. Relationship between Percent Urban Population and Per-capita GNP in 197[illegible] U.S. Dollars for Selected Countries (Source: Adapted from Richardson (1977), Table 1, p. 4)

which are not so concentrated in the metropolises. These urban economies may be less important for several traditional activities, both large and small.

These locational considerations will constitute inducements to a variety of economic activities. The broad basis of the urban appeal must be understood if our concern is with concentrated patterns of urban growth rather than the urban concentration of certain types of economic activity. Urban demand for labor will derive both directly from these locational advantages and indirectly from the incomes generated for services and goods. Metropolitan growth will depend greatly upon the elasticity of substitution of traditional inputs, human and nonhuman, with respect to both types of demand.

Much economic analysis proceeds on the assumption that, in the aggregate, labor will flow in unlimited quantities to the developing urban and capitalistic areas. However, substantial premiums may have to be paid to obtain labor in urban areas, and the size of the premium may vary widely among countries (Taira 1973). From the point of view of the city, certain patterns seem to follow.

Since labor supply is not a bottleneck, urbanization can proceed much more rapidly than industrial development or the provision of urban social overheads. These elements will naturally be strengthened if urban employment (not necessarily modern-sector employment) increases and it is possible for the migrants to improve their real incomes. Urbanization will take a variety of forms, including the growth of urban locations which are neither clearly residential nor predictably poor. One consequence is the urban squatter colonies, slums, *chawls, bustees, fellatta, cheris, bidonvilles, tugurios,* and the like—concentrated, substandard urban settlements. Their location and composition will depend on such things as proximity to employment centers and local transport, availability of urban land and services, and employer-government schemes for worker housing.

We are not suggesting that these patterns of metropolitan concentration or urban growth are inevitable or necessarily rational. The purpose rather is to point out the role of some factors which would be important even if elitist considerations did not bias national "demand" decisions in favor of urban areas. A strict conceptual separation between demand and supply would in any case be difficult to maintain in analyzing the complex impact of growth on urban development. In some part undoubtedly, the urban area develops because there is a conscious demand decision to invest in urban overheads, the apparatus of a modern government is in place, and so forth. It may be that the best we can do is to treat public expenditures in this respect as an exogenous policy variable. It would still be unwise to ignore the linkages—backward as well as for-

ward—or to assume that governments may safely refrain from urban investments (Jakobson and Prakash 1974).

Much of this demand is neither exogenous nor biased in favor of those with "modern" skills or capital complements. Increases in output and productivity in agriculture will favor urbanization. Greater agricultural yields must find their outlets—national and international—in major urban ports and trading centers. Even food shipments from abroad will require developed distribution facilities. The growth of rural nonfarm employment may reflect significant forward and backward urban linkages.[20] Expenditures and, therefore, incomes generated in an urban area would have varying implications for "modern" and "traditional" goods and services and a whole range in between, requiring different types and amounts of capital and other productive factors (Webb 1975). Since some "modern" goods and services can be very expensive, it seems only logical that demand should favor less expensive service-sector output which uses traditional (or "inferior") capital or human inputs. These imply emerging opportunities for people who have entrepreneurial skills in combining or providing traditional inputs and services in the new environment. Where such substitution is limited, the capital-intensive biases in urban development would limit demand and, therefore, the incentive to migrate (unless labor markets function poorly). However, the greater the possibilities of such substitution or orientation of urban development programs towards labor-intensive or intermediate technology, the more rapid will urban labor force growth be (Mohan 1977). Thus, even the most pessimistic scenarios arising from population growth and agrarian pressures envisage an implicit demand. Each additional member of the urban labor force sets up in business on his own for the presumed economic advantage it confers, however miserable this may be. A good deal of self-employment is, of course, more lucrative.

It makes no sense to equate urban labor demand with well-defined and narrowly identifiable public and corporate expenditures (or even their derived effects only), or to assume expansively that each increment of labor supply will create, à la J. B. Say, its own labor demand. The former ignores much of reality and the ways in which economic growth creates diverse opportunities outside of these expenditures even in urban areas. The latter is incomplete unless it explicitly recognizes rural productivity as establishing a floor which the urban economy must better. Urban low incomes or poverty then become part and parcel of the deeper problem of underdevelopment and low productivity, rather than an evil to be rooted out only because it has an urban facade.

Viewed this way, urbanization is not necessarily bad, and may even be more good than bad. Its benign aspects are associated with growth and economic expansion and with the fact that, with all its shortcomings, it

provides many an opportunity to better their economic status. This is an analytical view which is also concerned with the inefficiencies and problems associated with urbanization.[21] However, such a perspective does not subscribe to a priori inferences of "overurbanization" in developing countries, for the experience of LDCs is not sufficiently known to project a valid "demographic" norm (Moir 1976, p. 124; Richardson 1977, p. 15). Economic analyses bearing on the issue of whether urban development has surpassed optimum limits are also conspicuously lacking.[22] One reason is that prevailing generalizations stem from aggregations which preclude much that is relevant and are not based on adequate analyses of the micro-units which constitute the diverse urban and metropolitan economies. Without such behavioral foundations, aggregative analysis is difficult, perhaps treacherous.

Problems in Aggregation and Generalization

Generalizations based on a high level of aggregation may be problematical for two reasons: they may have weak predictive ability or they may be devoid of denotive substance.

We pointed out earlier the need to take demand influences into account in analyzing urban growth. The theoretical analyses of changes in demand derive from assumptions about changing expenditure patterns and growth of knowledge and technology as economic development advances. Several careful studies have argued the proposition that occupational structure changes in a uniform manner, this being inferred from changes in sectoral composition: a progressive diminution of the proportion engaged in agriculture and an expansion of the secondary and tertiary sectors. However, because of the weak association between development and occupational structure, some effort has also gone into distinguishing the contemporary experience of the developing nations from the record of the industrialized countries. But, as Alan T. Udall forcefully observes, "there is no reason to expect demand and supply patterns to be uniform among countries at the same level of per capita income, given differences in population growth, income distribution, technology, trade patterns, and other factors" (Udall 1976, p. 778).

There are also problems in using well-established employment or occupational categories for across-the-board international comparisons. These may represent consolidations of little relevance to the labor markets. Much relevant diversity may also be obscured. After all, some of the metropolitan economies in LDCs are larger than many developing nations![23] Further, there are wide differences in coverage or usage, and variations over time even within a single country. The proclivity among

(or necessity for) researchers to group or consolidate this diversity into some broad categories may facilitate comparative analysis, but the results may be tenuous at best.

While agglomeration economies can explain the urban or metropolitan concentration of certain types of activity related to the "lumpiness" of investment, or the proximity to decision-making centers and comparable external economies, the fact remains that many economic activities observed in urban areas are not so concentrated. Some of these are merely marginal urban extensions of activities whose base is primarily rural (Liedholm and Chuta 1980).[24] Thus we have a tremendously diversified economic structure in the big cities which would include manufacturing, commerce, trade, insurance and banking, transport, communication, education, health, food and other services, public administration; noncivilian activities such as defense, naval yards, and ordnance units; as well as agriculture, dairying, husbandry, fruit growing, fisheries, and so on. Production conditions and technologies also vary over virtually this entire spectrum. Agglomeration economies—at least scale economies—cannot possibly apply to this entire range of activity. It is in fact the absence of such economies which would at least partially account for the survival of many types of activity, including those merely condoned or even discouraged by the authorities. One must seek the explanation in the potential for substitution, already indicated, of traditional skills and inputs which, combined with appropriate innovation or enterprise, can compensate for the absence of the agglomeration economies.

Questions arise at another level because these activities include a large number of individuals and households which are economically affiliated with various industrial sectors or occupations. Individual households also straddle both the modern and traditional sectors.

Nevertheless, standardization has encouraged a grouping of economic activities into broad and convenient or topical categories which can be misleading. An example is manufacturing. Richardson argues that superficial comparisons of developed and developing nations show substantial similarities: all have a dominant service sector, substantial manufacturing, and negligible primary-sector activity. But much "manufacturing" is really closer to cottage-sector activity or the type of work done by the low-income service sector (Richardson 1977, p. 29). Nevertheless, Richardson himself distinguishes only a "modern" and "traditional" sector! Richard Webb's analysis of the Peruvian urban economy is one of the few that stresses the complexities of the urban economy and the overlapping relations between the "modern" and "traditional" sectors. Nevertheless, as a practical decision, he includes in the former all workers in firms employing five or more employees (Webb 1975, esp. p. 27; 1976a; 1976b). Whatever its validity for Peru, if applied across the board to

different economies, it would yield highly dubious results. The difficulties of classification Richardson points out are pervasive and weaken almost every classificatory scheme. A few examples would suffice to illustrate this.

Food services in urban areas include luxury hotels and restaurants (there is probably a Hilton or Holiday Inn in every developing country); cafeterias and hotels of varying intermediate qualities (and catering to diverse pocketbooks); a large number of cafes (run by owners with teenage help); numerous tea stalls and the like, which serve at most one or two hot items; street vendors with their own "woks" and "fixed places" (as in the streets and lots of Kuala Lumpur or Delhi's Chandni Chowk with its *poori panis*); mobile carts which sell water, ice cream, or *channa* (chick peas); vendors of peanuts on the beaches (with no more than a basket for capital); and food preparers with an apparently steady client relationship with laborers (poor women who sell prepared food to day laborers in the *souk* in Khartoum or men who feed manual workers promptly at midday with ground gram flour, water, and one or two chilies in the streets of Calcutta).

Transport displays similar variety and includes those employed in metropolitan systems; lorry (truck) drivers; cab drivers and similar wage-earners or owners of four- and two-wheeled scooters (*phut-phuts*, an onomatopaeic Indian term referring to the sound made by these vehicles); bicycled and hand-pulled richshaws (*betjaks* in Indonesia); horse-, bullock-, and hand-pulled carts; donkeys, camels, and bicyclists or manual carriers of merchandise for distribution.

Compressing this enormous diversity into standard occupational or industrial categories means lumping together economic activity covering a wide range of technology; of use of capital, labor, and managerial skills; of employment and entrepreneurial organization; and of forms and levels of remuneration. Even observers wary of such neat classifications have adopted simple divisions of the urban economy into an organized, modern, or formal sector and a complementary unorganized, traditional, or informal sector, with the former referring to the capital-intensive, high-productive, high-wage sectors. If there is anything which stands out in the foregoing survey of manufacturing, food services, and transport, it is the extreme variety of production methods, involving continuous gradations of labor and capital—and of all forms: animal, human, and mechanical. Capital and investment are nowhere absent, making the modern-traditional dualism valuable only at the limiting extremes.

In its more modest origins, this dualism served merely to distinguish a part of the urban economy about which we had some knowledge or regulatory purpose and a larger residual outside this frame of reference.

However, more ambitious and, as we shall show, misleading formulations have produced a rigid dichotomization of the urban economy. Within this framework, the urban labor force is treated as homogeneous, with only an institutional barrier separating the nonmodern residual, an "urban village" extension of the rural economy (Webb 1975, p. 49).[25] We saw earlier how such a "dualization" of the urban labor market differs from the Lewisian scenario of economic transformation. The dual labor market models run into greater problems when pressed into service to explain intraurban differences in earnings or opportunities. Varying interactions of demand and supply are obviously relevant to these outcomes. Moreover, even superficial and aggregative views of the urban labor force can ill afford to overlook the demographic variety it reflects.

This seems apparent when we consider the diversity of sources of labor supply. Particularly interesting is the ethnic mosaic of the metropolis and its occupational or sectoral dispersion. It testifies to the continuing importance of traditional and particularistic attributes in the organization of economic activity and its reward structure.

The relevant information is meager, even nonexistent for many countries. Nor is it standardized or easily quantifiable for comparative purposes. But even a casual glance at the major metropolises makes clear the diverse ethnic origins. In Greater Bombay, an ethnic breakdown provided the picture shown in Table 8.

Metropolitan Calcutta draws its population from native Bengalis, from nearby Bihar (Biharis), Orissa (Oriyas), and elsewhere in the vast subcontinent. And it is clear that they are important in the employment market of this huge city (Lubell 1974). There is more than a hint of the importance of ethnic factors in recent analyses of labor markets in Jakarta, Abidjan, Singapore, urban Kenya, and so on. Comprehensive data are hard to come by, but it is also hard to ignore such indications as we have. Thus Khartoum, in Sudan, manifested a complex ethnic structure with overlapping economic implications, as is suggested (but no more than that) in Table 9.

Harold Lubell's study of the Calcutta labor market (1974) and Joshi and Joshi's study of Bombay (1976) are probably among the few major studies which direct attention to the importance of the ethnic factor in the functioning of urban labor markets.[26] Others have emphasized the importance of the ethnic factor in access to public services, and as a focal point for urban political mobilization (Heginbotham 1978, Katzenstein 1978). In all of this, the major metropolitan areas display features which are by no means unimportant for their counterparts in developed countries. Nevertheless, it is clear that less is known about their importance in developing countries, and one must – at least for now – go along with the conclusion indicated in a recent comprehensive analysis of LDC urban

Table 8

Population of Bombay and Their Places of Birth, 1961

Place of Origin	Persons in Bombay by Birthplace		Population at Origin	Migrants per 1000 Population at Origin	
	in thousands	per 1000 in city	in Thousands	in Bombay	in urban India
Western India					
Greater Bombay	1,485	356			
Elsewhere in Maharashtra	1,111	266	35,402	31	108
Ratnagiri	494	119	1,827	270	
Satara	141	34	1,430	98	
Poona	118	28	2,467	47	
Kolaba	109	26	1,059	104	
Thana	45	11	1,653	27	
21 other districts	203	49	26,966	8	
Gujarat[a]	451	108	20,691	22	112
Goa	83	20	627	132	320
South India					
Mysore	172	41	23,587	7	84
Kerala[b]	74	18	16,928	4	62
Andhra Pradesh	90	22	35,983	3	78
Madras and Pondicherry	85	21	34,056	3	94
North and Central India					
U.P. and Bihar	326	78	120,202	3	55
Rajasthan, Punjab, etc.[c]	95	23	48,033	2	79
Madhya Pradesh	23	6	32,372	1	51
Eastern India[d]	16	4	66,904	–	37
All India			439,235	6	70
Pakistan	111	27			
Other countries	29	7			
Unknown	1	–			
Total	4,152	1000			

Source: Joshi and Joshi (1976), p. 18.
[a]Includes Dadra and Nagar Haveli.
[b]Includes Laccadive, Minicoy, and Amindivi Islands.
[c]Includes Delhi, Himachal Pradesh, Jammu, and Kashmir.
[d]West Bengal, Assam, Orissa, Manipur, Tripura, N.E.F.A., Nagaland, Sikkim, Andaman and Nicobar Islands.

economies, that their economic influence is unclear (Richardson 1977). Modernizing institutions such as corporations and government bureaucracies act counter to particularistic and ascriptive value structures. On the other hand, ethnicity itself is an important functional attribute of productive and economic significance in a traditional world undergoing change.

While capital, technology, and skills tend to be concentrated in urban

Table 3

Tribal Groups or Nationality Groups by Main Occupation, Khartoum
(In Percentages)

Occupation	Ja'-aliyyin	Juhayna	Nubians	Darfut-ians	West Africans	Nuba	South-erners	Egypt-ians	Others
Professional	6.6	5.5	9.0	–	–	3.1	1.8	11.9	5.9
Semiprofessional	9.0	8.2	9.3	3.0	1.1	5.5	2.7	13.7	9.8
Managerial and Administrators	2.4	1.2	3.9	2.4	2.2	–	–	9.0	18.6
Clerical	11.3	7.7	12.7	1.8	3.3	1.6	12.4	9.0	5.1
Trades	15.1	6.5	13.4	3.0	11.9	1.6	–	13.4	9.6
Craftsmen and production processors	17.6	20.4	15.5	27.3	41.3	15.6	23.0	23.1	7.1
Protective Service	8.2	5.0	9.5	3.0	2.2	10.9	6.2	2.2	37.6
Transport Service	6.7	5.7	6.0	3.6	5.4	4.7	2.7	3.7	2.2
Domestic Service	1.6	7.0	6.0	15.2	–	30.5	33.6	–	–
Other Service	14.4	26.1	11.1	35.2	28.2	25.0	15.0	5.2	2.2
Agricultural Work	4.3	4.2	0.9	3.0	4.3	1.6	–	2.2	2.2
Other, Unknown	2.7	2.2	2.7	2.4	–	–	2.7	6.5	–
Total (%)	100.0	100.0	100.0	99.9	100.0	100.1	100.1	99.9	100.3
Number	1,055	401	432	165	92	128	113	134	136

Source: Galal-el-Din (1973).
Note: Figures are for males 15 years of age and over.

areas, and developed land is in inelastic supply, the one factor which is characterized by considerable mobility is labor. But the elasticity of labor supply surely varies for different groups, activities, and employment situations, and on the whole we know little about it (Taira 1966a, 1966b). What is important is that the metropolitan areas draw their skilled and unskilled labor, as well as entrepreneurial, administrative, professional, and managerial personnel, from a large number of areas which respond in varying degrees to these emergent opportunities. The city – to adapt a statement made in the context of an early United States concern about the brain drain – is a powerful magnet with some degree of universal appeal, but not all respond to the same extent.

This can raise a number of difficult questions about specific supply elasticities, particularly where traditional criteria and associations are important, without necessarily challenging the economists' assumption that, in the aggregate, labor supply is not a constraint. What is important is not to overwork or overstretch the aggregate inferences by applying them to questions of detail for which they are inappropriate.

Concluding Remarks

A major key to the process of the diffusion of the benefits of urban growth is the role of labor mobility and labor markets. Strategies of

urbanization are concerned with examining whether alternative urban structures can strengthen the diffusion process. Our concern is with how well labor markets function in this role.

The major metropolises of the developing world, including their modern and developed structures, represent a cross-section of their respective nations. In their diversity, they reflect the dynamic consequences of economic growth and development. Much of what is seen in these vast urban areas can be seen in microcosmic form elsewhere, and a good deal of the bubble and pace of urban economic activity has its mainsprings in the vast hinterland. This is one reason for not being committed exclusively to the major metropolises, as smaller towns and intermediate cities may, by their experience, provide a clue to the functioning of the larger agglomerates. Nevertheless, there is a practical reason for the emphasis on big cities, for extensions would greatly increase the number of urban areas of interest, about which usable information is limited.

We will briefly note the prevailing data limitations which inhibit comparative analyses of metropolitan area labor markets. Urban economic and demographic breakdowns are limited and generally constitute gross averages for "urban" and "rural" areas, with insufficient size breakdowns. Separate breakdowns for metropolitan areas are not available on a systematic basis, although some cities tend to be well-covered.

Definitions of "urban" areas vary widely, and comparative data published by such agencies as the United Nations incorporate this diversity. Labor force data also present problems, both because of the limited applicability of the labor force concept—borrowed from market economies with a strict dichotomy between those who work for a living and those who are otherwise occupied—and because they are more often demographic (based on age or sex breakdowns) than behavioral measures of participation. Figures on employment, earnings, and hours worked, to the extent that they are available, pertain to the well-developed sectors of regular employment in government, municipalities, and the larger corporations or to those sectors covered by statutory regulations of hours worked, minimum wages, safety, and so on. Since a good bit of the labor force in many metropolitan areas is outside these employment sectors, and standards of enforcement often drop sharply in small-scale and self-employment, our information base for the bulk of the labor force is limited.

Great strides have been made in recent years, particularly as a result of the surveys initiated by the International Labour Organization (World Employment Program), the World Bank, AID, and others. Some countries, notably India, Brazil, and Peru (not an exhaustive list), have ongoing studies of their own aimed at generating the relevant data. However, one will have to be fairly circumspect about intercountry compari-

sons and statistical testing for quite some time to come. Equally serious will be the limitations of available information bearing on the relationship of economic development to urban labor force growth, metropolitan area breakdowns of the same, the impact of urban growth on the constituent segments of the urban economy, and the relationships and complementarities—in the product as well as the labor markets—between the different advanced and less advanced sectors of the urban economy. The need for information is serious and has been systematically developed in a recent report to a World Bank task force on urban poverty (Webb 1976c). This study emphasizes a point which will be a recurrent theme in our analysis: The problem is due only partly to the lack of data. We also have to ask the right questions, and more detailed questions, as we shall show in subsequent chapters.

The traditional view of urban growth as aberrant and unfortunate needs to be greatly modified by devoting greater attention to the emerging structure of productive economic activity in urban and metropolitan areas. We also need to improve our understanding of how traditional differentiations affect access to emerging opportunities. The broad generalizations about urbanization and associated sectoral breakdowns related to economic development emphasize this need for additional knowledge, at the same time that they stress the limitations of relying exclusively on demographic or other supply-side pressures to explain the urban imbalance. Global generalizations from either national aggregates or intercountry comparisons need to be compared with more detailed information from individual metropolises.

In the next chapter, we will look at some well-known studies which appeared in the seventies, noting in particular the quantitative and qualitative aspects that are relevant to the outcomes of interest to us. As we focus on the diverse patterns of remunerative activity and rewards, we shall see the need for further disaggregation.

Notes

1. See in particular U.S. Department of State (1977), especially p. 5.
2. See Connell et al. (1976), p. 1. They identify increases in population of villages or clusters and spatial expansion of villages and towns as pushing "rural" areas into the urban category.
3. See also Squire (1979), p. 15. Almost all females were omitted from the agricultural labor force of Algeria
4. This is due to an indeterminate range of the relevant population estimate. The ILO (1976a) report providing labor force estimates for 1975 indicated

population aggregates for 1972, and there is some doubt as to the similarity of coverage in the 1975 population total reported in my text. The 1972 total, for instance, was 1.2 billion which would place the labor force closer to 59 percent. These cardinal, moment-in-time estimates are less important than the trends.

5. See Moir (1976) for a review of the evidence and relevant literature. See also Moir (1977).
6. This may also include the phenomena comprised by the term *circular migration*, as well as the "floating" population with no fixed urban abode.
7. On Chinese programs of urban control, see, for instance, Pierce (1980), adapted from *The National Journal*. Pierce argues that because of China's strict control on metropolitan growth, it will avoid the pattern of growth of big cities and their ills which characterizes other developing nations. At the same time, he points to Chinese cities which are larger than the Indian, a total of some 90 cities with populations in excess of 1 million each, and the inducement for "tens of millions" to opt for the city "overnight" because of superior living standards!
8. This statement is partly deceptive because as settlements cross the population threshold dividing "urban" and "rural" areas, population growth automatically reclassifies certain areas as urban.
9. For a somewhat different assessment see World Bank (1979), pp. 76–77, which states that Korea, as opposed to China, had a greater urban concentration of industry.
10. See also Rehnberg (1977), who explains accelerated rural-urban migration in Korea by reference to changing terms of trade for agricultural products.
11. See also *Population Reports* (1978), p. E-55. As in much doomsday literature, all "bads," even opposing ones like inflation and unemployment, are attributed to population. See also Simon (1977).
12. There was a sharp decline in labor force participation rates, along with the growth of population and spread of education, in Kerala. See also Ramos (1970). Labor quality increased more rapidly than population, and influenced decreases in labor force participation rates. See also Mazumdar (1978/79, 1980).
13. This view is predicated on a preponderant urban service sector; other views emphasizing wage distortions in the urban economy are more plausible given a preponderant urban modern sector!
14. For others who report such a weak relationship between measures of rural labor supply or population growth and rates of urbanization, see Kamerschen (1969) and Kelley and Williamson (1973), pp. 450–58. See also Hawley, Fernandez, and Singh (1979), Moir (1976), Pandey (1977), and numerous citations in Findley (1977).
15. In some cases the relationship could be the opposite, higher productivity and higher cost inputs, with lower unit costs of the services rendered.
16. See also Jacobs (1970), who develops the theme of the importance of cities as centers of innovation, not necessarily restricted to their more recent association with industrialization.

17. A primate city is a synonym for either a metropolis or a very large city such as a regional capital. See Richardson (1977), Appendix 2, para. 3.
18. Calcutta's relative importance is vastly greater when set against the West Bengal region rather than the rest of India.
19. Such development is considerably more limited to the African as compared to the Asian and Latin American economies.
20. See Mellor (1976) for a penetrating analysis of the linkages between agriculture and industry in the growth process.
21. For an excellent statement along these lines which stresses the need for specific analyses of urban (and other) benefit/cost functions in formulating plans for meeting stated development and welfare objectives, see Mohan (1979).
22. It is also "...difficult, if not impossible, to determine the optimal rate of urbanization" (World Bank 1979, p. 77). See also Linn (1979), p. 3.
23. Thus, it has been observed that "the GNP of any large Indian city-region is, after all, as great as that of Sri Lanka or Nepal" (Linn 1979, p. 2, quoting E. B. Waide, "An Approach to Urban Lending in India," mimeographed paper [World Bank, 1978], p. 13).
24. The magnitude of traditional demand is crucial to Scoville's analysis (1974a, 1976b).
25. This poses the same problem as equating the urban service sector with rural excess supply.
26. Clignet (1976) is important but focuses on several smaller urban areas.

3

The Structural Features of Metropolitan and Urban Labor Markets

We are concerned in this chapter with the structural characteristics of metropolitan area labor markets. The previous chapter yielded a picture of cities as complex agglomerations with diversified economic structures. One could observe a wide range of input use, economic organization, and patterns of labor remuneration, although standardized national aggregates lose much of this richness. It should be possible to rectify this, at least partially, by focusing on individual cities.

Our concern with the urban imbalance and the disequilibrating role of metropolitan area labor markets raises questions about their structure, outcomes, and processes. In this chapter we deal with the first aspect, structure. We will also look at estimates of unemployment, a chronic, "structural" characteristic in the Todaro-type formulations. An integrated view of the urban labor market must be deferred until later, after we have considered the relevant information on wages and employment practices. This procedure partly reflects the nature of the best information available to us on urban labor markets in developing nations.

One may start with a checklist of four sets of needed information.

1. *Demographic:* National and regional totals, and figures for the city and/or agglomerations: rates of growth; relative contributions of natural rates of increase and of net immigration; and breakdowns, particularly by sex and age, for migrants, etc.
2. *Labor force:* Working age population; economically active population; and other measures of the labor force, including the unemployed.
3. *Sectoral or other breakdowns by type of employment:* Primary, secondary, and tertiary and, where available, more detailed breakdowns (self-employed, wage-earners, unpaid family workers,

proprietors, etc.); breakdowns by employment in manufacturing or registered employment and by size; and cross-tabulations among these.

4. *Employment market organization:* The labor market infrastructure; the social structure, including ethnicity, housing, and transport patterns; main sources of recruitment and labor supply; and scope of trade unionism, employer organization, and government regulation.

Although there are many sources of information of a standardized and quantifiable form on the first three aspects, few focus specifically on metropolitan areas. Several case studies have covered the first aspect, and the "fallout" from these has been a useful source of information on the second and third. Studies bearing on the fourth aspect are largely fragmented and poorly integrated with correlative information for the metropolitan areas. As early as the fifties, the Indian Planning Commission (Research Programmes Committee) sponsored several metropolitan area studies which focused on employment, housing, welfare, and the like, but their main focus was not on the employment market. Thus, there has been a lack of studies pooling together all of this information in a systematic manner to present a coherent picture of specific metropolitan labor markets.

The literature of the seventies was a response to this need and, in partial measure, a fulfillment. Six case studies of LDC metropolises sponsored by the ILO World Employment Programme come closest to presenting an integrated view of the urban labor market. Accordingly, they will constitute the first set of studies we will review. These in turn either directly or indirectly stimulated other urban studies which will be an important supplementary source of information for this discussion. We will also consider parallel studies of significance, such as those dealing with Bombay, which provide scope for in-depth analysis.

Most of these studies were guided by the dominant perspective of urban dualism. The ILO studies systematically differentiated a formal and informal sector (conceived as mutually exclusive phenomena and perhaps as wholly inclusive) of the urban economy. The purpose seems to have been to distinguish an insulated segment of the urban labor market characterized by privileged employment and high wages from the rest. In the course of time, the new dualism superseded terms that had been used earlier to characterize segments of the urban economy, such as modern and traditional, organized and unorganized, large-scale and small-scale, and so forth.

We will begin with a brief discussion of these several concepts which are now quite freely treated as synonymous with the new dualisms,

although the earlier views did not necessarily represent such an integrated perspective of the urban labor market and some formulations even diverged markedly.[1] This would also explain the procedure we follow in presenting available information from the case studies on metropolitan employment breakdowns and organization. We will discuss the ILO studies one by one in some detail and follow with briefer descriptions of studies dealing with other metropolises and urban areas. An explanation of this procedure is appropriate at this stage.

These studies are valuable because they constitute the first major effort to organize information about metropolitan employment in a number of developing nations in a systematic and unified way. As such, it is important to evaluate carefully what they reveal. The restrictive, if not peculiar, implications inherent in the prevailing labor market dualisms and aggregations are also reflected in these studies. However, it is important not to prejudge our framework of analysis and not to precast it in a straitjacket which inhibits the development of alternative perspectives. The diversity of the metropolitan economy (made even more so when we deal with several countries) may not be adequately represented, and our interests may not be well served, by pigeonholing available information within a received or preconceived framework, whether it is a two-, three-, or multisector division of the labor market; and it would be useful to know what is being telescoped or left out in the process. For instance, many of the existing classifications follow product market divisions or characteristics of producing units (technology, type of employer, size, and so forth), but alternative classifications focusing on labor supply elasticities and differentiations, including such things as educational attainment and ethnic characteristics, would yield different perspectives of earnings, employment, and unemployment, and may well be more relevant. Much theorizing is derived from the need to explain relatively high rates of open urban unemployment whil as we shall see later, estimates of unemployment are conjectural and the phenomenon is not common to all metropolises. The risks of premature classification are particularly serious at this stage of our knowledge of labor markets in developing economies. On such outcomes of interest as poverty, underemployment, migrant economic status, and the competing attractiveness of formal- and informal-sector opportunities for certain types of labor market participants, the available information is much too limited to permit us to sort out, let alone test in a rigorous manner, the numerous hypotheses floating around. When the underlying information is ignored, such classifications, dualisms included, may become self-fulfilling and self-defeating instruments, displaying averages which obscure intrasector variance, and discouraging the exploration of promising alternative leads.

The next section presents a discussion of the conceptual divisions of the urban economy which have been incorporated into current dualistic studies of the urban labor market.

Conceptual Aspects

Our knowledge of urban economic organization pertains mostly to the "modern," "organized," or "formal" sectors. They correspond in a general way with "large-scale" or "registered" enterprises, distinguished by employment size, use of mechanical power, or regulatory purpose. In many countries this sector of the economy is small and often dominated by foreign or public enterprise. Other expressions, not necessarily euphemistic, include "steel, glass, and chrome" or "ILO" sector, referring to the parts of the urban economy with favored status. In practice the modern sector may include manufacturing units, all public employment, enterprises employing more than five persons (an operative cutoff presumably intended to distinguish wage-earners from other economically active people), and sometimes even all wage-earners, or some combination of these. Present usage reflects casual summary judgments incorporating one or more of these differentiations.

We will begin with a discussion of the three concepts in common use. The term *organized* has a long usage in India and, therefore, as a historical legacy in other British-ruled countries (Myers and Kannappan 1970, esp. chap. 2). It referred primarily to private industry (textiles, mining, plantations, etc.) organized in a corporate form, there being little public enterprise. Historically, the dominant form of organization was the "managing agency" system, a conglomerate form of *managerial* organization. Family-owned enterprise, involving no publicly raised capital, and organized in a traditional way, was largely excluded: this meant handicrafts, weaving, commerce, indigenous banking, trade, and so on. With the advent of employment regulation, the focus naturally shifted to the numbers employed, with an additional emphasis on whether productive operations were mechanized. The early factory and safety acts; the first attempts to regulate recruitment in the commercial plantations; welfare measures designed to insure maximum hours, rest pauses, toilet facilities, dispensaries, creches, and leave; and, finally, measures to insure the fulfillment of the employment and wage contract followed the twin criteria of employment and/or mechanization. Intervention in industrial disputes and labor relations legislation did not come until much later, decades after the development of organized manufacturing and commerce representing some *stable* employment. And when it did, it bore no necessary relationship to the strength or spread of trade union

organization. Political factors and administrative feasibility were important in influencing the timing, extent, and thrust of such regulation. Minimum wage laws, when promulgated, portrayed the ambivalence in public regulation. They could not easily be extended outside organized industry, or for that matter within. However, setting them too low was an unattractive social norm and perhaps unenforceable, given the myriad and amorphous structure of economic activities outside "organized" industry.

The concept of a *formal* sector is more recent and more extensive. Its present currency is due to the ILO mission to Kenya, which contrasted this sector with a residual poor and neglected but partly dynamic "informal" sector housing a large number at low productivity (ILO 1972a).[2] The "formal" sector quickly came to mean a favored sector characterized by one or more of the following attributes: relatively high capital/labor ratios; mechanized operations, based sometimes on imported technology; large-scale enterprise; systematized wage administration, recruitment, work rules, and management or administration; relatively high wages; stable and experienced or skilled, perhaps formally trained, labor force; legal regulations governing wages and working conditions; active trade unions; and corporate organization as in the public sector, foreign sector, and the more successful domestic enterprises. Not all of these attributes were uniformly stressed or accepted. In fact, the emphasis on distortions in the urban labor market discounted the skill component referred to above, arguing either that it did not exist or that it was not necessary. One or two of the attributes, such as trade unions or labor legislation or the nature of corporate organization, were singled out as independent variables "causing" other characteristics such as high wages or capital intensity of operations. It must be emphasized further that this constitutes an exhaustive, rather than operative, listing of attributes. For one thing, there has been a tendency to identify pockets of high-wage employment and adduce concomitant attributes in an ad hoc manner.

It is difficult (and fortunately perhaps not worth trying) to pinpoint etymological origins of the term *modern*, but its obvious purpose is to provide a contrast with traditional economic activity. For some the distinction is in the technology of the productive process, but more important for us is what it implies about labor mobility, employment organization, and remuneration. The demarcation between the traditional and the modern is most useful only where the latter manifests a discontinuous growth; otherwise the lines become blurred. In this respect, the tendency in some surveys to treat establishments employing five or more workers, or even most wage-earners, as "modern" has probably obscured the real situation in many developing nations.

There are subjective values inherent in the term "modern" which enjoy

cyclical popularity in the literature. In the fifties, the "modern" firm, "modern" managements, "modern" personnel practices, and "modernizing" elites were lauded. Now they are decried as importers of inappropriate technology with laggard and negligible potential for employment generation and limited enclave significance. Although the concern about the economic consequences is valid, it produces a Pandora's box of unresolved issues and poorly formulated hypotheses which have been skimmed over in studies employing such a dichotomy.

The relevance of these distinctions cannot be determined in the abstract but by whether they highlight salient features of urban labor markets and bear some relevance to hypotheses which merit analysis. A first step in this direction will be to describe some principal characteristics that appear to emanate from some recent studies based on extensive surveys and field investigations.

Metropolitan Employment Structure and Characteristics

The presentation to follow begins with the case studies of metropolitan employment done under the direction of Harold Lubell for the World Employment Programme of the International Labour Organisation. The summary presents the findings *ad seriatim*, for, in addition to the points noted earlier, there are difficulties in generalizing from studies which vary in depth and coverage, and some of the information is not easily standardized. Included are studies of Abidjan (Ivory Coast), Bogota (Colombia), Calcutta (India), Jakarta (Indonesia), Lagos (Nigeria), and Sao Paulo (Brazil).[3] These city studies are important, as they represent a systematic and integrated attempt to apply the dual concept of urban employment.

Secondly, we will dip into the burgeoning literature on other urban economies and labor markets. Some, as in the case of Ahmedabad and Bombay (India), represent full-fledged attempts to survey the relevant labor markets; others, as in Kabul (Afghanistan) and Khartoum (Sudan), present integrated views of the urban labor market, the latter relying primarily on readily available information; and still others present some labor market information of value, although that is not the main focus (and these include several-country economic studies sponsored by the World Bank and by the ILO itself on such areas as Hong Kong and Nairobi).[4] A preliminary canvass has yielded the following list of cities on which information of varying quality and analytical depth exists with potential for integration in analysis: Ahmedabad, Belo Horizonte, Bombay, Cairo, Colombo, Khartoum, Kuala Lumpur, Lima, Nairobi, and Singapore. The following cities also present information of value, but the

information is fragmentary or specialized (and occasionally old): Dar Es Salaam, Bangkok, Casablanca, Delhi, Hong Kong, Kabul, Kanpur, Kingston, Madras, Mexico, and Manila.[5] A large number of studies pertain to Asia, and India in particular, but studies on China are conspicuously missing. There are relatively few studies of Africa, or of the crescent of mainly Moslem nations from Morocco in the West to Pakistan in the East. This is also true of the nations of Latin and Central America, although this may be more apparent than real since the studies and investigations are in Spanish or Portuguese.

The ILO Metropolitan Employment Studies

The city-by-city summary will proceed in alphabetical order. We will begin with Abidjan on the Ivory Coast.

Abidjan[6]

The smallest of our cities, Abidjan, capital of the Ivory Coast, had in 1975 a population of 800,000, the only city in our group that is not a "millionaire." But its population has been growing fast, averaging 9.3 percent per annum in 1965–70, three times the national average and one and a half times the average for all urban areas. The bulk of this growth came from net in-migration, natural growth accounting for only one-fourth of the increase.

Data on the economically active population and labor force participation rates are meager. It is estimated that 55 percent of the national and 60 percent of the urban population were between the ages of 15 and 59. The proportion was higher for foreign Africans in urban areas, who constituted nearly 30 percent of Abidjan's population, having maintained their relative share in recent years. Estimates derived from a shaky base in 1970 indicate a male-dominant population, at least in the 15–59 age group (male/female ratio: 320/210), with labor force participation rates (as a percentage of this population category) of 81 percent for males and 20 percent for females. In the words of the study:

> The estimates are rather crude at each level and should be taken as providing no more than orders of magnitude.... Since the unemployment figure is in each case the residual in the table, it cumulates the errors in the labour force and the employment estimates. (Joshi, Lubell, and Mouly 1976, p. 107)

The unemployment rate is estimated at 20 percent and is derived from the difference between two estimates for 1970: labor force and employment. (However, a census in the preceding year estimated unemploy-

ment to be about 63 percent of this figure.) The analysis attributes the unemployment to excessive migration due to population pressures and poor information, the high rates being maintained as a result of considerable lags in social norms which sustain unemployment behavior (Joshi, Lubell, and Mouly 1976).[7]

The Abidjan labor force is classified, sector-wise, as follows: primary: 3.9 percent; secondary: 34.6 percent; and tertiary: 61.5 percent. On the basis of 1970 data, 69 percent are placed in the formal sector and 31 percent in the informal sector, although there is not a sharp distinction between the two in terms of the sectoral classification.

	Primary	Secondary	Tertiary
Formal	2.8	35.78	61.32
Informal	6.18	31.92	61.8

Although there is a detailed discussion of the concepts *formal* and *informal* (pp. 49–58), the operational cutoffs employed are not clear. From the supporting tables, it appears that all self-employed are assigned to the "informal" sector and the bulk of the wage-earners (approximately 90 percent) to "formal," as follows: public administration: all; construction: 81 percent; industry: two-thirds; private services: three-fifths; and primary sector: 50 percent. Foreigners were a dominant element among the wage-earners (43 percent). The bulk of the foreign African wage-earners (57 percent) were in the unskilled category, while non-Africans tended to go to the skilled and upper supervisory ranks (managers, supervisors, and skilled workers) (see Table 10). The foreign (European) influence was strong in the formal sector, the Lebanese and Syrian in middle-level commerce, and some foreign Africans in trade.

Bogota[8]

With an estimated population of 3.75 million in 1975, Bogota, the premier city of Colombia, claimed 15 percent of the Colombian population and its share was expected to increase.[9] Its annual growth rate was 7.6 percent between 1964 and 1975, well in excess of the Colombian growth rate of around 2.7 percent per annum. However, despite its economic dominance in Colombia, there is some expectation that Bogotan growth rates may decline. First, there are three other large cities, totalling 4 million, and altogether 24 cities over 100,000 in a relatively small nation of less than 25 million. Secondly, all of Colombia's cities have been growing at impressive rates. Finally, the wide geographical spread of Colombian cities is matched by a spread of economic activity among the major cities and some functional specialization. Medellin (1.8 million)

Table 10

Distribution of Labor Force by Origin, Abidjan

Occupation	Non-Africans	Foreign Africans	IC Nationals
Managers	1553 (21.1)[a]	187 (0.5)	246 (0.7)
Supervisors and Technicians	4281 (58.4)	821 (2.0)	2915 (6.2)
Skilled Workers	1449 (19.7)	4613 (1.3)	13481 (28.8)
Semiskilled Workers	51 (0.7)	12042 (29.5)	18719 (40.0)
Unskilled and Apprentices	10 (0.1)	23167 (56.7)	11450 (24.4)

Source: Adapted from Joshi, Lubell, and Mouly (1976), Table 31, p. 113.
[a]Figures in parentheses are percentages.

had an early start in textiles and until the late sixties exceeded Bogota in manufacturing employment; Cali (1.4 million) has a strong base in agriculturally based commerce and still exceeds Bogota in per-capita manufacturing employment. Barranquilla (0.9 million) is the only major port. In 1967, these three together claimed 44 percent of manufacturing employment and 13.5 percent of the population as against Bogota's 25 and 11 percent, respectively. Expectations of a decline in Bogota's growth rate are thus based on an eventual slowdown in urbanization with given population growth rates. Falling fertility rates and changes in the rural-urban economic relationships would accelerate this outcome.

During the period 1970–75, migration provided 45.6 percent of Bogota's population increase. As of 1973, natives and immigrants were equal in numbers. It appears from a 1964 survey that there were slightly more females than males in the overall population total. There were more females among the migrant population, particularly in the age group 15–29 (see Table 11). Overall, 47 percent of the population was less than 15 years of age; but while this was 61 percent among the natives, it was only 26 percent among migrants. Labor force participation and unemployment rates (as a percentage of the labor force) calculated separately for age groups 10 and over and 15 and over are shown in Table 11.

One notes the dominance of women in the immigrant stream, which is explained as being due to the "very large demand" for unskilled young females for domestic service, there being no corresponding bulge in the young age groups among male migrants. One should also note the lower unemployment rates among migrants, which are attributed to their being under greater pressure to obtain employment, if necessary in lower-paying urban jobs. Some 70 percent of unskilled construction workers were migrants; illiteracy was also more common among migrants (15

Table 11

Labor Force Participation and Unemployment Rates, Bogota, 1973

Age	All			Natives			Migrants		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
10 and older									
LF Participation Rate	66.8	14.8	39.4	54.3	10.4	32.0	77.0	18.0	45.0
Unemployment Rate	3.8	2.2	3.5	4.7	2.9	4.4	3.3	2.0	3.0
15 and older									
LF Participation Rate	80.8	17.2	47.0	74.8	13.7	43.3	84.8	19.2	49.2
Unemployment Rate	3.8	2.3	3.5	4.6	2.9	4.3	3.3	2.1	3.0

Source: Adapted from Lubell and McCallum (1978), Table 3.10, p. 62.

percent, as compared to 6 percent among natives). However, the migrant stream included persons with college education (4 percent), secondary (23 percent), and primary (four or more years, 28 percent; less than four years, 30 percent). There was no marked difference between male and female migrants, except that only one in ten of the former as compared to one in five of the latter was illiterate.

More or less continuous quarterly sample survey information since 1963 is also available. One source, the CEDE survey, covers the period from 1963–70, and refers to the population aged 15 and over; the other, the DANE survey, covers the period since 1970 and refers to the population aged 12 and over. There are some unexplained puzzles: both yield lower participation rates than the 1964 census (both the 15-plus and 10-plus breakdowns) and much closer male-female participation rates (lower for the former and higher for the latter). Unemployment rates in the surveys are also higher, twice the 1964 census estimate, and generally higher throughout. Interestingly, with one exception (September 1964), the quarterly estimates always indicate higher unemployment rates for females than for males (again quite different from the 1964 census breakdowns). While the sample surveys more accurately catch the impact of upswings and downswings in the economy (the 1974 construction boom, for instance, led to an increase in participation rates and open unemployment), there is some feeling that they overstate unemployment. At least one serious analysis has so concluded (Berry 1975).

Sector-wise employment breakdowns of the working population emphasize even more sharply the dependence of the urban economy on migrants and their greater dependence on the service sector. In 1964, out of a total working population of 572,000, migrants constituted 433,000 and natives 139,000 (or about 76 and 24 percent, respectively). Of the former, 40 percent were in services, 15 percent in commerce, and 22 percent in manufacturing (including handicrafts), as compared to 25, 15,

and 27.5 percent for natives. A 1972 survey estimated employment at 957,000, distributed as shown in Table 12. Although 254,000 were placed in manufacturing, only 106,000 of these (42 percent) were in establishments employing 50 or more persons.

A process of elimination placed the bulk of the employed outside the modern and organized sector. A special study, done for the World Employment Programme in 1977, analyzed employment by type of production unit (self-employed, family units, small and medium units, and larger units) and by type of training (informal, formal, or combination) and, using sectoral and occupational breakdowns, put about 50 percent in the informal and 32 percent in the formal sectors (Lubell and McCallum 1978, pp. 87-94). The former, important both in production and consumption, included small-scale enterprises in manufacturing, trade, vending, services, and construction, and was located throughout the metropolitan economy. However, there was a greater concentration of the larger firms in the center of the city. Also, entry into prime locations by petty merchants, vendors, and others was restricted by both policy and practice (Peattie 1975, pp. 109-23).

Calcutta[10]

A poor "multimillionnaire," and one of the largest cities in the world, greater Calcutta had a population in 1971 of 7 million. Calcutta proper,

Table 12

Distribution of Labor Force by Occupation, Bogota, 1972

Occupation	Number	% of Total
Manufacturing	254,100	26.5
Construction	83,600	8.7
Commerce & Personal Services of which		
Personal Household Service	145,750	15.21
Retail Trade	108,750	11.35
Finance & Business Services	60,650	6.3
Institutions	89,850	9.4
Utilities & Transport of which		
Transport & Communication	57,450	6.0
Government Administration	65,650	6.9

Source: Adapted from Lubell and McCallum (1978), Table 3.18, p. 77.

as distinct from the urban agglomeration, had a population of 3.1 million, while metropolitan Calcutta, a conurbation of cities and towns representing "one linear and continuous pattern of urban development along both banks of the River Hooghly" (Lubell 1974, p. 3) was placed at 8.3 million persons. The growth rate of the population of the urban agglomeration has been considerably less than that of West Bengal as a whole and of the surrounding districts. Also, the growth rate fell from 25 percent for 1951–61 to 22.1 percent for 1961–71, implying a current low rate of population growth and negligible net migration from rural West Bengal.[11]

A 1957–58 estimate places 68 percent of the population in the age category 15–59. The sex distribution was overwhelmingly male (nearly two to one). The Bengali-speaking population constituted 61 percent of the total population; Hindi-speaking, 25 percent (mainly Hindus from Bihar and Uttar Pradesh); Urdu-speaking, 6 percent (mainly Muslims from the same states); Oriya-speaking, 2 percent (from the neighboring state of Orissa); and English-speaking, 1 percent (including administrative and executive cadres from all over India). The male-female ratio was most in balance for the Bengalis (6:5) and better than 2 to 1 for the others. Calcutta has also had a substantial influx of refugee populations (2.2 million in 1955), many of whom sought permanent positions or relocated elsewhere, and a substantial temporary influx of nearly 7 to 10 million who poured across the then East Pakistan border in 1971 but were repatriated to the new state of Bangladesh the following year. There is also a large seasonal inflow of unskilled labor, single short-term migrants unaccompanied by family.

Labor force participation rates, according to a 1961 survey, were higher for immigrants than for nonmigrants, and for males in each category than for females. Among nonmigrant males and females in the age group 0–14 there was no recorded participation, but this jumped to 67.0 and 4.8 percent, respectively, for the age group 15–34, and to 99.0 and 12.2 percent for the age group 35–59. Later data do not provide breakdowns for the Calcutta metropolitan region, but it is presumed that no major change is indicated except for possible increases in female participation rates. A 1971 survey, covering all of West Bengal, estimated the labor force at 29 percent of the population and the unemployed at 5.4 percent of the labor force. This represented no significant change from an earlier estimate for 1963, although unemployment was lower then (4.3 percent). Although separate breakdowns for Calcutta were not available, it appears that the problem was more severe in Calcutta; a breakdown of registrants at the employment exchanges, by no means representative of the city's population, indicated unemployment of longer

duration than in other large Indian cities, and nearly one-third of the registrants included persons with engineering certificates. From a similar source, unemployment for the Calcutta urban agglomeration was estimated at 350,000, 16.7 percent of the working population of 2.1 million or 5 percent of the urban population, which was estimated to have a labor force participation rate of 30 percent.

There are a number of surveys and other sources of information concerning the sectoral distribution of the Calcutta labor force. Although varying in coverage and breakdowns, in the words of Lubell:

> They all serve...to emphasize the large proportion of all activities that falls outside the organised sectors of manufacturing, financial and business services and government. (Lubell 1974, p. 46)

A 1961 breakdown placed nearly 40 percent in manufacturing (other than household industry), 19 percent in trade and commerce, 10 percent in transport, storage, and communications, and 27 percent in "other services." But for a slight edge in favor of Calcutta in manufacturing, the percentage distribution was not significantly different from urban West Bengal. As of 1969 approximately 1.5 million of 2.1 million were in registered nonagricultural establishments. Some 430,000 of these were in central, state, and local government; about 90,000 were in public utilities and public transport; 640,000 were in registered factories; and about 300,000 were in trade and services. Almost all of the last category and some of the employment in registered factories are considered to lie outside the modern, organized part of the economy, giving an informal sector total of around 50 percent of the urban workers. The detailed breakdown of earners by occupation presented in Table 13 indicates that perhaps no more than 30 percent were in regular paid employment.

Perhaps the most interesting aspect of the Calcutta labor market is the marked tendency towards occupational specialization by ethnic origin. In jute manufacturing, Bihari and Uttar Pradesh Muslims are dominant in the manual worker category while Bengalis are dominant in the white-collar and technical (engineering) categories. Engineering, chemicals, rubber, printing, banking, and insurance are also dominated by Bengalis. Gardeners, plumbers, and house servants are more often from Orissa, taxi drivers from Punjab, and tannery workers (Muslims) from Bihar. Sometimes, as in the small metal workshops of Howrah, a particular caste category, Hindu *Mahisyas*, is dominant. These occupational compartments are by no means watertight, Bengalis being found among the low-income bicycle rickshaw drivers, too. Nevertheless, these social divisions provide an interesting kaleidoscope, and are reflected in the ward-wise clusters of the population by language, religion, and so on.

Table 13

Distribution of Earners by Occupation, Calcutta, 1955–58

Occupation	Weighted Average of 3 Years (%)
Non-technical executive: higher	*1.5*
Managers, directors, managing agents, secretaries	0.8
Magistrates, police superintendents, commissioners, high officials of private firms, heads of departments	0.7
Non-technical executive: lower	*2.1*
Technical and professional: higher	*2.6*
Accountants, auditors, barristers, advocates, solicitors, engineers, pilot officers, medical practitioners, college and university teachers, artists, painters, musicians, photographers	2.6
Technical and professional: lower	*3.2*
Compounders, vaccinators	0.8
Non-qualified medical practitioners, nurses, school teachers, *mukicars* and *peshkars* (municipal court officials), bailiffs, surveyors, draughtsmen, contractors	2.4
Ministerial: technical	*2.7*
Typists, stenographers	1.3
Accounts clerks, telephone operators, telephonists	1.4
Ministerial: non-technical	*8.7*
Clerks, assistants	8.2
Cashiers, time keepers	0.5
Skilled manual	*18.5*
Builders, plumbers, masons, carpenters	3.5
Turners, grinders, drillers, moulders, smelters, smiths	4.8
Drivers, potters, engineers, jewellers, watchmakers, bookbinders, radio mechanics, electricians	5.3
Tailors	2.1
Factory workers	2.8
Unskilled manual	*33.7*
Cooks, domestic servants	8 8
Darwans (watchmen), peons, bearers	7.6
Sweepers and scavengers	1.3
Rickshaw pullers, handcart pullers, and drivers	4.0
Porters	7.3
Washermen, cobblers, barbers	4.4
Malis (gardeners), waste paper collectors, *biri* (cigarette) makers	0.3
Traders	*23.5*
Retail proprietors	9.0
Shop assistants, salesmen	5.4

Table 13, continued

Occupation	Weighted Average of 3 Years (%)
Brokers and auctioneers	2.0
Wholesale proprietors, canvassers, commercial agents	3.5
Street hawkers	3.6
Unearned income receivers	2.1
Miscellaneous	1.4
Beggars, prostitutes, persons of questionable livelihood	1.4
Total	100.0

Source: Lubell (1974), p. 50. Reprinted by permission.

Jakarta[12]

With an estimated population in 1971 of 4.5 million, Jakarta is a major Asian and world metropolis. Between 1930 and 1971, it grew at an annual average rate of 4.5 percent, the natural rate of growth being slightly under 2 percent. Migration has been, and will continue to be, a major factor in this growth.

About 53 percent of Jakarta's population is in the 15–54 age group, and there is no significant difference between males and females. But the percentage is slightly lower for Indonesia as a whole, indicating higher activity rates among the migrants. Males outnumber females very slightly, but females outnumber males more significantly in the 15–24 age group (1.02 and 0.931, respectively). The available data may be summarized as follows:

1. Migrants to Jakarta are generally young (less than 29 years old), with six or less years of schooling. The smaller number of older migrants have even less schooling.
2. Female migrants have less schooling than males, and migrants are evenly divided between males and females.
3. A substantial proportion of the migrants are young and unmarried and these characteristics as well as the level of educational attainment are more pronounced than among their rural counterparts.
4. Finally, there has been little change in these attributes over time. (Sethuraman 1976, pp. 100–1)

Jakarta (and urban Jogjakarta) also attracted migrants from other neighboring provinces (in contrast with other urban centers whose mi-

grants came from within the province). Nearly 80 percent of the migrants came directly to Jakarta, the proportion being larger (85 percent) among migrants from urban areas as compared to migrants from rural areas (71 percent). Migrants from more distant areas tended to have distinctly higher levels of educational attainment. About half of the migrants were in a dependent category (children: 33 percent; wives: 16 percent); of the rest, three-fifths came in search of jobs, and a tenth for study.

A 1972 survey of urban employment indicated that labor force participation rates for persons aged 10 and over were 65.7 percent for males and 20.5 percent for females. Breakdowns for 1967 indicated that, in the prime age groups from 25–54, participation rates for males were 90 percent or above. For females, they were relatively stable at 20 percent from 20 to 40 years of age, registered a sharp rise for the 40–44 age bracket, and then tapered off but did not fall below the 20–24 age-specific rate until the 55–59 age bracket.

There are some problems of comparability between these sources and the two censuses of 1961 and 1971, which are reflected in the unemployment rates. The unemployment rates (as a percentage of the labor force) for males and females respectively were as follows: 1961: 6.4 and 11.3; 1971: 10.8 and 19.0; and 1972: 11.2 and 10.6. All three show the expected bulge in the lower and older age groups, except for the 1972 survey which showed rather low rates for the latter. It also appears that there has been a secular deterioration for the age groups 15–19 and 20–24, for those with some schooling (about six years plus), and for those with no schooling (although there has been no relative increase in the number of persons in this category).

Although the overall labor force and unemployment data are deficient, Jakarta provides interesting information concerning the distribution of employment by type of work organization. Some three-fifths are employees, and a fourth are self-employed; as one would expect, women more often tend to be in the category of unpaid family workers. Overall, however, this category tends to be small: 2 to 4 percent among males and 5 to 8 percent among females. Agriculture and trade tend to have the largest proportions of self-employed (42 percent and 58 percent) and unpaid family workers (14 percent and 12 percent). Table 14 provides more detailed information.

The data also indicate that the older age groups have a smaller proportion of employees and a correspondingly larger proportion in the self-employed and employer categories. The study takes this to indicate the advantages accruing from urban experience. But it is also possible that employees drop out of the urban labor force at a higher rate leaving a larger proportion of the self-employed in the older age groups.

The data also indicate that schooling is important for entry into the

Table 14

Distribution of Labor Force by Employment Status for Each Age-group, Jakarta, 1971
(In Percentages)

Age-group	Self-employed	Employers	Employees	Unpaid family workers	Unemployed	Total
10–14	5.5	0.3	42.2	15.4	36.6	100.0
15–19	10.3	0.9	58.4	9.5	20.9	100.0
20–24	13.9	1.5	61.2	6.2	17.2	100.0
25–29	16.9	2.2	67.1	3.6	10.2	100.0
30–34	18.5	2.9	66.5	3.3	8.8	100.0
35–39	23.0	3.3	61.6	3.0	9.1	100.0
40–44	23.4	3.4	62.7	2.9	7.6	100.0
45–49	25.2	4.8	59.8	2.9	7.3	100.0
50–54	28.2	4.8	53.8	3.1	10.1	100.0
55–59	30.6	6.6	48.4	2.8	11.6	100.0
60–64	34.4	4.3	42.5	6.1	12.7	100.0
65+	37.6	6.6	30.1	4.9	20.8	100.0
All	18.7	2.7	61.1	4.8	12.7	100.0

Source: Sethuraman (1976), p. 72. Reprinted by permission.

professions, administration, and clerical work, but of less importance for production, sales, and service workers as well as farmers. The occupational distribution was as follows: professions, 4.4 percent; administration, 1.9 percent; clerical workers, 15.3 percent; and production process workers, 27.9 percent. These are categories more often represented in the modern sector.

Formal-informal sector estimates for 1967 have been derived from a total employment of 1,057,482 covering both registered and unregistered enterprises. Government (150,000) and related employment is placed at 222,000, yielding a residual employment of 435,117 in the unregistered category as the first candidates for inclusion in the informal sector. This gives a total of 41 percent employed in the informal sector. However, this is considered to be an underestimate, as the registered enterprises equated with the formal sector and employing 376,434 included many small enterprises with small-sector characteristics. Informal-sector workers are found in trade, transport, construction, manufacturing, and, of course, agriculture. Some further information is also available about the informal-sector workers. Hawkers are mostly self-employed, male, and use their own capital. An ethnic preponderance of Chinese (35 percent) is also noted. Over 40 percent had more than six years of schooling. Hawkers also tend to live in their own homes, have flexible loca-

tions, and quite often operate without the required licenses. *Betjak* (rickshaw) drivers are important in the informal transport category (total estimated employment, 83,000; total licensed *betjaks*, 69,000) and generally have low incomes. It is not clear whether they own the vehicles or are hired workers. Overall the unemployment rate among low-income (considered somewhat synonymous with informal-sector) workers was 6 percent in 1967 and had shown an improvement since 1962. Most were migrants, but of long standing. Few in this category were in trade (hawking or vending) but, like participants in the informal trade sector, a majority owned their own dwelling but had no idea who owned the land.

Lagos[13]

Greater Lagos, Nigeria's premier city and capital, was estimated in 1963 to have a population of 1,135,854. This includes several administrative districts, the most important being Lagos City Council with a population of 665,000. The 1973 census was suppressed as unreliable, but the growth rate between 1952 and 1963 was estimated at 8.6 percent. The latest estimate of the greater Lagos population total is 2 million.

Greater Lagos, a port city, is more dominant economically than demographically, however. The 1963 census placed Ibadan close to Lagos in size, and there were seven other cities well in excess of 100,000 with growth rates ranging from 5 to 11 percent. Overall, the greater Lagos share of the Nigerian population was just about 2 percent. But Lagos handled the overwhelming bulk of imports (in tonnage), and a good proportion of the exports as well, until the growth of oil exports through other ports dwarfed its importance in this respect. Other statistics of economic dominance are impressive: high-level manpower (40 percent in 1963), manufacturing employment in units with 10 or more workers (44 percent in 1970), and industrial output (57 percent in 1971). When compared to urban Nigeria, the occupational structure of Lagos showed higher proportions in the following categories: the professions, administration, clerical workers, transport workers, and production process workers.

In terms of age distribution, Lagos in 1972 had a young population. Some 64 percent were 19 years old or younger, and this percentage represented a steady increase since the thirties. Females outnumbered males for the first time since 1871, particularly in the 21–30 age group.[14] Labor force participation rates are difficult to obtain, as Nigerian censuses (1963 and 1973) did not distinguish between the unemployed and those outside of the labor force. A survey in 1966/67 did make this distinction and estimated the labor force participation rate. The economically active population (meaning the employed plus the unemployed) was divided by

the working age population (defined as those falling within the 15–55 age group) to yield a participation rate of 65.8 percent (73.2 for males and 54.4 for females). The 100 percent participation rates for the prime age groups (30–50) are doubtful (and may well be due to the inclusion of persons who should have been left out of the labor force). The resulting unemployment rate is also suspect, at 17 percent for Lagos and just under 2 percent for rural Nigeria (Fapohunda and Lubell 1978, p. 45, n. 2).[15] A 1972 metropolitan Lagos survey defining the unemployed as not working but looking for work yielded a 7 percent unemployment estimate. Subsequent estimates by the National Manpower Board also yielded comparable figures: 7.2 percent in 1974 and 6.2 percent in 1976. Unemployment seems to have been concentrated in the 15–29 age group, who constituted 70 percent of the unemployed in 1972. Unemployment involved mostly the educated (only 3.5 percent of the unemployed had no education and nearly 30 percent had at least a school certificate). Out-of-state in-migrants stayed unemployed for a shorter period compared to in-migrants from within Lagos state, and four-fifths depended on family and friends. Only 27 percent sought any available work, while others had specific preferences.

The employment structure, according to the 1966–1967 survey, showed 58 percent to be employees; the remainder consisted of employers, own-account workers, unpaid apprentices, and unpaid household help (negligible). The major contrast with Nigeria is the small proportion of employees (5.2 percent) and large proportion of own-account workers (63.9 percent) in the latter. The occupational distribution of employment (1963) produces no surprise: professional, 5.53 percent; administrative, 1.48 percent; clerical, 14.74 percent; sales, 26.01 percent; production process workers, 32.63 percent; and others, 19.61 percent.

It is estimated that perhaps 50 percent of Lagos employment is in the informal sector. Included are the street vendors and market women (26 percent), farmers, fishermen, and so on (2.4 percent), and the unclassified and some of the unemployed, all totalling nearly 33 percent (based on the 1963 distribution). To this are added apprentices in such traditional *metiers* as native doctors, and others who drop out of school in large numbers to become apprentice drivers, mechanics, plumbers, photographers, and so forth. Thus, examples of small-scale entrepreneurship and independent activity may be found among tailors, mechanics, furniture makers, construction workers, workers in the distributive trades, and so on. Some of this activity is made possible by skills picked up in the formal sector and the output in some cases competes directly with the products of the latter. Adding all these to the earlier 33 percent gives us the 50 percent for the informal sector. Although one would wish for firmer empirical underpinnings it is clear that organized

employment could not be very large. The 1970 labor force total for Lagos state was placed at 742,000 and nonagricultural employment at 606,000. The total number of employees in manufacturing establishments employing 10 or more workers was 68,000 in 1971 and 73,000 in 1972; an alternative source suggests that this may be even less.[16]

Not much is known about the peoples, residential patterns, patterns of commuting, and so on, or how these interrelate with each other, but what little we know suggests a rich diversity. In 1963, 72 percent were Yoruba, 16 percent Ibo, 4.6 percent Edo, and 2.0 percent Hausa. There are also an unspecified number of non-Nigerian Africans and Westerners in the upper occupational categories. There is a corresponding pattern of residential agglomerations, deriving from somewhat homogeneous socioeconomic clusters. Since urban transport is inadequate, the low-income clusters are defined by the necessity to walk to work, or the availability of various irregular (sometimes clandestine) substitutes for organized public transport (Fapohunda and Lubell 1978, chap. 3).[17] This surely has great implications for the formation of slums as well as patterns of job search and productivity, but little is known about these aspects.

Sao Paulo[18]

Brazil's premier city, greater Sao Paulo, had over 8 million inhabitants in 1970 (the metropolis includes Sao Paulo City [5.9 million] and the ABC industrial region and covers altogether 37 municipalities with a total area of 2 300 square miles). Brazil's population was then estimated at 93 million and that of Sao Paulo state at almost 18 million. The metropolis has grown at a rate of between 5 and 6 percent per annum since 1940, with some slowing down during the last decade, due mainly to a decreased rate of migration. Even so, during the last decade, 1960–70, net in-migration accounted for about three-fifths of the metropolis's annual growth rate of 5.5 percent. The decrease in migration was mainly in the capital city, while the other municipalities continued to grow at an impressive rate.

Sao Paulo is clearly disproportionately dominant in the Brazilian economy. The state in 1969 contributed 48 percent of the country's net industrial product and 36 percent of the overall net domestic product. Within the state in 1969 approximately 50 percent of the industrial establishments, and 74 percent of the employment therein, were in greater Sao Paulo (the corresponding percentages for the capital being 40 and 53 percent). Income per head, at $612, was slightly over twice the national average.

As of 1970, the urban population was relatively evenly divided be-

tween males and females (the ratio being 0.98), and the working age population (defined as 15 years and over) was 65.8 percent of the total (65.4 percent of the males and 66.4 percent of the females). This gave a total of 5.36 million people of working age in greater Sao Paulo, or 5.05 (62.1 percent) million taking only the 15–64 age group. From this total, the economically active population was estimated at 3.2 million, including 213,000 unemployed, giving a labor force participation rate, as a percentage of the working age population, of 63.63. The remaining consisted of those unable to work (73,000), in school (193,000), or at home (1.44 million). Unemployment as a percentage of the economically active population was 6.6 percent and as a percentage of the working age population was 4.22 percent. As a percentage of the entire urban population, the labor force was 39.28 percent and the unemployed was 2.61 percent. It is worthy of note that the excluded age category (10–14) consisted of 867,000, of whom 198,000 (23 percent) were in the labor force; nearly half of these were unemployed.[19]

The employment structure of Sao Paulo indicated that in 1970, 51 percent were in the tertiary, 47 percent in the secondary, and 2 percent in the primary sectors. Of total secondary employment of 1.44 million, 1.05 million were in manufacturing, and the rest were in construction (242,000) and repair services (147,000). The tertiary sector of 2.8 million was divided between production services (commerce, transport, etc.), 791,000 (25.66 percent); personal services, 426,000 (13.8 percent); and collective services (including government), 292,000 (9.4 percent).

Two estimates have recently been made of employment in the "informal" sector of Sao Paulo: one which included everyone in certain sectors or subsectors, and the other which included persons earning less than the legal minimum wage. The former included persons in such traditional activities as commerce, construction, and personal services. This amounted to 43.3 percent of the labor force, of which 46 percent were migrants and 54 percent were nonmigrants. (The distribution according to migrant status, however, indicated that 54 percent of the migrants and only 38 percent of the nonmigrants were in these sectors.) The tendency to participate in the informal sector was stronger among females and among those with more years in residence in Sao Paulo.

The minimum wage criterion requires some information about the minimum wage. This worked out to a full-time equivalent of Cr. $200 per month in 1970. The bottom 50 percent of the population in 1970 received a median income of Cr. $75 and were drawn from an income category of Cr. $0–151. The sixth and seventh deciles, embracing the income brackets Cr. $151–190 and Cr. $190–221, had median incomes of Cr. $171 and Cr. $197, respectively. Thus, approximately 65 percent of the greater Sao Paulo population was receiving an income smaller than

the minimum wage.[20] When compared to earnings of the *working population* in urban areas, it appears that about 35 percent of the employed population earned less than the minimum wage in 1970. Breakdowns by sector indicated that the incidence was greatest in agriculture and services; roughly the same in industry: considerably less than the greater Sao Paulo average in trade, transport, and social services; and (as one would expect) least in public administration. Migrants more often tended to be in the low-income category. Within the migrant group, this was highest for those with less than two years of urbanization experience and was inversely related to years of residence.

According to the minimum wage criterion, then, the informal sector included migrants more often than nonmigrants, females more often than males, and persons with more years of urban experience more often than those with less. The characteristics of employment which gave rise to this status, however, were not analyzed or identified.

A further attempt was made to estimate the size of the informal sector by identifying enterprises with the following characteristics: small size, family ownership, labor intensity of operations, and freedom from regulation. Excluding employees in establishments with more than nine persons, a total of 758,000 was obtained, or just under 25 percent of the greater Sao Paulo labor force. Two-thirds of these were considered to be in small-scale service and commerce and one-third in industry. It was assumed that those in the "less than nine" category, even if registered, would not be subject to minimum wage or social security regulation.

The sector criterion yielded 43.3 percent in the informal sector, the minimum wage criterion 34.6 percent, and the establishment criterion 24.6 percent. None was considered an unreasonable approach, considering the overlap between the formal and informal sectors. Given the task of partitioning the labor force, the study opted for a figure between 35 and 43 percent as a realistic estimate.

Available information is inadequate as to the ethnic composition or other characteristics of the urban labor force, the interrelationship between work and residence patterns, and the structure of wage rates.

With this we complete our review of six major metropolitan employment studies. We will now proceed to discuss their implications for theorizing about urban labor markets.

Generalizations from the ILO Studies

These six studies constitute an important nucleus of information about metropolitan employment markets. But they also have major shortcomings when we compare available information with the checklist we started with in this chapter. A major deficiency is certainly the lack of

information available to the researchers themselves. The studies reveal important differences among the metropolises covered. Despite the more or less uniform format, the case for dualism is by no means clearly established, and there are vexing, unanswered questions. These go beyond the obvious classificatory problems to issues of wages and earnings, dealt with in the next chapter, and employment market behavior, barely touched upon in these studies.[21] Our earlier emphasis on the need for a more inclusive research perspective is, if anything, strengthened by the major gaps in information. We will note these briefly with respect to the ILO studies before reviewing the other urban studies.

Let us begin with census or demographic data. Sometimes even basic totals are not available. There is not much that researchers can do if data are not available, but by the same token it is wise to be circumspect in inferring disequilibrating movements or tendencies, when little other information is available on employment behavior. Nigeria, for instance, suppressed its most recent census as unreliable, and similar serious gaps exist with respect to Abidjan in the Ivory Coast. A related difficulty is posed by the absence of good breakdowns. Even for a demographically well-reported city like Calcutta, there were no real estimates of its "floating" population or breakdowns for migrants.

Similar difficulties confront the attempts to obtain worthwhile estimates of the economically active population. Almost all analyses suffer from the absence of information concerning gross migration, since they are based on intercensus figures. Although these yield only net in-migration rates, the resulting limitation for analysis tends to be ignored. For instance, if it is assumed that migrants to the cities stay on regardless of the success of their venture, it would mean that they either stand in line for high-paying jobs (assumed to be limited in number) or join the various low-paying economic activities, thus depressing earnings further in the so-called informal sector. The Abidjan study in particular challenges the sociological premise on which this is based but nevertheless emphasizes the growth of an impoverished informal sector. It is also often assumed, as in the Jakarta study, that migrants enjoy a progressive amelioration of their situations, as those with longer years in the urban area tend to do better. These points are at least partially blunted if we can envisage migrants who face greater difficulties returning to their home base so that those who stay represent only the more successful.

Further problems arise in relying on census data for analysis of labor force participation rates and behavior. Some are clearly status- rather than activity-related concepts, and the jump from age-sex breakdowns to a labor force count is tenuous. Censuses are also a difficult means of obtaining information on employment or unemployment behavior. Among other things, their value for analyzing trends is seriously limited,

when coverage and/or definitions vary between census years. Their value, even as a moment-in-time indication, is limited with respect to such considerations as labor force status and unemployment. As indicated earlier, the Nigerian census did not involve a third category of being out of the labor force, as distinct from being employed or unemployed. Also, unemployment statistics are devoid of substantive meaning when they are not accompanied by information on the duration of unemployment or job search, for example. Attempts to generalize from the limited and somewhat nonrandom employment exchange data are at best tenuous, despite the skill and ingenuity involved. Thus we have a range of estimates, some large (for such cities as Abidjan, Calcutta, and Jakarta) and others comparatively low. The phenomenon caught by the unemployment statistic cannot be easily grasped, however, as it includes the employed looking for better jobs, those out of work but not active in the labor market, the short-term unemployed, those with intermittent unemployment, and others more chronically unemployed, all in unspecified proportions.

A further general problem is the determination of valid cut-offs in terms of age groups in economies which do not have mandatory schooling or comprehensive retirement or old age provisions. As Schaefer (1976) has shown in his analysis of the Sao Paulo situation, there is no clear-cut basis for an a priori elimination of the youngest age groups from the working age population.

Information on sectoral breakdowns is obtained from households (via censuses and surveys) and establishments. The latter data are more restricted, with a focus either on manufacturing or registered establishments. Figures on government employment are useful, as these may come closest to the concept of a formal sector.[22] Overall, however, information on certain critical aspects—the skills of the labor force, capital/labor ratios, the technology employed, the type of employment organization, the problems of entry, and so on—are relatively limited. This has led to a reliance on certain proxy indicators, such as sectoral affiliation, wage earnership status, and establishment size, for classifying persons in the formal (high-productivity) or informal (low-productivity) sectors. Sethuraman's example of Jakarta which shows an inverse relationship between firm size and productivity per worker illustrates the hazards involved here. These are compounded by the further assumption that formal-sector workers are paid above-equilibrium wages.

Perhaps the greatest lacunae in our economic intelligence pertain to the fourth category of informational inputs. None of the studies was concerned with estimating trade union strength or the extent of collective bargaining, despite the importance attached to these as reasons for distinguishing a formal sector (and its presumed wage advantage). Nor were

the sweep and thrust of legal regulation of wages and employment conditions of direct concern.[23] These have been touched upon in other studies on Bombay, Ahmedabad, Khartoum, and Nairobi (for the modern sector only).[24] The six studies thus appear to assume that these factors are adequately covered by the variables used to separate the formal sector. Even if union membership figures were available, they would be notoriously difficult to interpret in circumstances where political intervention and collective bargaining overlap.[25]

The discussion is similarly limited when it comes to socioeconomic patterns of labor supply, ethnic and other characteristics governing residence and access to economic opportunity, and transport. This, one suspects, is not due to lack of awareness of the importance of this type of information, for this was highlighted in the Calcutta study and stressed as an important general theme in a report summing up this series of studies (ILO 1978b, pp. 1–21). The Lagos study also broke new ground in analyzing the problems of transportation and work. More likely, the real problem is that this type of information is in general not readily available. In many countries authorities are reluctant to collect information on social and ethnic divisions. Even where such information is available, the processes by which they affect access to opportunity are quite subtle and such information is not easily standardized.

This would also explain the limited information on procedures of recruitment resorted to by employers in the city, a subject barely touched upon by these studies. Surprisingly, such information seems limited even with respect to the modern sector. We can only infer that employment exchanges play a negligible role, for they are hardly mentioned, and we must assume that informal channels – word of mouth – and ascriptive criteria play a role. Newspapers, friends, and relatives would thus be important. But the general proportions, trends, and breakdowns for different types of skills are not subjects that we can easily generalize upon. What we know has been summarized for Calcutta by Lubell, as follows:

> The largest proportion of job seekers find work through friends and relatives, through fellow villagers or townsmen and through caste affiliations. New arrivals seeking factory employment will often stay with an already employed relative and then try to obtain a temporary job, usually as casual laborers who will then gain some skill on the job. (1974, pp. 42–43)

This implies that there are various conditional, rather than random, probabilities in the urban labor market, opening the door to the "bypassing," rather than informal-sector "visiting," aspects of access to lucrative employment – a tendency which, if sufficiently general, could undermine the dualistic foundation of these studies.

What it comes down to is that available information about labor market organization and processes, even in specialized LDC metro-

politan studies, is limited. On the significant aspects that go to the heart of a dualistic dichotomy of the urban economy – touched upon a good deal in the fourth type of informational input and in the second as well – we have to look elsewhere.

Other Metropolitan Studies

A review of other studies of metropolitan employment does little to dispel the conclusion that the case for urban dualism is not clearly established. We will be selective in the studies to be discussed, for there are greater variations in quality and coverage than in the ILO studies, as well as some of the same problems of disparate information and insufficient detail. On the whole, they are less comprehensive or deal with urban labor markets in a general manner or only incidentally. But no selection, however restrictive, can omit Bombay, certainly among the most studied of metropolitan labor markets. The major study to be discussed, by Heather and Vijay Joshi (1976), compares favorably with the others already reviewed and provides impressive detail, some of which will be utilized in later chapters.

Greater Bombay

Of a population of about 6 million in 1971, males constituted 58 percent, a slight decline from 60 percent in 1961. Migrants constituted 64 percent of the total in 1961 (69 percent for males). Seventy percent of the male population was in the working age group, 15–59, the corresponding percentage for the country being 54 percent. In the authors' words,

> Migration is typically of people – largely men – who spend their childhood in their places of birth, come to Bombay during their adult lives, and who may also leave the city in their old age or even sooner. (Joshi and Joshi 1976, p. 17)

The migrants coming from all over India constitute a polyglot population of real diversity. The contiguous areas from outside greater Bombay, but within the state of Maharashtra, provided about 41 percent of those born elsewhere. But there were marked and unaccounted for patterns of selectivity. Five of the state's 26 districts provided over 80 percent of the total reported above; the other 21 districts were not noticeably different from the remoter areas of India. Nor was proximity to Bombay the major explanatory variable. The authors conclude:

> It would seem very likely that there is much intra-state and intra-district variation in rates of migration to Bombay in other parts of India. Such an effect would be produced if the establishment of a habit of migration and channels of

> information (through contacts with previous migrants) between particular pairs of places had led to an uneven development of migration streams. (Joshi and Joshi 1976, p. 19)

We will return to this point in a later discussion of migrant behavior and its relationship to urban job probability. There is a feeling that return migration is considerable, but again there is no substantiated estimate. Preliminary results from the 1971 census suggest a fall in new inflows and an increase in the proportion of females among migrants. Already in 1961 nearly half of the net increase was due to natural growth, and this was to rise further in 1971. For the latter year, only 2.6 percent of the migrants were recorded as new arrivals within the past year.

The metropolitan labor force in 1961 was estimated as 1.76 million of a possible total of 2.69 million in the age group 15–59, yielding a participation rate of 65.42 percent. Females constituted only 8.54 percent of the total labor force. Male participation rates were highest in the age group 25–59, almost 90 percent in the 20–24 age group, and significantly lower for the others, reflecting the influence of schooling and other urban-specific factors favoring reduced participation. Unemployment was estimated from the 1961 census as 4.6 percent of the labor force, the rate being higher than the all-India urban average of 2.9 percent. As in the case of Calcutta, there is a sizable "floating" population, some specifically demand-responsive, whose magnitude is not known.

The urban employment total has been divided by the authors into an "organized" and an "unorganized" sector, an adaptation of local usage which is parallel to the dualism of the ILO studies (Joshi and Joshi 1976, pp. 44 ff.). The latter includes nearly all small firms engaging wage labor, household employment, and self-employment. All public-sector establishments regardless of size and private establishments employing 25 or more are considered to be in the "organized" sector. It is recognized that this "convenient" dividing line may be "too generous," as "there is in reality a continuum of organized sector characteristics which is not exactly correlated with the employment size" (Joshi and Joshi 1976, p. 47). It may be added that the "25 plus" is a convenience dictated by the data coverage of the Directorate of Employment and Training which had no statutory responsibility for labor legislation or collective bargaining, two points emphasized in the authors' discussion as reasons for distinguishing an "organized" sector. Excluding employers in the residual "unorganized" sector, the authors estimated the unorganized sector in 1961 at 805,000, as opposed to 882,000 in the "organized" sector, or 47.71 percent of the combined total; the corresponding figures for 1971 were 1.087 million, 1.111 million, and 49.45 percent.

The authors are careful to identify data limitations, sources, and defi-

nitions. They also point out the rich variety of this major metropolitan labor market. But the dominant dualism leads at best to ambivalent presentations and sometimes to outright inferences where the facts would warrant greater caution. A priori guidelines govern sectoral allocations which overlap (with the exception of the primary sector, which is placed almost entirely in "unorganized" employment). Preconceptions naturally govern assessments of productivity or demand for the relevant services without equivalent corroborating information. In services, about half the unorganized "are domestic servants; the rest perform a wide variety of *petty* services" (Joshi and Joshi 1976, p. 50, italics mine). In the same vein, they continue:

> Priests and astrologers, shoeshiners, masseurs, private tutors, self-appointed car-attendants, snake-charmers, street dancers and acrobats—the list is almost endless because necessity drives people to create work in every conceivable way. Many of those in these occupations might be on the margin of being beggars and probably shift between begging and some activity of ambiguous value or legality to earn a living. (Joshi and Joshi 1976, p. 52)

Just a little earlier it is recognized that the income elasticity of demand for domestic service is high, but surely this is somewhat applicable to the other services too. And surely not all of them are on the shaky borderline sketched above. All one has to do is to look at the marriage rate, and the adaptiveness of the brokers involved, in the urban area. It should be added that the 1961 census recognizes a separate, noneconomic category which includes beggars. Unorganized transport and communications incorporates the vast variety noted in an earlier chapter; many of these workers have some form of complementary capital. As for construction and utilities, it is specifically stated:

> The major weakness of the segregation of these activities into organized and unorganized is that in these divisions, especially, it would be hard to maintain that all the workers reported by the Organized sector belong to the sort of "labour aristocracy" which, we argue, the Organized sector represents. (Joshi and Joshi 1976, p. 50)

The "unorganized" component of manufacturing is identified as "of considerable economic importance, being a repository for many different types of skills" and not lacking in "effort or enterprise" (Joshi and Joshi 1976, pp. 53, 56). The summary judgment nevertheless reiterates the preconceived dualism, with some stray support from a coincident statistic: the rough equivalence of registered trade union membership in 1961 to the estimated size of the organized sector (Joshi and Joshi 1976, p. 49).[26] We will comment later on union membership. Despite the study's unusual detail and some first-rate insights on labor supply and migration, dualism remains an inhibiting framework. The limitation of

received theory is brought to light, sometimes unintentionally, by other recent studies as well. For the sake of brevity, we will consider these studies (of Ahmedabad, Hong Kong, Khartoum, and Singapore) together.

Ahmedabad (India), Hong Kong, Khartoum (Sudan), and Singapore

Ahmedabad is an "industrial" city of more than a million people, with a labor force in 1971 of over 600,000.[27] The authors have adopted a threefold division of the urban labor market as follows: casual workers and independent wage-earners not affiliated with any establishment (15 percent); employees of small establishments outside the purview of statutory regulation of work and pay (35 percent); and those employed in larger establishments (mostly "factories" as defined by law) and public services (50 percent, divided equally). Of the 150,000 in the factory-type establishments, 120,000 were in cotton textiles.

The cotton textile industry, the nucleus around which the city developed, has not expanded much during the last two decades, and has a highly stabilized labor force. There has been some growth of new and sophisticated industries, but their contribution to the overall increase in employment is small. The new industries require a wider range of skills and have correspondingly broadened the area of recruitment. However, the bulk of the factory labor force comes from within the state of Gujarat. Migrants filled only 15 percent of the vacancies in the two years prior to the study, while 85 percent of the workers lived in the city with their families.

Ahmedabad is interesting because it is considerably less diversified than major metropolises like Sao Paulo or Bombay, the principal mainstay being the cotton textile industry. Developed as an urban settlement around a cluster of factories, it has only recently seen some diversification, as a result of the growth of new industries and the establishment of the state of Gujarat following the breakup of the former state of Bombay. The public services include the higher-quality state governmental apparatus and the larger and more varied municipal services. There is a unique trade union tradition, almost exclusively identified with the cotton textiles, dating back to the early twenties, which reached its peak by the late fifties and at that time included about 70 percent of textile employment.[28] As we have seen, new migration is limited.

Even within the factory sector, there were considerable differences. The average factory employed about 150 workers; in textiles, the factories averaged 578 employees. Excluding textiles, the average dropped to 31.34 employees.[29] The employment in nontextile factories included in the sample averaged 116 and the sampled textile units averaged 1,570. The sampled units were actually larger on the whole, averaging 147

employees, if one excluded the small units in machinery (nonelectrical). Even within the factory sector, there were considerable differences in work force characteristics. In textiles and transport, 57 and 50 percent, respectively, of the employees were over 35 years of age, whereas in food manufacturing, metals, machinery, and the like, 75 percent of the workers were identified as natives to begin with, 51 percent have stayed on for 20 years or more, and 73 percent for 10 years or more. In textiles, chemicals, and transport, the percentages were even higher.

Some of the points developed in this study, particularly with reference to wage structure and labor mobility, will be dealt with in later chapters. All that we need to note here is the threefold division of the urban labor market and the recognition of divisions within the factory sector. One suspects there were problems of access even here, and this was the reason for focusing on the larger factory units. Despite a local base, and a locally directed study, the authors struck out in their efforts to study the effects of unions on the wage structure. We quote in full, as the import of the original text is not entirely clear:

> One aspect on which we would have very much have liked to get information and use it for analysis, but failed, is unionism. Trade unionism is an important institution bearing upon the labour market behavior. We would have particularly utilised it for the analysis of inter-industry and inter-firm wage structure. But in view of special circumstances obtaining in the field of unionism in Ahmedabad, the attempt to collect data on it proved a failure. Unionism in textiles was well developed . . . but bargaining was strictly industrywide. But inter-industry comparisons could be made . . . The responses from the factory units in the non-textile industries . . . [were], though not necessarily uncooperative, of no use. Most of them reported non-existence of unionism . . . The attempt had to be subsequently abandoned. (Papola and Subrahmanian 1973, pp. 30–31)

Hong Kong, to be reviewed next, is in one sense atypical. It is an Asian metropolis not supplied by the Asian hinterland, as controls on immigration became important beginning with the fifties (Hsia and Chau 1978, pp. 16–22).

The Hong Kong study focuses on a city-state of 3.94 million and is based almost entirely on household data from the 1971 census. The analysis is carried out in terms of households, with no estimate of the labor force or its distribution among the different sectors or ISIC classifications. The 1971 census covers 857,008 households with an average household size of 4.5. Mean monthly income in Hong Kong dollars was 1,039. The sectoral distribution is given in Table 15. A one-digit ISIC classification also places manufacturing as the largest and (with the exception of agriculture) lowest-paid category, with services at the higher end; but there is no clear support for a dichotomous distribution. The percentage distribution of households and incomes is shown in Table 16.

Table 15

Distribution of Labor Force by Sectors, Hong Kong, 1971

	% Distribution of Households	Mean Monthly Household Income
Primary	3.4	998
Industry	46.6	913
Services	29.0	1,412
Unclassified	2.2	753
Economically Inactive and Job Seekers	18.8	837

Source: Adapted from Hsia and Chau (1978), Table 2.1, p. 30.

Table 16

Distribution of Labor Force by Employment Category, Hong Kong, 1971

	% Distribution of Households	Mean Monthly Household Income
Agriculture	2.3	591
Fishing	1.1	1,856
Manufacture	32.1	875
Utilities	0.5	1,381
Construction	5.8	899
Trade, Restaurants, Hotels	15.5	1,236
Transport, etc.	7.9	1,068
Finance, etc.	2.3	2,435
Service	11.2	1,482

Source: Adapted from Hsia and Chau (1978), Table 2.1, p. 30.

The ISIC breakdowns at the one-digit level incorporate wide variations. Thus, in March 1971, manufacturing incorporated varying employment-household ratios, as below:

	% of Households	Number of Establishments	Number of Workers
Chemicals	0.65	125	3,549
Shipbuilding	0.50	51	11,411
Tobacco	0.10	3	1,000

The authors remind us of the limited value of the sectoral and even the ISIC two- or three-digit breakdowns:

> The chemical industry is highly heterogeneous, with products ranging from joss sticks to cosmetics and with wide variations in firm size and technology. Similarly, the ship-building industry . . . spans the entire range of technology from the very traditional to the very modern. On the other hand, the tobacco industry consisting of only three firms . . . uses the latest technology [with somewhat unexpected results]. (Hsia and Chau 1978, p. 35)

In the same vein, they report about the service sector (accounting for 29 percent of the households):

> The classification system does not appear to be helpful in studying income distribution. For one thing, no clear line between modern and traditional subsectors can be drawn, although dualism is known to exist to an important degree. . . . In medical services, for example, there are a large number of practitioners of traditional medicine, and in education there are several school systems and categories of teachers. (p. 42)

Dualism is again attributed to commerce and finance, where "the spectrum of activities ranges from petty trade to international finance," and community and personal services, which "span the entire social hierarchy from medical doctors to scavengers" (p. 43).

The dualistic classification of the labor market is nowhere independently supported, except for a casual reference to the concentration or dispersion of income within the industry or service sectors (and such dispersion is also noted as "the greatest in the most advanced industries"). The authors are thus following custom in designating the nonmodern as a dualistic residual, but provide no information to support its alleged homogeneity. Although the study is careful and even path-breaking, with entirely plausible results in terms of competitive labor markets, the absence of any discussion of labor force or wage structure provides no support for the structural classification of the labor market. Finally, given the absence of an "unlimited" labor supply from the Asian mainland, the authors themselves assert that urban dualism disappeared towards the latter part of the fifties because of the controls on immigration.[30]

The Khartoum metropolitan labor market has been analyzed by the present author (Kannappan 1975) as well as by the report of the ILO Employment Strategy Mission to the Sudan of which the author was a member (ILO 1976b, esp. pp. 363–88). Around 1973, the Khartoum Three Towns had a population of 800,000 (and the province 1.11 million). The Three Towns' share of the provincial total had increased since 1955–56, migration contributing most of the growth. There was a barely perceptible drop in the migration rate and some of the smaller towns had grown even more rapidly. The metropolitan labor force was estimated at 280,000 to 400,000, giving us a participation rate of approximately 35 percent. Employment in the larger industrial establishments, parastatal enterprises, and the public services was estimated at between 75,000 and

80,000, or 20 to 30 percent of the figures given above. "Manufacturing" employment was estimated at around 33,000 and government employment at between 40,000 and 60,000. One reason for the range of estimates is that the employment status of many employees, even in government, was not clearly defined. There were a large number of "temporary" and "casual" workers, with no clear distinction between the two; it also appeared that government and the manufacturing enterprises employed labor through contractors without a defined "permanent" job status. Almost as many in manufacturing as in regular employment had such a "temporary" status. The employment relationship seemed to provide considerable flexibility to accommodate changing demand and supply conditions.

What about those outside this presumably high-wage sector? They were clearly the bulk of the urban labor force, around 60 percent or even more (if we were to include some of those in "temporary" or "casual" employment related to manufacturing). Those identified included urban-based farmers in the province, some with secondary involvement in urban casual or self-employment. One would also distinguish own-account workers who hired labor, only some of whom might fit the category of successful informal-sector entrepreneurs. Entry at the lowest levels would be easy and one could identify those with no skills or capital who constitute the daily wage labor, or petty vendors, with everything they own spread on a mat. At the other extreme were individuals with capital and inventory, some representing surplus from agricultural operations. The ethnic clusters in occupations and trades seemed to suggest that educational or income opportunities were not randomly distributed or sought. I summed up my impressions of the Khartoum labor market as follows:

> The urban labour market is more complicated than the simpler models which have been floating around. The high-wage sector is relatively thin, even more so in the newly developing urban areas than Khartoum. There is a hazy area around modern sector employment and several overlapping segments of the urban labour market beyond. . . The bulk of the labour force – low income wage earners and self-employed – are to be found here. . . . (Kannappan 1975)

In addition, there were the very poor: the maimed, disabled, and sick; widows eking out a subsistence living, cooking food or performing menial chores in the *souk*; and adolescents and young boys in the *fellatas* working entirely with scraps, discarded items, and primitive tools. Wage rigidity was not urban-wide in scope, as seen by the relatively unambitious extension of the minimum wage (discussed in the next chapter) and the absence of unionism in private establishments employing fewer than 30. They were considered negligible in the next larger categories, too.

The Kenyan urban labor market study focuses on the modern sector, estimated as 20 percent of the labor force, but nowhere clearly defined (Rempel and House 1978). Spatially, it includes Nairobi, Mombasa, nine towns with populations of more than 10,000, and several other towns. The labor force is projected from census data for an earlier period. The "total engaged" (including employed, self-employed, and family members) are divided between the formal and informal sectors, but the lines of delineation are not set forth or defended in explicit terms as in the Bombay study (p. 17). In 1969, the formal sector total comes to 667,400 and the informal sector to 448,300, giving a country-wide total of 1.15 million. Taking only the employed, we get a total of 627,100 in the formal sector and 357,400 in the informal sector, yielding a total of 982,500. The informal sector includes only two major categories, "small farms and settlement schemes" and "rural nonagricultural enterprises"; the formal includes all eight industrial classifications. Elsewhere, however, modern-sector employment in 1972 is indicated as 347,500 in the urban areas and 372,300 in the rural areas, giving a total for the entire country of 719,800. (p. 21).[31] The former is distributed in several urban areas as follows: Nairobi, 192,300; Mombasa, 64,300; nine towns (over 10,000) 66,500; and other towns, 24,400. In the absence of further breakdowns or explanations, and given the country-wide aggregation of data, we cannot be confident that the estimates correspond to the dualistic theory which inspires them.

There are, of course, numerous other studies focusing on urban areas. Given the restrictions of space and method employed in this review, however, we will not consider them in this chapter. They are either too old, or done in the manner of socioeconomic surveys, or have a restricted analytical focus: the migrants and/or the unemployed; the modern sector or other segments of the urban labor market; or specific occupational categories or human groups. In Tanzania, for instance, we have a rather careful study focusing on mobility but encompassing several small towns rather than a major metropolitan labor market (Sabot 1974, 1979). Then there is the study of Singapore, with a particular emphasis on job search and aspirations. Analogous to Hong Kong in being cut off from the southeast Asian mainland's unlimited supply of labor, it provides a distinct contrast to the other metropolises studied. Kingston, Jamaica, provides an equally sharp contrast but for a different reason: with a world demand for labor and a significant rate of emigration relative to internal labor supply, the "excess-supply-limited-demand" paradigm may be said to be almost stillborn. We will have occasion to refer to these studies in later discussions dealing with the wage structure, job search, and the equilibrating processes of the labor market. In addition to specific city studies noted earlier in this chapter, we should note the

ILO comprehensive employment strategy mission reports which supplement our knowledge in important respects.

To conclude this review, the supplementary studies reveal some of the same problems (variations in definition, coverage, etc.) as the integrated ILO studies. And these arise even at fairly elementary levels. Thus, there are problems even in insuring uniform cut-offs; Lima's "modern" sector is 5+, Hong Kong's is 10+ and employing power, Bombay's 25+, and in Ahmedabad (enjoying virtually identical conditions in terms of labor "protection," a criterion which plays a dominant role in the Bombay study's dualism), it is employment in factories covered by the Factories Act.[32] On the key question of trade union membership, the Bombay study rests with the discovery of a happy coincidence of the equivalence in the membership of registered trade unions and its estimate of organized-sector employment. The substantial discrepancies and inflation in membership figures, overlapping claims and jurisdictions, and ill-defined geographic spheres of operation did not seem in any way to dampen the report of this discovery.[33] The study in neighboring Ahmedabad, which might have provided greater justification for such alacrity, nevertheless concluded more circumspectly that the task had to be abandoned.

These problems seep through even when there is a guiding hand or integrated framework, as in the ILO studies. This is why we have resisted the temptation to compress available information into an orderly tabular presentation, for this would attribute greater consistency than can be confidently asserted and imply a homogeneity among reported categories which may be misleading. Even competent and diligent scholarship is no guarantee of usable information. An illustration is provided by a recent attempt at a comparative presentation of the formal-informal distribution for several metropolitan areas. The criteria vary, and even when they appear to be similar, the cut-off lines differ or yield no useful quantitative estimate. Much valuable time and skill have thus gone into presenting comparative information on urban employment distribution and unemployment, but our confidence in their utility must remain limited.[34] It must be confessed that this author made several starts towards such a tabular presentation of metropolitan population, migration, labor force data, and breakdowns, but these were abandoned not only because of the problems of unfilled spaces and tedious, necessary qualifications, but also because the end product was of dubious value.

A natural response to this situation is to call for greater coordination in research and better data inputs. Undoubtedly, these can help, but only marginally, for the important thing is to strengthen our understanding of how the relevant labor markets function. After all, there was some overlap between the authors of the six integrated ILO studies and the others, and many shared a common perspective on urban dualism and at times a

common sponsorship. The real issue is the diversity between and within the metropolitan labor markets under consideration and the analytical value of employing simplifying categories across the board.

The Range and Variety of LDC Metropolises, Employment Patterns, and Issues

Almost the first and paramount observation one can make about these metropolitan labor markets is the enormous range they encompass. Even such neighboring metropolises as Ahmedabad and Bombay are strikingly different, the former built around a single major industry, the latter representing a much more diverse economic structure rivalling the smaller national economies. Interestingly, one of the coauthors of the Abidjan study, one of the least diversified of the labor markets studied, is also the coauthor of the Bombay study. The stress on detail in the Ahmedabad study is matched by the Bombay study's interest in fitting the Bombay labor force into a procrustean framework. How much is lost? A great deal depends on the close correspondence between the ways in which the labor market is cut up and the issues and theoretical considerations underlying the demarcations.

As noted earlier, although the Bombay study is explicit in citing the existence of a "protected" labor "aristocracy" as the reason for distinguishing an urban "organized" sector from the rest, the cursory attention to trade unionism, collective bargaining, and above all compulsory adjudication as the principal means of wage regulation does not inspire confidence that the demarcations employed actually further the analysis of institutional intervention. Similarly, Lima's standards of labor enforcement may include establishments employing five or more workers, but the figure may justifiably be higher in Ahmedabad. To further compound matters, the emphasis was different: the Lima study was concerned with distinguishing a "modern" sector, while the emphasis in Ahmedabad was on protective labor legislation.

What about the pressures underlying dualism? Singapore, Hong Kong, and Kingston are not faced with "unlimited" labor supply, the former two because they have been separated from the mainland and the last because of a significant volume of emigration. This is also an important factor for such labor markets as Tunis and Casablanca which are linked with the French and continental labor markets. In fact, the Hong Kong study notes that a cut-off of immigration eliminated dualism in the late fifties and early sixties, but reverts to the use of dualism to explain income differences – despite the assertion that labor markets are highly competitive![x] Bombay, Calcutta, and Sao Paulo, on the other hand, are clearly

in a different category. Abidjan, and even Khartoum, face the problem of net immigration from abroad.

Further, although rural-urban migration has been the principal factor in metropolitan growth, there are differences in the relative importance of natural increases and net in-migration in continued growth. Some 40 to 75 percent of the increases in the population of Abidjan, Bogota, Jakarta, and Sao Paulo state represent net in-migration. This figure is much smaller for Bombay and is negligible for Calcutta, although a high proportion of the population may be classified as migrant. One reason is the discouraging conditions in the metropolitan area. Some of this nongrowth is deceptive, for it may occur at the periphery of the existing metropolitan core. This suggests the importance of urban economies as well as diseconomies in the generation and location of new economic activity, and the importance of economic incentives in inducing migration. Such migration may be inefficient or efficient, and it will help in this respect to know how many return. There may be a basis for concluding that migrants, as compared to natives, do less well, but perhaps not because of chronic urban disequilibrium. Availability of jobs, willingness of friends or relatives to host potential migrants, and similar factors do appear to set some limits to this process.

The urban populations discussed are drawn from a wide area, but the proportions are clearly inversely related to distance. All six cities and, as we saw in the previous chapter, Bombay city as well, display this characteristic. Abidjan is perhaps a bit unusual in that its labor force is also multinational. The metropolitan populations are diverse when it comes to the sex composition of their populations and migrant streams. Some, like Abidjan, Calcutta, Khartoum, and Bombay, are in a male-dominant category, reflecting a primarily male migration. Others, like Bogota, Jakarta, Lagos, and Sao Paulo, are more evenly balanced, with the last two indicating a strong component of females, particularly in the younger ages. The migratory process leads to youthful urban populations, particularly in the working age groups. Again, data are not available to determine how many of the older migrants return to rural areas, the number of years they stay, and so on.

The composition of the migrant stream – predominantly males of working age and better-than-average education – is indicative of an urban economy with limited employment potential for women and children. This was clearly true of the urban mining areas such as those in the Rhodesian copper belt, or nineteenth-century factory towns like Bombay or Calcutta, which initially centered around a cotton or jute industry. A vigorous urban economy may also provide numerous opportunities for family-oriented employment, as in construction in India, or for females, as in entrepreneurship in Lagos or domestic service in Sao Paulo and

Peru (discussed later in greater detail). Cultural factors, as well as the adequacy of living conditions in metropolitan areas, are of obvious importance in determining whether migration includes families and whether women also participate in the labor market. Not enough is known about patterns of multiple participation within households, which may consist of one or more primary earners as well as secondary earners. And such participation may span more than one sector of the urban economy. In textile employment in Bombay, it appears that male earners accompanied by families sought and obtained an income equal to foregone family income in agriculture; something similar is suggested by the high degree of stabilization in the Ahmedabad factory labor force. Such "income" effects may limit female labor force participation when males are employed in the high-wage segments of the urban economy. The increasing complexity and sophistication of the urban economy may attract educated migrants to this category. However, it may be increasingly difficult for migrants to find manual labor, at least in the older cities where there is an adequate supply of native labor. There will then be many more secondary earners among manual migrants, and migrant families will be more dependent upon their participation. Information on these aspects is limited.

How important is the so-called formal or modern sector? If we were merely to relay uncritically the estimates in various studies, we would have a range from something as low as 30 percent for Belo Horizonte (Mazumdar 1976a) and Khartoum (Kannappan 1975) to as high as 75 percent for Sao Paulo (Schaefer 1976). However, these may not be real differences. As noted earlier, Schaefer has three alternative estimates for Sao Paulo, from 56 to 75 percent, and there is a difference of about 10 percentage points between the estimate for Jakarta in the study reviewed here and the figure quoted in Mazumdar (both from the same author). Some studies (such as that for Kenya) seem to include almost all wage employment, while the Bombay study, admittedly too generous, ended up with only 45 percent in the formal sector, despite the considerable industrial, commercial, and governmental importance of the city. If the point of the estimate is to isolate segments of the economy where employment relationships are highly structured, wage determination rigid, and levels of remuneration approximate that of a labor aristocracy, one must be even more conservative in estimating the segments of the urban labor force so indicated. There is little value in an estimate of formal-sector employment, such as we have for Sudan, which ranges from 100,000 to a high of 1.6 million, corresponding to an extremely loose interpretation (ILO 1976b, p. 110). Disaggregation almost always suggests the possibility, if not the wisdom, of transferring groups in-

cluded in the formal sector. After all, many of these cities have absorbed large and increasing numbers (outside of manufacturing employment, which has had relatively unimpressive rates of growth). The mode for formal-sector employment is thus probably closer to 30 to 40 percent in the larger cities. One may additionally identify (as we shall argue later) high-wage enclaves characterized by job rationing, elitist hiring criteria, trade union pressure, and the like, whose relative size would be even smaller.

One would have to be much more circumspect in discussing labor force participation rates, distributions, and unemployment breakdowns because of much greater variations in definition and coverage; the limited predictive value of a single moment-in-time estimate which is not part of a periodic endeavor or is not supported by behavioral analysis; and the absence of correlative information on such aspects as duration of employment, unemployment, and so forth. Some of these factors are also relevant to a discussion of how many are classified as "migrants" in a resident population, but this is a more limited problem, as temporal boundaries can be established and new migrant streams identified with intercensus estimates. Subject to these fairly serious reservations, we will briefly discuss labor force figures.

On the whole, the urban populations show different patterns of labor force participation rates than rural areas. A major reason is the difference between participation rates of migrants and residents, the latter being lower. Separate breakdowns, as for Bogota, are not always available, but this inference is consistent with our information on the characteristics of migrants: working age; often single, or if married, unaccompanied by children; and, in some countries, primarily male. Such breakdowns as we have for males and females indicate much lower but slightly rising participation rates for the latter, an exception being Lagos. As for the young age groups, such data as we have indicate some labor force participation even in the very young categories, raising questions (as in Sao Paulo) as to what the valid cut-off age would be for determining the working age groups. Whether it be Bombay or Casablanca, the very young seem to be concentrated in the "sweated" trades like tanning, where neither minimum wage nor minimum age laws are observed. However, the participation rates within the young persons category are clearly lower than for the older age groups and for comparable age groups in rural areas. Schooling, one reason for reduced participation, is more important for the native-born than for the migrants who are primarily job seekers. In Jakarta, however, nearly 50 percent were dependents (two-thirds of whom were young children) and an additional 10 percent came for further studies; in Khartoum also, schooling appeared

to be a significant incentive for migration. A great deal would obviously depend on the ability to finance schooling, and the distribution of such facilities between rural and urban areas.

But there are also enormous variations in aggregate labor force participation rates. Abidjan's labor force participation rate was about 34.4 percent in 1970.[36] Calcutta's was in the neighborhood of 40 percent (Lubell 1974, p. 54). These contrast with the higher participation rates of around 65 percent for Lagos (15–55 age group) and Bombay (15–59). Are these real differences or only statistical artifacts?

Finally, we come to estimates of rates of unemployment or underemployment. In addition to the usual problems of standardizing our empirical measures, we have a serious conceptual problem with respect to the latter concept. As we shall elaborate later, models of *underemployment* based on a dichotomous division of the urban labor market into mutually exclusive flexible and inflexible components yield results of dubious value, while ignoring other, more pervasive and significant aspects of underemployment. Many economic and forecasting models have also overestimated both *unemployment* and cumulative increases in unemployment, because they have ruled out adjustments in the labor market. Since at least some of our estimates of unemployment are residuals (arrived at by subtracting growth in labor force from growth in labor demand), the figures necessarily err on the higher side as well as being theoretically unsound. (See Tables 17 through 20, which compare rates for different areas.) The figures do not inspire much confidence, however, even for ordinal purposes, as they embrace different years, procedures, and policy orientations.

We also present a consolidated table (Table 21) drawn from four recent sources, including David Turnham's pioneering study of 1971, still perhaps the most extensive review and appraisal of the primary national sources of information on unemployment. Squire (1979) and Berry and Sabot (1978) are among those who have written on this subject recently. Turnham (1971) remains a basic source but is updated by Morawetz (1977), who relies on an unpublished World Bank draft (1976) which draws, in turn, upon economic reports from various countries and the *ILO Yearbook Of Labor Statistics*. The Berry-Sabot estimates, although published one year later, are identical to those of Morawetz, the only change being that Syria is placed under Asia rather than the Middle East. Squire's study is mainly a replication of Turnham's earlier work, although it was completed eight years later; the only additions are estimates for India (1972–1973 from Indian government sources) and one for Indonesia (1971, which is identical to Morawetz). Our data thus come mainly from Turnham (1971) and Morawetz (1977) and are presented in

Table 17

Unemployment Rates by Urban and Rural Areas for Selected Countries

Country	Year	Unemployment Rate (%)		Ratio of Urban to Rural Unemployment Rates
		Urban	Rural	
Korea	1965	12.7	3.1	4.1
Panama	1967	9.3	2.8	3.3
Chile	1968	6.1	2.0	3.1
Indonesia	1971	4.8	1.8	2.7
Taiwan	1968	3.5	1.4	2.5
Venezuela	1968	6.5	3.1	2.1
Philippines	1967	13.1	6.9	1.9
Trinidad and Tobago	1971	16.5	8.7	1.9
Tanzania	1965	7.0	3.9	1.8
India	1972–73	6.7	3.9	1.7
Malaysia	1967	11.6	7.4	1.6
Syria	1967	7.3	4.6	1.6
Sri Lanka	1968	14.8	10.4	1.4
Iran	1966	5.5	11.3	0.5

Source: Squire (1979), p. 34. Reprinted by permission.

Table 18

Urban Unemployment Rates by Age and Sex for Selected Countries

Country/City	Year	Unemployment Rate (%)						Ratio of Male to Female Unemployment Rates
		Male			Female			
		15–24	Total	Ratio[a]	15–24	Total	Ratio	
Algeria, Dept. of Alger	1966	41.1	25.9	1.6	13.4	6.6	2.0	3.9
Korea (Nonfarm households)	1966	16.4	9.3	1.8	15.3	7.9	1.9	1.2
Iran, Tehran	1966	9.3	4.6	2.0	10.3	4.0	2.6	1.2
Thailand, Bangkok	1966	8.0	3.2	2.5	7.3	3.4	2.1	1.0
Philippines (Urban Areas)	1965	23.8	10.8	2.2	16.9	12.9	1.3	0.8
Trinidad	1969	23.0	12.0	1.9	27.0	15.0	1.8	0.8
Guyana (Mainly Urban Areas)	1965	36.5	18.4	2.0	49.0	27.7	1.8	0.7
Colombia, Bogota	1968	21.8	10.3	2.1	24.3	18.5	1.3	0.6
India (Urban Areas)	1972/73	8.1	5.6	1.4	7.7	9.2	0.8	0.6
Sri Lanka (Urban Areas)	1968	36.1	12.9	2.8	48.4	25.9	1.9	0.5
Argentina, Buenos Aires	1965	4.3	2.9	1.5	9.0	7.0	1.3	0.4
Malaya (Urban Areas)	1965	17.7	7.4	2.4	26.8	16.7	1.6	0.4

Source: Squire (1979), p. 35. Reprinted by permission.

[a]Ratio of unemployment rate of 15–24 age group to that of total labor force.

Table 19

Estimates of Underemployment for Selected Countries

	Rate of Visible Underemployment (%)	Definition of Underemployment
Colombia, Urban Areas, 1967	2.0	Persons working less than 32 hours per week and seeking more work
Tanzania, Urban Areas, 1971	5.0	Number working short hours.
Chile, Metropolitan Area, 1960	28.0	Employed persons wanting to work longer.
	Rate of Invisible Underemployment (%)	**Definition of Underemployment**
Kenya, Nairobi, 1970		
Males	13.6	Those earning less than 200 sh. a month.
Females	31.8	
Philippines, Urban Areas, 1971	14.0	Methodology not clear.[a]
El Salvador, Metropolitan Area, 1961	21.0	Those earning less than the considered absolute minimum.
Brazil, Sao Paulo, 1970	34.6	Those earning less than the official minimum wage.
Mexico, 1969	37.6-44.8	Includes those working short hours or earning less than the official minimum wage and most unpaid family workers.
Tanzania, Urban Areas, 1971	41.0	Number earning less than urban minimum wage.
Peru, Urban Areas, 1971	42.0	Based on hours worked and minimum wage.
Dominican Republic, Santo Domingo, 1973	60.0	Based on stability and level of earnings.
Africa 1970	39.0	Includes those employed part time or whose productivity is particularly low.
Asia 1970	26.0	
Latin America 1970	20.0	

Source: Squire (1979), p. 39. Reprinted by permission.
[a]See discussion in text.

a consolidated form in Table 21. The most striking fact is the extremely limited statistical base. The Turnham (1971) figures cover 17 countries and span the period 1956 to 1968. Thus, out of a potential 221 annual observations, we have 21, or less than 10 percent. Eight of these represent decennial censuses with their obvious limitations. The surveys are largely ad hoc exercises of varying quality over time and, of course, across nations. A careful process of winnowing yielded the above 21 observations, which, as Turnham observed of closely related sources, probably included "very nearly all the information we have" (1971, p. 47 and Table III.2).

We do not fare much better with Morawetz, Berry and Sabot, and Squire. Morawetz (1977) covers 25 countries over a period ranging from 1967/68 to 1975, but does not provide urban estimates for 13 countries. That leaves us with 12 urban estimates out of a possible 225. The omissions include all of Africa, the Middle East, the Indian subcontinent, and several Latin American nations. Berry and Sabot (1978) essentially replicate Morawetz, except for an ad hoc (and puzzling) change for Tanzania, whose urban unemployment is reported to be the same as the overall national rate. Squire (1979) essentially repeats Turnham, but drops the Cameroons, Morocco, Honduras, Jamaica, and Uruguay; adds Indonesia from Morawetz; and updates India from Indian government sources. Thus we have a table for 14 countries spread over a period from 1965 to 1972/73, or seven years (Squire omits earlier figures when there is more than one for a country).

It is clear that we cannot talk about a prevailing unemployment rate for urban areas in developing nations, even if we overlook the shortcomings of the data considered usable. As for comparable information at any point in time, we are restricted to four countries in 1967 and 1968 and even then only in terms of ranges of either 7 to 13, or 3.5 to 15 percent. The later figures give us a smaller range, but only two observations each for 1971 and 1974. There are two substantially different estimates for El Salvador for 1975. It is also not clear what the basis should be for choosing among different estimates. Finally, it is clear that there is simply no basis for inferring any trends from these data.

In addition, we will briefly note the figures from our individual studies. Abidjan yielded 20 percent in 1970 (calculated as a residual), but the rates for Bogota were 3.5 percent (and slightly lower for migrants only). Other figures are: Jakarta, 10.8 to 11.2 percent for 1971 and 1972; Lagos, 17 percent in 1966/67 and 6.2 percent in 1976; Sao Paulo, 6.6 percent in 1970; and Khartoum, around 5 percent in 1975.[37]

The Indian figures merit comment because of the availability of data from continuing and ad hoc sample surveys as well as decennial census figures. These provide estimates generally in the 4 to 6 percent range. In 1961 the census yielded 2.9 percent for urban India, and for 1971 the *ILO Yearbook* reports 3.0 percent; the NSS, however, reports 6.7 percent for 1972/73. The Bombay study reviewed here provides a thorough discussion of open unemployment, estimated at 4.9 percent for 1961 and about the same in 1971. The Calcutta study reports an urban average for West Bengal of 4.3 and 5.4 percent, respectively, in 1963 and 1971, based on an ad hoc study and survey in 1971. The study also reports the results of an attempt to calculate Calcutta's unemployment on the basis of employment exchange figures (which include the employed seeking better jobs and inactive registrants as well). Even after discounting for this, we have for 1971 a sharply contrasting estimate of 16.7 percent, on the assump-

Table 20

Unemployment by Level of Educational Attainment for Selected Countries

	Rates of Unemployment			
Argentina, Buenos Aires, 1965 Total Labor Force	*Illiterate* 3.8	*Primary* 4.3	*Secondary* 5.7	*Post-Secondary* 3.3
Colombia, Bogota, 1967 Males Females	*Illiterate* 11.5 4.1	*1–5 years Education* 15.3 22.0	*6–11 years Education* 14.9 16.3	*12 or more years Education* 13.2 11.3
India, Urban Areas, 1972/73 Total Labor Force	*Illiterate* 14.9	*Primary* 21.3	*Secondary* 53.6	*Higher* 10.0
Kenya, Nairobi, 1970 African Labor Force	*No Schooling* 21.0	*1–6 years Education* 19.0	*7–8 years Education* 17.0	*9+ years Education* 12.0
Malaya, Urban Areas, 1965 Males 15–24 Females 15–24	*Illiterate* 10.4 17.2	*Primary* 19.5 32.4	*Secondary Grades 1 to 4* 30.9 69.7	*Higher Certificate and above* 15.5 27.5
Peru, Urban Areas, 1970 Total Labor Force	*Illiterate* 3.0	*Primary* *Incomplete* 3.0 *Complete* 6.0	*Secondary* *Incomplete* 11.0 *Complete* 9.0	*Higher* *Incomplete* 8.0 *Complete* 5.0
Philippines, 1968 Total Labor Force	*No Schooling* 4.4	*Elementary* *Grade 1-3* 4.5 *Grade 4+* 6.8	*High School* *Grade 1-2* 13.7 *Grade 3-4* 15.3	*College* 12.2

	Rates of Unemployment				
Sri Lanka, 1971	*No Schooling*	*Primary*	*Secondary*	*O-Level*	*Above*
Total Labor Force	4.6	3.0	22.0	32.1	12.8
Syria, 1967	*Illiterate*	*Literate*	*Elementary to Secondary*	*Graduate*	
Total Labor Force	4.3	5.2	11.7	4.4	
Venezuela, Urban Areas, 1969	*Illiterate*	*Primary*	*Secondary*	*Post-Secondary*	
Total Labor Force	4.3	7.0	10.2	2.3	

Source: Squire (1979), p. 37. Reprinted by permission.

Table 21

Open Unemployment Rates for Selected Countries (Comparing Various Authors)
(In Percentages)

Country	Year	Urban	Total
Africa			
Egypt, Arab Republic of	1971		1.5
Ghana	1970		6.0
Tanzania	1971		10.0
Average, Africa[a]	1975	10.8	7.1
Asia			
China (Taiwan)	1972	NA	1.5
India	1971	NA	3.9
Indonesia	1971	4.8	2.2
Korea	1974	NA	5.4
Malaysia	1967–68	9.9	6.8
Pakistan	1972	NA	2.0
Philippines	1971	11.0	5.3
Sri Lanka	1969–70	16.9	13.2
Thailand	1969	1.3	0.2
Turkey	1969	4.9	NA
Average, Asia[a,b]	1975	6.9	3.9
Middle East			
Syrian Arab Republic	1973	NA	4.5

Country	Year	Urban	Rural	Source
Cameroons (males)[c]	1964	4.6	3.4	Survey
Morocco[c]	1960	20.5	5.4	Census
Tanzania	1965	7.0	3.9	Survey
China (Taiwan)	1968	3.5	1.4	Survey
India[d,e]	1961–62	3.2	3.9	Survey
Iran	1956	4.5	1.8	Census
	1966	5.5	11.3	Census
Korea	1965	12.7	3.1	Survey
West Malaysia	1967	11.6	7.4	Survey
Philippines	1967	13.1	6.9	Survey
Ceylon	1959–60	14.3	10.0	Survey
	1968	14.8	10.4	Survey
Syria	1967	7.3	4.6	Survey
Chile	1968	6.1	2.0	Survey
Honduras[c]	1961	13.9	3.4	Census
Jamaica[c]	1960	19.0[f]	12.4[g]	Census
Panama[h]	1960	15.5	3.6	Census
	1967	9.3	2.8	Survey
Uruguay[c]	1963	10.9	2.3	Census
Venezuela	1961	17.5	4.3	Census
	1968	6.5	3.1	Survey

Country	Year	Urban	Total
Latin America			
Bolivia	1974	NA	9.7
Brazil	1970	NA	2.0–2.4
Columbia	1974	10.0	NA
El Salvador	1975	4.9–8.6	5.2
Honduras	1972	NA	8.0
Mexico	1970	NA	3.7
Panama	1973	NA	6.5
Peru	1974	6.5	NA
Trinidad and Tobago	1973	NA	14.0
Uruguay	1973	8.9	NA
Venezuela	1971	6.0	NA
Average, Latin America[a]	1975	6.5	5.1

Source: Morawetz (1977), p. 37.
NA = not available.
[a]ILO estimate.
[b]Excluding the People's Republic of China and other Asian countries with centrally planned economies.

Source: Turnham (1971), p. 57.
[c]Squire (1979) dropped this country.
[d]The unemployed "available" but "not seeking" work are included in rural areas but not in urban areas. Deducting this group might reduce the rural percentage rate by about one-third. The urban figure relates to the age group 15–60.
[e]For 1972–73, Squire (1979) gives 6.7 and 3.9, respectively.
[f]Kingston.
[g]All Jamaica less Kingston.
[h]For 1971, Squire (1979) gives 16.5 and 8.7, respectively.

tion that "most" of the urban unemployed are to be found in the Calcutta agglomeration.[38] An additional reason for discounting the upward bias of this estimate is the paucity or ineffectiveness of employment exchange facilities outside of the metropolis. There are other problems with the Calcutta estimate as well.[39] It is not quite clear whether the study reports this estimate with confidence or merely relays it as an item of interest to ponder. It should be added that the government of India appointed an expert committee to review available economic data on unemployment. One of its major conclusions was that a single national estimate for as large a labor force and region as India represents may have only limited value (Government of India 1970).

Given the undeveloped state of the art in this field, it should be added that single estimates are also of dubious value because the same phenomena may be interpreted in different ways by different observers. For this reason it would be better to have a range of figures corresponding to alternative underlying assumptions which are explicitly stated.[40] Unfortunately, this is not the common practice, and even where careful indications are given, they tend to get lost in later usage.

To sum up, then, what we know: On the whole, with occasional puzzling exceptions, the larger figures at the two-digit levels are relatively uncommon and less well established, and support what has now become accepted conventional wisdom—that the major problem in the urban areas of developing nations is not open unemployment but rather the large numbers in the ranks of the working poor. Nor is the problem of unemployment primarily or even largely a manifestation of an overflow of unskilled migrants to the cities from the countryside. The Khartoum study shows relatively short adjustment periods for migrants, and the Bogota study shows lower unemployment rates for migrants than for natives. The Khartoum experience may be generalized, as Scoville (1976a) has pointed out. See also Table 22.

Migrants may be under greater pressure to find work quickly, especially if they are in a low-income category. On the other hand, they also have less knowledge of the urban labor market and less access to such institutions as employment exchanges. Further, as opposed to the native born, they can return to rural areas if their job search is unsuccessful, or may be advised not to come at all rather than join the ranks of the urban unemployed. Available figures suggest they do not do so, at least not unduly.[41]

There is also fairly consistent support for the proposition that high unemployment rates are specific to certain categories of the urban labor force: youth, educated persons (except at the lower and higher extremes), young females, and older unskilled workers.[42] Those in the manual ranks in the prime working ages have fairly low rates of unemployment. There

Table 22

Time Required for Migrants to Find First Job in City

City	Sample Description	Cumulative % Finding Work
City-wide samples		
Santiago, Chile	Economically active migrants who arrived in Santiago within previous decade	43 immediately (2 days) 66 1 month 85 6 months
Brazil: 6 cities including Rio and Sao Paulo	Adult migrants	*Male Female* 85 74 1 month 95 90 less than 6 months
Seoul, Korea	Household heads, of whom 80 percent are migrants	26 immediately (pre-arranged) 64 "soon" 76 6 months
Lima, Peru	1967 survey of migrants	over 75 3 months
Bogota, Colombia	Migrants	80 2 months 25 5 weeks
Rural-urban sample		
Tanzania: urban areas	Males who moved from rural areas to urban areas after the age of 13	80 3 months over 90 6 months
Poor sections of city		
Santiago, Chile	Family heads of their wives in a *callampa* settlement. 85% manual laborers or self-employed artisans	47 "immediately" 91 3 months
Buenos Aires, Argentina	Residents of a *villa miseria* mostly recent migrants, 61 per cent day laborers or unskilled workers	74 2 weeks 85 1 month
Rio de Janeiro Brazil	Residents of three *favelas*.	
	(a) Those with experience in unskilled urban or rural work	85 1 month
	(b) Those with previous skilled jobs	65 1 month
	(c) Those with help in finding	43 1 month
	(d) Those with no help	67 1 month

Source: Sinclair (1979), p. 51.

are puzzling exceptions, however. The economic basis for the dominant pattern has been systematically developed in the study, already mentioned, of Tanzanian urban areas. This is also the picture one gets from a comprehensive, global review of the evidence in a World Bank study released in late 1979, although it was not specifically focused on urban areas (Squire 1979, pp. 36–37). Neither mass unemployment nor an excess of drifting, jobless migrants is the typical or principal problem of concern in the world's major cities.

Concluding Remarks

Our knowledge of metropolitan employment increased by leaps and bounds in the seventies. A good part of this is due to the coverage provided by the metropolitan studies reviewed here. However, we also need a great deal more knowledge about the institutional aspects of the urban labor market, the wage structure, and labor market choices and processes. These factors will be reviewed in succeeding chapters.

The studies reviewed, with occasional exceptions, have focused on distinguishing a dominant or easily identifiable "formal" sector from the rest of the urban economy and labor force. The studies illustrate the problems involved in compressing a heterogeneous range of activities into a mutually exclusive dichotomous pattern. The Sao Paulo study is explicit in acknowledging the rationality of alternative boundaries. The tendency has been to derive the "informal" sector as a residual, rather than as something identified by a set of criteria specific to itself. Although there were certain analytical bases for these divisions, the actual demarcations followed statistical lines of convenience, enumerating (as within the modern sector) everything within identifiable cut-off limits. The combination of being registered and having a minimum number of employees—5, 10, or more—seems to have been the criterion for including units in the formal or modern sector. Given the large size of the residual, one may advocate the need for an "intermediate" sector, as some of the Kenyan studies have argued.[43] This provision is not sufficient, nor does it even represent a step in the right direction, for the issue is analytical rather than pragmatic—the latter of which is solved, of course, by using whatever data or resources we have.

The dichotomy has been defended on the ground that we are certain of the existence of a formal sector, and we might as well delineate what we know from the rest (Mazumdar 1976c, pp. 655–79). The problem is that the dichotomy imposes a straitjacket of its own, and the need for classification requires a priori judgments as to the ability of certain proxy

variables—such as sectoral affiliation, establishment size, or wage as opposed to self-employment—to distinguish labor markets characterized by competitive entry from the rest. Far-reaching and often unspelled assumptions as to labor market organization and consequences on *both* sides of the urban division are implicit. Our proxy variables are simply not strong enough for the job. It is also unlikely that we can develop effective substitutes for the existing dichotomy or make headway in other respects without attempting a closer correspondence between what we are looking for and what we are doing.

There are a number of reasons for not foreclosing the framework within which we organize information pertaining to the urban labor economies by a premature classificatory scheme. Let us consider briefly two fairly representative views of the urban informal sector, one that it is highly dynamic and the other that it is composed of the urban poor. The former view seems to be a generalization from Keith Hart's 1970 study conducted in Ghana, which noted the existence of "informal" income opportunities and the vigorous pursuit of these by some members of the labor force. The existence of such activity deserves study, but it is a far cry from assuming that self-employment entrepreneurship is a means of amelioration for the large numbers classified as being in the informal sector.[44] It is also clear that certain segments of the urban economy are favored, but it is equally difficult to accept the following statement:

> The formal-informal dichotomy contains a significant analytical feature which is not contained in the modern-traditional dichotomy: recognition that the formal sector is actively advantaged by state favors while the informal sector is actively harassed, or at best ignored. . . . (Joshi, Lubell, and Mouly 1974, pp. 51–52)

The notion advocated by Sethuraman, that "poverty" be a criterion for distinguishing the urban informal sector, is a welcome contrast to the residual approaches. However, prevailing practice has been to treat it as a residual, with researchers wanting it both ways, as Standing (1977, pp. 36–37) argues, as a "reservoir" of talent and as a dumping ground for the urban overflow.[45]

Both versions may be true, and for both sides of the labor market, but in a more complicated way than is suggested by the a priori theorizing underlying the dichotomy.[46] For instance, success in the urban informal sector may be contingent upon fairly serious restrictions on entry, some of which we saw even in the supposedly easy-to-enter hawking and trading jobs in Abidjan or Lagos. "Modern" has a connotation of being responsive to economic incentives, while "traditional" assumes another framework of values (as Sir Arthur Lewis [1954] and Heilbroner and

Thurow [1975] have argued). The responsiveness to profitable incentives, an important "modernizing" trait, is not necessarily absent in the "unorganized" or "informal" sectors, or dominant in the formal and organized sectors. In fact, observers point to the nonmodernizing and traditional indulgence of superfluous employment more often in the so-called modern sector, mainly government and parastatal and large enterprises, than in the "traditional" sector. Some discussions also tend to equate the modern or formal sector with a sheltered sector, but by itself this need not imply an uncompetitive labor market. This is even more true when the formal/informal thresholds are low, as they are in certain studies. The dichotomy also appears to be favored because of its ability to classify urban earners into high or low income categories. However, as we shall discuss in the next chapter, the wage spectrum is not a continuum towards high modern-sector wages or earnings; on the contrary, there are significant overlaps. The Jakarta puzzle has already been mentioned.

Problems with the existing dichotomies arise from the tendency to view formal-sector employment as highly institutionalized and uncompetitive, as opposed to the relatively open, competitive nature of the outside labor market. Such a view misses entirely the relevance of the social structure and other labor-market paraphernalia underlying migration, recruitment, and selection. The modern sector gets an adequate labor supply just for the asking at the going wage rate, while others are "free" to enter any of the niches in the informal sector. The "protected" nature of the labor market in the modern sector has its own rationale, as Dipak Mazumdar has argued. Its "internal" labor market rules are also not necessarily incompatible with a competitive "external" labor market framework, as Koji Taira has pointed out.[47] Equally simplistic is the view that the labor market, apart from these well-organized enclaves, is competitive. If by competitive it is meant that anybody can enter any trade or occupation, this is simply not true. Nor is it true that the mere need for unskilled labor will bring forth an adequate supply, at the going wage rate and as needed, without any special organization to recruit the labor involved. These points will be developed in a later chapter.

To sum up, the studies reviewed in this chapter do not add to our confidence that urban employment problems can be analyzed within a dualistic framework. Their meretricious appeal notwithstanding, they prove no more helpful than the sectoral classifications reviewed in the previous chapter. Our next chapter will focus on the wage and earnings structure in the urban economy. This will complement the discussion in this chapter and serve to further emphasize the importance of a disaggregated view of the urban labor market.

Notes

1. For instance, some formulations of the high wages of the "organized" sector attribute this to productivity considerations. In contrast, current definitions of the "modern" sector—treated as identical to the formal sector—are more expansive than those of the "organized" sector, for they cover all employment in units with five or more workers, in wage-earning, etc.
2. The ILO report stressed the following characteristics of the informal sector: ease of entry, reliance on indigenous resources, family ownership, small-scale enterprise, labor-intensive technology, informally acquired skills, and unregulated and competitive markets.
3. The citations are given at the beginning of the discussion on each city.
4. We have also had access to the extremely valuable review by the World Bank of the treatment accorded to the labor market and employment aspects in a large number of country economic studies (World Bank 1978).
5. Among the relevant studies are Isbister (1971); Richards (1971, 1973); McCabe (1972); MacEwen (1972); Bienefeld (1974); Gerry (1974); Scoville (1974); Elkan (1976); Taira and Isarangkun (1976); Kannappan (1977); Pang Eng Fong (1978); Standing (1978); and Mazumdar (1979). See also ILO reports on Colombia (1970), Ceylon (1971), Kenya (1972), and the Philippines (1974).
6. The primary source for this material is Joshi, Lubell, and Mouly (1976).
7. The analysis appears to argue that the unemployment rate may exceed the Todaro unemployment equilibrium causing the expected (according to whom?) urban wage to fall below the rural alternative due to the large probability of not getting the urban job (pp. 15–16). Implicit here are two notions: an objective expected wage derived from knowledge of this probability and another, subjective, which discounts the urban wage by a smaller probability of not getting it.
8. This description comes from Lubell and McCallum (1978).
9. In contrast, Calcutta had just slightly over 1 percent of the Indian population and approximately 15 percent of that of West Bengal.
10. This description draws on Lubell (1974).
11. An unpublished World Bank project report confirmed this situation in early 1978.
12. These data come from Sethuraman (1976).
13. These data are taken from Fapohunda and Lubell (1978).
14. This was partly attributed to the disruptive effects of the preceding civil war and partly to the greater ease of entry for women in urban trading.
15. The employed looking for other jobs seem also to have been counted as unemployed.
16. See Fapohunda and Lubell (1978), Table 2.15, p. 49; Table 1.6, p. 10; and Table 1.7, p. 11. The last two tables refer to all establishments employing 10 or more.

17. It was estimated that these several forms of transport, the *kiakia* ("quick-quick"), the *bokekaja*, and the *molue*, in the aggregate provide more transport than the Lagos City Transport Service (p. 70). The first is a microbus and faster than the official transport; the last two are also fast but specialize in covering routes not served by public transport.
18. Data are taken from Schaefer and Spindel (1976).
19. Alternative estimates including the 10–14 age group and counting in unspecified "others" as unemployed gave higher unemployment estimates ranging from 9.3 to 14.8 percent as a percentage of the labor force. This compared with 12 percent in Nairobi in 1970, 16.7 percent in Calcutta, and 12.1 percent in Jakarta in 1971 (Schaefer 1976, p. 39).
20. This may appear worse than it really is, for this is a measure of the per-capita distribution of earnings rather than of unemployment where earnings fall below the minimum wage. As further details are lacking, we cannot say much about the distribution of wage rates or earnings in various types of employment. See Schaefer (1976), pp. 16–20. In the next chapter we will discuss in greater detail the problems involved in making such comparisons between legal minimum rates and actual earnings.
21. It must be added that their main focus was on urban development and employment rather than on the labor market, but dualism provided the guiding framework for mobilizing information.
22. In Khartoum, to be discussed later, even this would not be a safe assertion, as government employment included a substantial "irregular" component.
23. The Sao Paulo study referred to the decline in the purchasing power of the minimum wage but did not discuss the distribution of wage-earners involved. There were also references to wage rigidity in some branches of employment but no particular discussion of trade unionism as such.
24. In Bombay city, even the well-organized textile industry employing nearly a quarter of a million people had a low rate of unionization (Myers and Kannappan 1970). For Khartoum, Kannappan estimated in 1975 that trade unions covered only a negligible segment of the urban labor force in quantitative terms. See also Papola (1973a) and Rempel and House (1978) at the end of this chapter.
25. Membership figures are not necessarily indicative of a regular, dues-paying association. Their practical significance is also substantially unclear as neither collective action nor governmental intervention is based on specified membership thresholds. There are exceptions, of course.
26. See also concluding comments in Part A of this chapter.
27. The major studies of relevance include Papola and Subrahmanian (1973) and Papola (1977), pp. 141–56.
28. These points are developed more fully in Kannappan (1962).
29. Of the 20 industrial groups, 8 were eliminated as inconsequential in the total employment picture.
30. "The dualism. . .existed in Hong Kong. . . . However, because of the limited volume of rural-urban migration, industrialisation in Hong Kong was able to

eliminate this dualism over a relatively short span of time" (Hsia and Chau 1978, p. 16).

31. See also House and Rempel (1978).

32. Incidentally, in Bombay the Factories Act covered plants employing 10 to 25 and using power, and plants employing 20 to 25 who were excluded by the 25+ criterion used in the Bombay study. The exact number could be estimated only indirectly as between 28 and 57 percent of those in "unorganized" manufacturing, but it was concluded that they probably belonged to the unorganized sector anyway because of weak enforcement and low wages (Joshi and Joshi 1976, pp. 76–78).

33. On these points, see Myers and Kannappan (1971), especially chaps. 4 and 5.

34. Referring to his article entitled "Urban Employment in East Africa," Elkan (1970, p. 528) states: "It may be thought that this article has played a confidence trick, the title and content refer to unemployment yet nowhere is there an estimate of its volume.... The awful truth is that while one occasionally sees estimates...these are little more than guesses.... One might argue that the resources that would be needed to make quantitative estimates...could be put to better use."

35. Thus, the authors deny the existence of either the Lewisian or Todaro-type surplus, so their dualism is not a labor market phenomenon.

36. This was calculated from employment figures and an unemployment estimate for 1970 and the city's population in 1975 projected backward to 1970 at 7.9 percent (Joshi and Joshi 1976, pp. 2–3, 105).

37. ILO (1976b) reports several estimates spanning the period 1964–74, which are in the 5 percent range. The exception is the study done by a firm of overseas consultants which gives for February 1974 a figure of 6.5 percent. The most reliable is the November 1974 sample survey sponsored by the ILO, which gives a figure of 5.3 percent.

38. The same sharp contrast was noticed in the Sudan between figures for Atbara provided by the census and those derived from employment exchange data (ILO 1976b, p. 372).

39. See Lubell (1974), pp. 57–59. Registrants for 1970 (1971 figures being discounted) total 586,000. If 70 percent are urban, that should give us 410,000. If 40 percent of these are unemployed, that number would be 164,000, or an unemployment rate of 7.8 percent. Applying the 40 percent rate directly to the metropolitan registration total of 381,000, we should get 7.25 percent unemployment. Assuming that a higher proportion of the employment exchange registrants are unemployed (60 percent as indicated in a 1971 study [p. 29]), the unemployment rate would still be only 10.88 percent. The 16.7 percent was derived from an extreme assumption, based on a dubious coincidence (p. 58), that the urban unemployed were indeed all registered and the unemployed were in urban areas only. A minor departure from this extreme assumption seems to have given the 16.7 percent.

40. Thus, as a member of the ILO-organized employment strategy mission to Sri Lanka in 1971, I expressed my disagreement with the figure the editorial group had settled for, which I felt was tilted upwards in tune with prevailing

concerns about open unemployment which I did not share. I argued for such a range of estimates and was not overly successful, making my representations by correspondence. The pressure for a single estimate is understandable and must have been difficult to resist. See ILO (1971a), p. 25, which gives an estimate of 14 percent for 1969/70.

41. See Yap (1977), pp. 239–64, and Squire (1979), pp. 54–62, which contains a useful summary of the job search experience of migrants.
42. See also Blaug (1973), who sees the so-called educated unemployed as really a phenomenon of youth unemployment
43. See Steel and Takagi (1978) and several papers by Frank C. Child (in Rempel and House [1978], pp. 183–84), who advanced the idea originally.
44. For a skeptical, and thoughtful, note on the dynamism of the informal sector, see Pack (1977), pp. 157–68.
45. See also Breman (1976).
46. Since this was written, I have come across Sinclair (1978), which presents a succinct and informative related analysis (chaps. 5 and 6).
47. See Mazumdar and Taira in Kannappan (1977a). See also Kannappan's comments on Taira's discussion of internal-external labor market relationships.

4

The Structure of Wages and Earnings

The discussion of wages in this chapter will complement the preceding treatment of the employment structure. At one level the wage data will be examined to assess their support for models of labor market dualism and failure. At a related level we are also concerned with the insights they yield on how the labor markets function and which issues merit further investigation.

The high level, as well as the stickiness, of a dominant urban (modern-sector) wage rate is the key element in such models. This (and the associated wage structure) is exogenously determined so that equilibrium is a function of net rural-urban inflows rather than wage adjustments (Fry 1979).[1] Excessive inflows, possibly due to poor information and feedback mechanisms, are an aspect we will take up in the next chapter dealing with job search processes and relevant mechanisms. The dualistic models, however, attribute the excessive net inflows to the high level at which the urban wage is maintained, and to allocation of employment on the basis of a queue. A high level of urban unemployment (or, where urban wages are flexible, an overflow underemployment) is thus the major condition of urban equilibrium. Some have even argued that the situation may well get worse over time as political pressures increase the urban wage level, if not the rigidity. Not surprisingly, few benefits would "trickle down" from economic growth, as autonomous demand shifts would not narrow the wage differential, and labor mobility would be restricted to the paced absorption and expansion of the modern sector.

What kind of a wage structure should one expect, assuming the dualistic model to be a valid representation? The rural-urban differential would be significantly larger than needed for equilibrium. More specifically, the high modern-sector wage should cover a substantial segment of the urban economy, thus constituting a major factor in the urban inflow. Furthermore, given the much larger rural labor force, no conceivable rate of rural-urban migration would raise the rural wage and

cause this differential to narrow, while political pressures, by pushing urban wages upward, may well widen it. We should observe similar differentials within urban areas, with earnings and wage in urban nonmodern activity taking the place of the rural. In addition, one may expect market responses alone to widen the intraurban gap as rural "visitors" wait to be absorbed into the modern sector. The resulting wage structure would then reflect two distinct clusters with little overlap, and extremes above and below would represent choices of little significance. The urban modern wage would be clearly superior, the nonmodern wage clearly inferior, and migrant and labor market behavior would be guided by this difference. The queueing model would also imply higher unemployment and lower wages among migrants and discontinuous improvement in earnings as a function of employment experience. The native-born first entrants may do even better. Dynamic implications follow. Economic growth would not directly narrow these gaps, rural-urban or intraurban. The Lewisian surplus would keep the rural wage low, and the Todaro surplus would play a similar role in the urban nonmodern sector. Market forces may favor the urban modern economy, given the demand biases in development. The thrust, if any, of institutional pressures would certainly be to maintain or even widen the rural-urban and intraurban differentials. In a larger, national sense, the picture that emerges is one of highly compartmentalized wage structures with little interaction between rural and urban labor markets and their wage components.

To what extent does the actual urban wage structure support this model of urban duality? The "analytical" literature of the seventies largely fails us in this respect, as it did not look for or use contrary or even detailed indications. The metropolitan studies have been somewhat more enterprising but, with limited exceptions (for example, Bombay), have not given much attention to the wage structure or trends. One reason is the difficulty of getting wage data for entities other than government and large enterprises. The focus has thus been more on income distribution or trends than on labor market performance, despite an occasional or casual invocation of some wage comparisons.

A further digression on the prevailing state of the art and data limitations would be appropriate. Most analyses have proceeded at various levels of aggregation, the most common being rural/urban and formal/informal. "Urban" and "formal" may constitute a motley lot, and high wages may be a function of institutional and personal variables. The literature on labor market failure emphasizes the distortions deriving from institutional factors such as the size of the establishment, technology employed, capital per worker, nature of the economic organization (parastatal or foreign enterprises), legal protection (including minimum

wage), collective bargaining, and so forth. Skills as such, including literacy, play an inconsequential role, hiring criteria in the modern sector being viewed primarily as rationing instruments (to be discussed in the next two chapters). Other individual variables such as age, sex, experience, ethnicity, and migratory status suffer a similar fate. Only the exceptions stress personal productivity variables as well as institutional differences in hiring requirements as being important in differentiating earnings. One may mention Dipak Mazumdar's analysis of earnings in the Bombay textile industry (1959b, 1979) and perhaps Grace Horowitz's study of Indian manufacturing (1969, 1974).

Unfortunately, when earning figures are consolidated in this manner, they provide no independent means of testing the validity of the dualism or the strength of the obscured component variables. At best, we get partial information by size of establishment or type of enterprise (parastatal, foreign, etc.), but more often we are reduced to more limited ad hoc comparisons which have even less value. On the omitted personal variables, information on the distribution of such characteristics in the labor force and their contribution to earnings differentials is generally scant. Data breakdowns on spatial factors within the city, such as residential segmentation, which some have argued to be important, are similarly limited. Nevertheless, some weaknesses of established assumptions are readily apparent, as when there is no consistent correspondence between the ordering of wages and the dualisms and institutional assumptions.

Available measures are averages for broad categories, generally of household *incomes*. These in turn represent various combinations of earners, shares of total income, and number of dependents. Many studies merely report these outcomes, giving only incidental attention to the labor market. Thus we have many estimates of income distribution (generally the most readily available data for an entire urban area), whose labor market implications are anybody's guess. Other studies go into more detail, focusing on earnings from employment. But for the most part what we have are some wage data for the modern sector (wage rate schedules primarily) and some ad hoc information on the minimum wage (with poor information on coverage) or rural-urban differences. What we want, and what we are not going to get, is information on actual wage rates or earnings, days worked, value of payments in kind, and the like, as measures of alternative choices open to the diverse categories in the labor market.[2] Wage data for the nonmodern sector are generally scant. Further, the grosser the aggregation in reported figures, in terms of economic activity, forms of income, the number of earners, and perhaps even the time periods covered, the weaker the correspondence with labor market choices will be. Such choices will change as the economy under-

goes growth and transformation, and the labor market, through the wage structure, would be a sensitive barometer for these. Mostly, the dual labor market models and resultant empirical studies deny us this insight.

There is no possibility of making up prevailing shortcomings within the framework of one study. However, we will focus in a selective way on studies which illuminate the importance of detailed knowledge about the urban wage structure. Some emphasize the types of information that would be useful and necessary. Others illuminate the pitfalls of generalizing in the absence of such supporting detail. Still others have instructive or illustrative value in throwing light on variables which affect the wage structure in the labor market. The approach would not be to repeat *ad seriatim* various bits of data, but rather to examine well-researched situations. This will reinforce our sense of the limitations of the simplified models in vogue and encourage us to think in terms of the urban labor market as a complex and changing structure with as yet poorly understood qualitative dimensions.

We will start by looking at the income distribution figures for Sao Paulo, Brazil. We will see how important it is to supplement or even replace inferences drawn from these data by a direct examination of developments throughout the urban labor market.

Rural-urban differentials will be our next major focus, as the rural exodus is important and there is concern over the size of this differential. We will find, however, that specifying relevant comparisons will be elusive and difficult. This takes us naturally into a consideration of intra-urban differences, as it is among these various urban earning possibilities that the potential migrant must choose his most realistic prospects and engage in his calculation of costs and benefits. Because migrants differ in terms of personal characteristics and such things as contacts or other support essential to job search, a spectrum of comparisons and alternatives rather than just *a* rural average and *an* urban alternative (discounted by the urban unemployment rate) would emerge as relevant.

We will then examine some disaggregated differentials and breakdowns: traditional and modern; other skill components; union and non-union comparisons; the minimum wage in relation to other components of the urban wage sector; and so forth. In dealing with skill differences, we cannot equate skills with schooling as we would in developed countries, not because of the absence of a literacy-productivity relationship, but because of the more limited role of education. Credentials and ascendancy in the educational ladder are important mainly in large-scale modern employment, but there are other numerous and diverse avenues to skill acquisition. Place of origin, ethnic association, and stable family status are important either for the skills they incorporate or for their

potential for skill acquisition. Also, many valuable skills are learned on the job or by experience rather than at school. Union/nonunion differentials are also difficult to obtain or to interpret. There are few reliable or meaningful figures on unionization. Available data are for industries or regions rather than for metropolitan areas, so that the union effect is inextricably mixed with others contributing to a metropolitan wage advantage. The intrametropolitan wage advantage of belonging to unions is also difficult to distinguish. But informed judgments have their place and will be reported.

These studies are drawn from nearly all parts of the world and include a variety of settings, all of which are encompassed in the metropolitan labor market. Some, like Scoville's (1976b) study of the premia attached to traditional skills, and Richard Webb's (1977b) or Peter Gregory's (1975) analysis of the impact of institutional intervention, span several countries.

We shall conclude with a brief review of some studies which emphasize the high degree of interrelationship in the wage structures of the various segments of the labor market.

The Urban Earnings Distribution

Information on the urban earnings distribution represents perhaps the most comprehensive of the different kinds of earnings information available to us. Is this highly unequal or dichotomized? What inferences can we draw from an uneven distribution, from the fact that many earn below a poverty norm? Are there pressures of change as growth takes place, and in what direction? How does the labor market register these?

The San Jose, Costa Rica, study provides comprehensive and alternative yardsticks of monthly salaries of workers, and their adequacy as judged against welfare norms. The Sao Paulo study demonstrates the importance of disaggregated complementary information on the labor market. There is no simple or direct link between static measures of income or earnings distribution and labor market efficiency.

San Jose, Costa Rica

Comparing San Jose "poverty" and "subsistence" indicators (see Table 23) with monthly salaries in Costa Rica is instructive. Table 24 provides average monthly salaries and percentage distribution by economic sector as of 1973. The footnoted figures of the percentage distribution of workers refer to the monthly salary frequency category, which includes the average salary for each sector.

Table 23

Comparison of Two Poverty Line Concepts, San Jose

	Poverty Basket Level				Subsistence Basket Level			
	Per Capita		Family		Per Capita		Family	
	Colones	Dollars	Colones	Dollars	Colones	Dollars	Colones	Dollars
1973								
Annual	2,000.00	263.00	10,600.00		1,300.00	171.00	6,890.00	
Monthly	166.66	22.00	883.30		108.33	14.00	574.15	
Daily	5.55	0.73	29.41		3.61	0.47	19.13	
1975								
Annual	3,500.00	410.00	18,550.00	2,172.13	2,300.00	269.00	12,190.00	1,427.40
Monthly	291.66	34.00	1,545.83	181.01	191.66	22.00	1,015.83	118.90
Daily	9.72	1.13	51.52	6.03	15.97	0.73	33.86	3.90

Source: Adapted from OFIPLAN (1977), p. 61 ff.

Notes: 1973 colones figures are converted into U.S. dollars at ¢7.6=$1 and 1975 figures at ¢8.54=$1. Not included in the above basket of goods are free public services such as medical care, education, etc.

The 1973 salary figures in Table 24 indicate clearly that the average monthly salary in *all* economic sectors *exceeds* by a comfortable margin the minimum needed per capita under both the higher "poverty" and lower "subsistence" standards. Of a total employment of 585,000 in 1973, only about 41,484 or 12.28 percent[3] earned an income of less than 200 colones per month, which does not compare unfavorably with the per-capita "poverty" and "subsistence" thresholds of 166.66 and 108.33 colones. The poor, especially the urban poor, turn out then to be primarily the unemployed or those out of the labor force.

However, prevailing salaries are inadequate if a single wage-earner is assumed to be providing for an average family of 5.3 persons. This gives us an upper estimate for the monthly family "subsistence" norm of 574.15 colones and for the "poverty" norm of 883.30 colones.[4] These figures represent much stiffer standards of attainment for the wage-earner. The former is exceeded by the average for all economic sectors except farming, the latter only by the service sector, which employs about 15 percent of the total. Even industrial employment (12 percent of the total), of which about 90 percent is in the urban agglomeration, could meet the family poverty norm for only about 20 percent of its employees and the family subsistence norm for probably not more than another 20 percent.

The true measure of the inadequacy of prevailing wage incomes is probably much smaller. In practice, the average household has more than one earner;[5] also, the relationships among income, household size, and expenditures are such that size increases are related to efforts to pool income and economize on expenditures (housing, homemaker services, etc.). Nor is a stable family relationship of one earner and four or five

Table 24

Average Salary and Percentage Distribution of Workers' Salaries by Economic Sector, San Jose, 1973

	Average Salary (colones per month)	Less than 200 colones	200–399 colones	400–599 colones	600–799 colones	800–999 colones	1,000–1,199 colones	1,200–1,399 colones	1,400–1,599 colones	1,600 colones or more
Farming	394.8	20.9	46.8[a]	16.7	8.3	3.7	1.5	0.7	0.4	1.0
Mining	562.4	11.7	31.1	32.6[a]	12.1	4.9	1.8	1.1	0.7	4.0
Industry	666.5	9.4	25.5	25.6	13.3[a]	7.7	5.0	3.3	2.5	7.7
Commerce	716.8	9.9	25.6	28.6	12.4[a]	6.6	4.2	2.5	2.1	8.1
Transportation	812.1	10.2	13.2	19.3	19.7	10.6[a]	8.7	5.9	3.6	8.8
Construction	583.6	15.3	24.5	26.9[a]	15.1	7.4	3.5	2.1	1.4	3.8
Financial and Insurance Establishment	1,598.1	4.7	8.8	13.4	11.4	9.8	8.8	5.8	5.2[a]	32.1
Community, Social, and Personal Services	1,094.0	3.7	7.8	16.4	18.2	12.8	11.2[a]	8.6	5.1	16.2

Source: OFIPLAN (1977), p. 26.
[a]Monthly salary frequency category (see text, p. 131).

dependents a common characteristic or requirement. It has less force for many young persons or first-time entrants to the labor force and may be almost irrelevant for those in the youngest age category, 15–19.[6]

The absence of age breakdowns in the salary data thus somewhat diminishes their utility. Also, many workers are single and a blanket assumption that they have families to support may be inappropriate. Even industry, credited in developing contexts with a preference for stable family-accompanied migrants, does not fare too well in San Jose.[7] The stability requirements of modern industry may be weak, or there may be no shortage of such stable labor (a condition which would be encouraged by the growth of employment for secondary earners).

It is also interesting to compare the daily equivalent of the "poverty" and "subsistence" norms with the prevailing legal minimum wage, as seen in Table 25. In all economic sectors, the lowest daily minimum in 1973 exceeded the per-capita poverty and subsistence minima, and in all cases were below the estimated minimum per family. The shortfalls may be even greater, as a full month may actually consist of 22 to 26 working days while the daily norms represent monthly minima divided by 30. However, minimum rates varied widely from occupation to occupation, the highest specific minimum wage being 2.6 times the lowest. It appears that changes in the legal minimum kept pace with increases in the cost of living. Those not covered by the minimum wage included many in the social security system (some 70 percent of wage- and salary-earners) and those outside with even lower earnings. It appears that real average wages fell for those covered by social security, leaving us unclear about the coverage or effectiveness of minimum wages in insuring poverty- or subsistence-level earnings (OFIPLAN 1977, pp. 75–76).

In the absence of systematic information, observers have often resorted to various "second-best" solutions. Housing patterns, slum dwelling, and so on are thus considered to be indicative of performance in the labor market. One surprise in the San Jose situation was the absence of pronounced differences between *tugurio* and non-*tugurio* inhabitants, as seen in Table 26. The proportion of families with per-capita incomes below the poverty line was higher among the *tugurio* residents, as were unemployment rates, particularly among males in the lowest income category. But other differences were *not* striking.

To sum up, the San Jose data show a considerable variation in monthly incomes among different economic sectors, and incomes in services, even in personal services, do not compare unfavorably with industry. There is some skewing in the distribution, but it is not marked. The intersectoral averages differ and there are significant overlaps, but what is surprising is that even personal services do not display bimodal extremes (despite a relatively high average). The legal minimum wage varied across the

Table 25

Lowest Daily Minimum Wage by Economic Activity, San Jose

Sector	Lowest Daily Minimum Wage[a] 1973	1977	Ratio 1977/1973
Agriculture	¢12.90	¢27.10	2.1
Mining	19.00	34.70	1.8
Manufacturing	12.80	27.10	2.1
Construction	17.85	33.30	1.9
Electricity	15.25	30.50	2.0
Commerce	13.00	27.10	2.1
Transport	15.40	30.80	2.0
Services	13.00	27.10	2.1

Source: OFIPLAN (1977), p. 76.

[a]Not adjusted for price changes. Actual levels at dates shown. In 1977, the consumer price index was approximately 60 percent higher than in 1973.

board but its operative and welfare significance is at best unclear. Earnings generally exceeded the minimum wage on a per-capita basis, which in turn exceeded the per-capita "poverty" or "subsistence" norms, but fell short of these two when converted into equivalent family measures. As A. Berry and R. H. Sabot observe in a different context:

> The market's efficiency . . . cannot be judged by the share of people consuming less than some arbitrary minimum. More appropriate criteria – whether a reallocation of labour would permit an increase in output (or an increase in a more complicated social welfare function) – are more difficult to apply. But the responsiveness of labour allocation to changing demand suggests to us that the burden of proof should not be with those who claim labour markets are efficient, but with those who allege on the basis of observations of poverty alone that these labour markets are seriously inefficient. (1978, pp. 1199–242)

Income distribution in Sao Paulo, Brazil, has recently been the subject of intensive scrutiny. The findings, discussed below, affirm the importance of the "responsiveness" of labor allocations referred to above.

Sao Paulo, Brazil

Most analysts agree that the urban income distribution is highly uneven. This is the picture we get from a variety of recent sources. The data for greater Sao Paulo as of 1970, shown in Table 27, are of interest. The Sao Paulo metropolitan area had an average monthly income per head of Cr. $514 in 1970, which meant that about 75 percent were below the average. The monthly minimum wage was established at Cr. $200, placing 34.6 percent of the urban population below this level.[8]

Table 26

Comparison of *Tugurio* and Non-*tugurio* Family Size and Economic Activity by Income Class, San Jose Metropolitan Area, 1973

	All Incomes by Neighborhood	All Incomes Area-Wide	Less than ¢1300 ("Subsistence")	Less than ¢2000 ("Poor")	Above ¢2000
Average Family Size					
T[a]	5.57	5.31	6.55	6.49	4.78
T[b]	5.27		6.07	6.25	4.89
Average No. in Family aged 15–64					
T	2.98	3.07	2.62	2.85	3.07
N	3.09		2.61	2.87	3.17
Average No. of Economically Active Persons in Family					
T	1.74	1.75	1.23	1.47	1.98
N	1.75		1.02	1.29	1.92
Dependency Rate					
T	0.87	0.73	1.50	1.27	0.54
N	0.70		1.32	1.17	0.54
Unemployment Rate (in %)					
T (Men)	9		24	17	4
NT (Men)	6		25	16	3
T (Women)	5		11	9	3
NT (Women)	2		9	7	2

T (Both Sexes)	8		21	15	4
NT (Both Sexes)	5		21	14	2
Labor Force Participation Rate (LFPR) (in %)					
T (Men)	90		84	87	91
NT (Men)	82		70	76	84
T (Women)	29		19	22	34
NT (Women)	34		17	20	40
T (Both Sexes)	58		47	51	63
NT (Both Sexes)	56		36	44	60
Proportion of Families with Per-Capita Income as Indicated (in %)					
T	5.57	5.31	6.55	6.49	4.78
Employment Rates (in %)[c]					
T (Men)	81.2		63.6	71.9	87.4
NT (Men)	79.8		49.2	63.8	81.2
T (Women)	27.3		17.4	20.2	33.4
NT (Women)	33.7		15.9	18.7	34.9
T (Both Sexes)	53.2		36.7	43.4	60.7
NT (Both Sexes)	53.2		30.5	38.1	58.9
Average No. of Workers in Family					
T	1.59		0.96	1.24	1.88
NT	1.64		0.80	1.09	1.87

Source: OFIPLAN (1977), pp. 71–72.
[a]T = *Tugurio.*
[b]NT = Non-*tugurio.*
[c]Number employed divided by number aged 15–64.

Table 27

Distribution of Employed Population by Sector of Activity and Monthly Income, Greater Sao Paulo, 1970
(In Percentages)

	Monthly Income Level (Cr. $)					
Sector[a]	Under 200	200–499	500–999	1,000–1,999	2,000 and Over	Total
Agriculture	68.2	20.0	61.1	3.0	2.6	100.0
Industrial activities	33.5	42.2	15.9	5.5	2.9	100.0
Wholesale and retail trade	28.8	38.1	20.5	8.8	3.8	100.0
Services	64.0	25.2	7.8	2.0	0.8	100.0
Transport, communication and storage	18.6	54.5	20.9	4.7	1.3	100.0
Social	15.0	41.5	27.6	10.6	5.3	100.0
Public Administration	9.4	44.2	30.9	10.0	5.6	100.0
Other	20.6	39.0	20.6	11.6	8.2	100.0
Total	34.8	38.8	16.9	6.2	3.3	100.0

Source: Schaefer and Spindel (1976), p. 49.
[a]In order to conform to the state classifications of categories, liberal professions, those without income, and the undeclared income categories are not included.

It has also been argued that, during a period when real per-capita incomes were generally increasing, the real minimum wage fell from an index value of 105 in 1964 (1965 = 100) to 83 in 1970 (Schaefer 1976).[9] This inference was drawn by comparing changes in the "nominal" monthly minimum with the price indices for Sao Paulo to obtain the real series. A comparison of the 1960 and 1970 income distribution data for Brazil as a whole also led the same author to conclude that income inequalities worsened during this period (Langoni's study being held to have dispelled any doubt on this subject) (Schaefer 1976, p. 18).

How do we explain these phenomena? What features of the labor market cause income distribution to worsen with economic growth? Is the fall in the real legal minimum wages when prices (and money incomes) are rising a real phenomenon of the labor market, of a worsening supply-demand relationship, or merely of laggard administrative procedures? The author (citing Langoni) supports the statistical observations

of widening inequality as a "consequence" of the rapid growth since the late 1960s, "necessarily" caused by increased demand for labor of a specialized nature and inelastic supply (Schaefer 1976, pp. 18–19).[10]

On the other hand, a sharply different assessment of the Brazilian experience by Richard Webb and Guy Pfeffermann raises important issues both of fact and of analysis (1978). Their study is particularly interesting in connection with the possibility that a worsening income distribution (which they question) could coexist with improvements in the labor market.

First, on the factual aspects, the authors point out that the 1960s are not an appropriate period for testing the proposition that Brazil is a case of "rapid growth with no distribution." Growth rates began accelerating only in 1968 and did not moderate until 1974. Throughout this period, there was massive rural-urban migration, which restricted the growth of the farm labor force to 0.9 percent per year. Further, given the considerable diversity within the country and the dynamic changes involved, it is unwise to rely only on static or cross-sectional observations of income inequality (or wage differences).

Unfortunately, such observations are also shaky (a judgment which disputes the conclusive quality of the Langoni study). Data weaknesses include serious underestimates of both money and nonmoney incomes; underreporting of unearned and entrepreneurial incomes; weaknesses of income, as opposed to expenditure, data; and, finally, the importance of these omissions for inferences concerning the extremes of the income distribution (such as the poor).

An alternative estimate of the poor, based on the 1974–75 expenditure data, yielded results as below. Two Rio minimum wages per family (2 × $ Cr. 376.80 per month) yielded a yearly total of $ Cr. 9,000 (12 × $ Cr. 750).[11] About one-third of the families in the country were considered to fall below the poverty line, but two-thirds of them were in rural areas, and three-fourths of the urban poor were located in smaller towns and cities. In metropolitan Sao Paulo, the poor families were just 6 percent of the total. The authors cite an earlier estimate for 1960 by Fishlow and Meesok which, using one minimum wage as the cut-off line for poverty, also yielded approximately one-third as poor. Since the underestimation of the income of the poor in the 1960 data is only a partial explanation, one must assume that there had been some real reduction in poverty (Webb and Pfeffermann 1978, pp. 21–25).

Of greater significance are the issues raised by Webb and Pfeffermann concerning the relationship between overall growth and the labor market. In their own words:

> The central distributive question is whether overall growth is being widely shared and in particular, whether it is raising the absolute incomes of the

> poorest groups. Incomes rise in two ways: as people move to better jobs, and as the mean income received in specific jobs rises. This question thus poses three statistical tasks: the measurement of (i) movement across jobs, (ii) income differentials between jobs, and (iii) trends in mean earnings in specific employment categories. (1978, p. 25)

While the general evidence for the first two was in the direction predicted by theory (movement from low- to high-income jobs), some of the findings bear emphasis. In spite of the high degree of integration in the manual labor markets, there were pronounced differences in mean family income between rural landless labor and urban manual labor, ranging as high as 1 to 2 or 1 to 3. The lowest-rung urban jobs were not, however, paying much above the daily wage rates in agriculture. It was also clear that many rural migrants were moving into middle-income and above-poverty-level jobs. Indicative of this was the more rapid growth of employment in the secondary sector and in technical jobs. This indicates the importance of both a rural middle class seeking improvement by migration, and unrecognized elements of "skill" differentiation within the ranks of manual labor.[12]

With respect to the third aspect, the real trends in the labor market did not include wage stagnation, as shown in Table 28. Real wages rose throughout, the rates of increase being sharpest since the accelerated growth of 1968. Although there is some support for the Langoni hypothesis of sharper increases for the more skilled categories, the most striking increases were those recorded for casual rural laborers, whose real wage rates went up by 61 percent between 1970–77. The strength of market forces was reflected in the considerable increases in the ratio of the urban unskilled relative to the legal minimum wage, which negated inferences based on changes in the latter's real value. As opposed to discrete, census-derived income distribution figures, such data are also more helpful in identifying the channels by which the diffusion of benefits and poverty alleviation may occur.[13] Despite their cautions about data and sampling limitations, it is clear that growth induced labor mobility and wage increases, more so after 1968 when growth was rapid.

Rural-Urban Comparisons

When we compare an urban average with a rural average, we run into the same problem of varied labor market possibilities and behavior and the need for further information. This is much more than an expression of customary academic caution, for labor market conditions are indeed diverse and incorporate unknowns of uncertain impact which are simply suppressed when conveyed in an aggregated summary statistic.

Table 28

Real Wage Trends, Brazil
(In Annual Percentages)

	1962–69	1969–77	1966–77
Farm Labor			
Brazil			4.0
Sao Paulo	1.9	9.4	
		1968–72	
Construction (Brazil)			
Unskilled		1.7	
Semiskilled		−0.6	
Skilled		6.6	
	1959–67	1959–74	1967–75
Manufacturing			
All Employees	0.8		5.3
Manual Workers		2.4	
Technical		5.3	

Source: Webb and Pfeffermann (1978), p. 37.

Perhaps the single best study, which enables us to see the full range of the complexities involved, is a microscopic examination of rural-urban comparisons in Ghana by J. B. Knight (1972).[14] In 1960, out of an estimated labor force of 2.73 million (including 164,000 or 6 percent unemployed), slightly under one-half million were in wage employment (or about 18 percent). Annual returns from employers covered only about two-thirds of this total of wage employment.[15] An industrial census of 1962 revealed 95,200 "manufacturing" units of which 87,600 had no paid employees; and only 350 had 30 or more persons engaged. Twenty-five percent of the labor force was estimated to be in urban areas (defined as localities with a population of 5,000 or more), and 44 percent of the urban labor force (as opposed to 14 percent of the rural) was in wage employment. We are thus talking about 54,000 urban and 51,000 rural wage-earners. A final background fact of relevance is that the urban population had been increasing rapidly since World War II and during the decade of the sixties.

Knight's choice of data is dictated by his desire to explain the migratory flows to urban areas. His first task, therefore, is to specify a rural supply price. He argues that the migrant's supply price

> may be related either to the average income per head of his family, or to the average income per worker, or to the average income per family, or to his

> marginal product. The supply price depends on the nature of migration—whether seasonal, nonpermanent or permanent—on family behavior and on the agrarian system. It is more complicated than much of the literature assumes. (1972, p. 206)[16]

This requires data on urban incomes in whatever sectors the migrants want to work (or will end up working) in, and this should include opportunities in self-employment as well as the probabilistic benefit of unemployment (or underemployment) while waiting for modern-sector openings. Since jobs and opportunities are differentiated by levels of education, we need income data broken down by different educational levels. We would also need data for seasonal, casual, and permanent employment which would correspond to different rural supply prices. Further points of refinement would include adjustments on reported incomes for the certainty (or uncertainty) of this receipt, for age, for costs (and requirements) of living, for differences in working conditions and associated leisure, for family size, and so on.

The major purpose of this formidable listing of requirements is to focus attention on the choices open to the "marginal" migrant.[17] It is his supply price, not the average supply price of those remaining, which is relevant. Equally, it is "not the average urban income which is relevant but the marginal income. . . obtainable by recently arrived migrants" (Knight 1972, p. 206). And in practice we will have to work with figures considerably less satisfactory for explaining the migrant's marginal choice, the best of which will be refined and particularized income aggregates rather than wage rates in the labor market (cf. Webb and Pfeffermann earlier).

Knight's findings may be briefly summarized at this point. A pioneering sample survey (1961–62) yielded household consumption data for urban and rural households which was higher for the former by one-third. Average household size, which was smaller in urban areas because of the greater proportion of single-member households, permitted estimation of per-capita consumption. Urban per-capita consumption exceeded the rural figure by about 50 percent. Rural and urban consumption baskets provided two weighting systems which, when used with rural and urban price information, yielded differences in average household and per-capita consumption of at least one-fifth and one-third in favor of urban areas. But there was considerable variation and only averages could be compared. Thus, assuming an average rural household in the North could achieve the mean expenditure of the area to which it migrated, moving to a northern town or to Accra would represent per-capita gains of 37 and 170 percent, respectively.

A later (1967) comparative survey of household incomes provided greater detail. The results are shown in Table 29. The level of detail

Table 29

Income of Urban and Rural Households, Eastern Region of Ghana, 1967

		Urban	Rural	Urban (rural =100)
1	*Income per household* (NC per month):	37.5	33.1	113
2	*of which:* of household head	30.6	23.3	131
3	of other members	3.8	2.1	181
4	joint (production for self-consumption)	3.2	7.7	42
	Income per capita (NC per month):			
5	all households	11.0	10.1	109
6	single member households	26.3	25.9	102
7	multi-person households	9.0	8.4	107
	Size of household (persons):			
8	all households	3.41	3.27	104
9	multi-person households	4.61	4.18	110
	Income of household head exclusively engaged in one occupation (NC per month):			
10	wage income	40.5	30.4	133
11	trading	31.0	33.9	91
12	sale of crafts	30.3	24.8	122
13	farming	23.0	29.2	79
14	*of which:* sales	13.8	17.8	78
15	self-consumption	9.3	11.4	82
	Percentage of households with:			
16	more than one income recipient	13	21	
17	only one source of income	83	87	
18	a single member	33	29	
	Percentage of household heads:			
19	employees	39	17	
20	self-employed	56	80	
21	unemployed	3	2	
	Percentage of household income from:			
22	wage income	44	15	
23	trading	26	21	
24	sale of crafts	8	4	
25	farming	16	37	
26	*of which:* sales	8	34	
27	self-consumption	8	23	
	Income per household by education of household head (NC per month):			
28	no primary education or illiterate	30.8	32.4	95
29	some primary education	32.5	35.7	91
30	some middle school education	49.0	37.9	129
31	some education beyond middle school	61.5	47.9	128
32	urban wage earners/rural farmers, no more than primary education	35.6	27.4	130
	Distribution of household income:			
33	standard deviation (NC per month)	27.1	19.6	138
34	coefficient of variation (per cent)	73	58	126
	Income per household (NC per month):			
35	poorest quartile	16.9	15.2	111
36	richest quartile	67.8	58.4	116

Table 29, continued

		Urban	Rural	Urban (rural =100)
	Percentage of total income received:			
37	poorest quartile	11.4	11.1	
38	richest quartile	45.8	42.8	

Source: Knight (1972), p. 210. Reprinted by permission.

Notes: The valuation of home-produced and -consumed goods was based on local market prices.

Income includes income (less any business costs, and excluding imputed rents) from all sources.

Income is net of taxes; but apart from wage-employees on PAYE, very few returns showed tax deductions.

provided reflects the diligence with which the author has examined the complexities of rural-urban migration for labor market analysis. We shall paraphrase the main points (at the same time urging everyone to read the original).

The urban household was more dependent than the rural on the income of the head of the household (81.6 percent as opposed to 70.4 percent). Average urban household size was larger, and consequently income per capita was only 9 percent larger.[18] This differential was even smaller when comparisons were restricted to multiperson households.

Occupational comparisons restricted to household heads exclusively engaged in one occupation (line 10) indicated an advantage for urban wage-earners of 33 percent, but the pattern was mixed for the others (lines 11 to 15): trading, 0.91; sale of crafts, 1.22; and farming, 0.78.

There are some real problems in comparing incomes of household heads exclusively engaged in wage earning in urban areas with those in full-time farming in rural areas (see lines 10 and 13). The "contribution" of the household head is suspected of being considerably exaggerated where income accrues to the entire rural farming household. The greater skill differentiation and wage spread in urban areas would exaggerate the unskilled wage differential when average wage incomes are being compared. For instance, average urban wage earnings were as below:

Wage-earner Category	Earnings per Month in New Cedies
All	40.5
With primary education or less	28.1
Excluding the monthly rated	23.5

To complicate matters further, the presumed wage/income advantage disappears for household heads with little or no education, being slightly higher in rural areas, but increasing considerably in favor of the urban head of household with more than primary education. However, some 70 percent of those in urban areas did not attain this level. Inequalities were greater in urban than rural areas, but they occur only at the higher income levels (lines 37 and 38). Since rural households of above-average economic level send a disproportionate number of migrants, one should not assume that the lowest-level urban incomes provide the best economic alternative to the migrant.

The author also notes that available data are weak on breakdowns for age, length of urban residence, unemployment experience, transfers, and the like, all of which are important for labor market analysis. A final problem is that the decision to migrate permanently involves income comparisons over time. The relevant average income figures were even poorer. Between 1952 and 1967, 1962 constituted a watershed followed by inflation. Average real earnings from employment fell during the second phase and the decline was greater in the real minimum wage; somewhat the opposite movement was recorded in the real values of food production and farm incomes per rural household. Overall, however, rural-urban differentials narrowed.

One point to note, over and beyond the limitations of wage or earnings data from employment, is the importance of developments outside of wage-earning employment in urban areas. Between 1956 and 1968, modern-sector nonagricultural employment grew an average of 3.3 percent per annum, whereas the population grew at more than twice that rate.[19]

This discussion of rural-urban income differences emphasizes the difficulties of choosing appropriate pairs of income differences for illuminating labor market alternatives, whether for migrants or others. No single pair will be adequate, precisely because so little is known about important variables affecting migratory behavior. This consideration looms even larger when one is attempting to generalize to different countries: differentials which are adequate in one country are weak in another because of economic and cultural variables that are not accounted for (Taira 1973). Nor can we, in labor market analysis, assume the integration we take for granted in money market analysis—that a representative, composite, or average wage rate effectively reflects economic conditions or changes therein. In fact, the dual and aggregate labor market theorists assume the urban (modern-sector) wage rate to be insensitive to labor supply conditions, but nevertheless to carry the main burden of explaining migratory movement. By contrast, the residual

nonmodern sector is so totally integrated with the labor surplus economy that it is caricatured as an "urban village" (Webb 1973, p. 49).[20] The picture of intraurban differences in earnings brings forth clearly how unreal this view of the urban labor market is. We shall begin with a look at Jakarta.

Intraurban Differences

Jakarta

The situation in Jakarta has been summarized as follows by S. V. Sethuraman:

> If we look at the wage rate in occupations to which a typical migrant to Jakarta could aspire, we first notice that there is a continuum of wage rates from one end of the spectrum to the other; wage rates vary not only between the sectors but also within each sector and even for labour of comparable quality with similar work responsibilities. (1976, p. 118)

In government, the minimum wage varied between Rp. 3,300 and Rp. 7,200 per month, or a daily rate of Rp. 132 to Rp. 292 (assuming 25 working days per month). For workers with six years of schooling, the monthly rates were between Rp. 5,750 and Rp. 6,200 (or Rp. 230 and Rp. 250 per day). Other minimum wage figures are shown in Table 30.

On the basis of these figures, Sethuraman concludes that a typical migrant, aged 20, with less than six years of schooling, is most likely a candidate for jobs in the range of Rp. 150 to Rp. 250 per day "because of the relatively small weight to be attached to the high wage sector and a [*sic*] large weight to be attached to the low wage sector" (1976, p. 119).

Although the Jakarta rates are clearly high compared to wages paid to permanent and temporary laborers in the Estates or agricultural laborers in Java (ranging from Rp. 60 to Rp. 90 for the former and from Rp. 100 to Rp. 200 for the latter), region-specific comparisons suggest a smaller spread between rural and urban areas. Table 31 shows the special position of Jakarta (Sethuraman 1976, p. 120). On the other hand, rural/urban comparisons for unskilled workers within specific regions indicate a very narrow spread, as shown in Table 32. Further factors to take into consideration include pronounced interregional immobilities (Arndt and Sundrum 1974, esp. pp. 55–56) and rural/urban differences in cost of living. Sethuraman himself feels that the data "seem to suggest if anything that in real terms the rural wage may be higher than the corresponding urban wage. . ." (1976, p. 121). An ILO Asian Regional Team for Employment Promotion similarly concluded that it is doubtful that wages in manufacturing are out of line with agricultural earnings or that

Table 30

Minimum Wages, Jakarta

Sector	Monthly	Daily
Foreign private	8,800	350
Selected industries		
(min.)	6,000	240
(max.)	13,000	520
Large hotel, International airlines	12,500	500
Various Jakarta sectors		
(min.)	3,800	152
(max.)	11,400	456

Source: Adapted from Sethuraman (1976), pp. 118 ff.

Table 31

Wage Rates for Skilled and Unskilled Workers by Region, Jakarta
(In Rupees per Day)

Region	1971/72		1974/75	
	Unskilled	Skilled	Unskilled	Skilled
Jakarta	200	350	350	550
West Java	155	196	250	386
Central Java	95	189	181	321
Jogjakarta	86	122	164	258
East Java	99	213	213	381

Source: Sethuraman (1976), p. 120.

Table 32

Rural/Urban Wage Differential for Unskilled Workers by Region, Indonesia
(In Rupees per Day)

Region	1971/72		1974/75	
	Rural	Urban	Rural	Urban
West Java	155	150	242	308
Central Java	95	94	181	180
Jogjakarta	86	85	155	200
East Java	117	111	214	210

Source: Sethuraman (1976), p. 120.

most Jakarta wages are unreasonable compared to going rates in surrounding areas (Sethuraman 1976, p. 121).

Information on informal-sector incomes seems more difficult to obtain and interpret.[21] Two-thirds of the hawker units had a daily turnover of Rp. 250 to Rp. 2,500 per day and one-third reported a turnover in excess of Rp. 2,500 daily. This covered some 30,000 of the approximately 1 million people in the labor force (of whom 435,000 were in unregistered economic activity; other figures are in Table 33). Another 1972 urban employment survey revealed that one-fourth of the Jakartan labor force earned less than Rp. 1,000 per week or anywhere from Rp. 140 to Rp. 200 per day, depending upon whether this was a five-, six-, or seven-day week.[22] A smaller proportion (one-fifth) of the households earned less than Rp. 1,000 per week, but 46 percent of these had a household size of three or less as compared with 10 percent in the higher income groups. Finally, given the wide and continuous spectrum of urban earning possibilities, the Jakartan data call into question the appropriateness of a dichotomous division of the urban labor market. This dichotomy is more useful for identifying the extremes than for studying intraurban labor mobility and/or rural-urban migration.

The range and importance of the jobs in the "unorganized" sector are brought out clearly in data for another major Asian metropolis, Bombay.

Metropolitan Bombay, India[23]

The city of Bombay represents a major, relatively well studied labor market, with a labor force of almost 2.5 million. The detailed data on earnings in 1968 for the "organized" and "unorganized" sectors are reproduced in Table 34.[24] In the organized sector in particular, the pay structure is complicated, and consists of a basic pay, cost of living (dearness) allowances, bonuses, and various supplementary payments in cash and in kind. This is an important aspect of the blue-chip firms in the organized sector and presents problems for comparison even in the unorganized sector (for instance, lodging or meals on premises in small hotels, etc.). An estimate for 1961 placed employees in the unorganized sector at 450,000 and in the organized sector at 840,000 (out of a total labor force of 1.69 million). As noted earlier, the organized total was an overestimate, and there was some doubt that it could be clearly separated from unorganized employment, estimated at 300,000. The 450,000 employees included 100,000 in domestic service, 13,000 *Dhobi* (launderers), 11,000 barbers, 80,000 in retail trade, 122,000 in individual units employing an average of 3 or 4 (including 45,000 in unclassified activity), and 45,000 in transport including local carriers, *tiffin* carriers, scooter drivers, and so

Table 33

Informal-Sector Incomes, Jakarta

Informal-Sector Activity	Number	Annual Income		Daily Income
		In Dollars	In Rupees	In Rupees
Transport (mainly *betjak* or rickshaw drivers), 1969–70[a]	70,000	100	41,500	173
Home Industries, 1969–71[a]	27,000	100 to 265	41,500 to 110,000	173 to 458
Construction	70,000		N.A.	
Farmers	37,000		N.A.	
Hawkers, 1973	30,000			
40%		150	60,000	250
60%		over 150	over 60,000	250
Agriculture	37,000		N.A.	
"Low income" Groups, 1972.[b] (Slum dwellers or those with no fixed abode.) Income of family of 5 persons	Not Known	60 to 180	24,000 to 72,000	100 to 300

[a]Converted from dollar figure into Rps at $1 = Rp 415. See Sethuraman (1976), p. 133.
[b]The daily total was multiplied by 240 working days and the dollar total was obtained by using an exchange rate of $1 = Rp 400. The same rate and procedure were employed for the hawkers. However, for transport and home industries, the daily totals were derived from the dollar figures, using the $1 = Rp 415 exchange rate employed by Sethuraman. Assuming a standard 240-day working year may be unwise, particularly for the poor.

forth. Some 10,000 beggars, 10,000 to 15,000 prostitutes, and an unspecified number of smugglers and the like were also identified.[25]

With this background information we may look at the wage data for Bombay city in Table 34. Instead of the problem of omissions in "pay" in the organized sector, which could be quite serious for the blue-chip firms at the higher end of the wage scale and for some industries like engineering (where incentive payments are important), we have the problem of determining monthly earnings from the daily rates reported in the unorganized sector. In many cases, these are minimum wage rates, not actual rates paid. Although some payments were lower, the wage-fixing

Table 34

Lowest Pay of Unskilled Labor in Various Occupations, Bombay, January 1968

Rupees/ Month	Organized Sector	Unorganized Sector	Rupees/ Day
60–69		Women in construction; unskilled workers in small hotels	2.30–2.70
70–79		Light work in rice, flour, and *dal* mills; road construction, and in stone-breaking and crushing; some types of work in the *bidi* industry	2.70–3.00
80–89		Glass industry; plastic industry; oil mills; potteries; tanneries and leather; rubber; heavy work in rice, flour, and *dal* mills, and in stone-breaking and crushing; fishermen; unorganized coolies in docks; unorganized soap production	3.00–3.50
90–99		Heavy work in road construction; paper board; shops and commercial establishments; public motor transport; bricks and roof tiles; small hospitals; small engineering firms; male construction labor	3.50–3.90
100–109		Cine studies and cine laboratories; canteens and clubs	3.90–4.25
110–119		*Bidi* rollers	4.25–4.60
120–129		Average wages of Rs 127.85 in 14 engineering firms employing less than 25 workers; printing;	4.60–5.00

		cinema exhibition; auto workshops and garages; cotton ginning	
130–139	Average wages of Rs 139.4 in 18 engineering firms employing 25–49 workers; 2 chemical firms employing 40 workers; film industry	Railway porters; several small-scale manufacturing firms	5.00–5.40
140–149	Jai Hind Oil Mills		5.40–5.80
150–159	Pay of lowest grade of workers in central and state secretariats, post offices, railways, other central and state government offices and administrative units; Bombay Municipal Corporation; average wages of Rs 155.35 in 15 engineering firms employing 50–59 workers; some firms producing rubber products and pharmaceutical products; recommended wages for electrical undertakings	Metal porters; *mathadis*; private bargemen in port	5.80–6.10
160–169	Airlines		
170–179	Average wages of Rs 171.49 in 10 engineering firms employing 100–199 workers; organized port employees; recommended minimum wages in heavy chemicals and fertilizers		
180–189	Average wages of Rs 186.20 in 9 engineering firms employing 200–299 workers; Indian Trade and General Insurance Co.; silk textile workers		
190–199	Semidecasualized stevedores; recommended minimum wages in cement firms; class "C" banks; Life Insurance Corporation of India		
200–209	National Organic Chemicals Industries		7.70–8.00

Table 34, continued

Rupees/ Month	Organized Sector	Unorganized Sector	Rupees/ Day
210–219	Class "B" banks		
220–229	Cotton mills; decasualized dock workers; petroleum marketing; class "A" banks; average wages of Rs 225.76 in 12 engineering firms employing more than 300 workers; National Machinery Manufacturers, Ltd.; Garment Cleaning Works; Bombay Electric Supply and Transport Undertaking		
230–239	Tata Oil Mills; Associated Cement Company		
240–249	Oil Refineries: Esso, Burmah-Shell; Reserve Bank of India; Bharat Bijlee, Ltd.; Voltas, Ltd.; Poysha, Ltd.		
250–259	Mukand Iron and Steel Works, Ltd.		
260–269	Phillips (India), Ltd.; Paper products; Metal Box, Ltd.; Indian Aluminum Co., Ltd.; Guest, Keen and Williams, Ltd.		10.00
270–279	Chemicals and Fibres of India, Ltd.		
280–289	Crompton, Greaves, Ltd.; Sandoz (India), Ltd.		
Above 290	Siemens India, Ltd.: Rs 310.63; New India Assurance Co., Ltd.: Rs 315.50;		

	Hindustan Lever, Ltd.: Rs 325.4; Cyanamid, Ltd.: Rs 346.15; Pfizer (India), Ltd.: Rs 366.00; Glaxo Laboratories (India), Ltd.: Rs 393.60

Source: Joshi and Joshi (1976), pp. 92-95.

authorities appear to have been guided by labor market conditions when the minima were being fixed (1965–70). Further problems arise because of fringe benefits, age-sex differences of the unorganized workers, and the regularity of employment. It is not clear how many peop e work less than the estimated full time of 26 days per month.

With all these limitations, the figures imply a continuum of rates embracing both the organized and the unorganized sectors. Although the highest earnings are paid in the organized and the lowest in the unorganized sectors, there is an overlap in the manual and unskilled categories between the Rs. 100 to Rs. 180 per month. Given the ambiguity of the dividing line it is reasonable to conclude that there is a spectrum of wages in the urban labor market. (Further, labor supply decisions will also be influenced by such considerations as possibilities of supplementing wage incomes and employment possibilities for secondary earners, which may not necessarily favor the higher-paying sector. Pooling of incomes and expenditures and family members working in more than one sector may also diminish the equity significance of intersectoral wage differences.)

Some of the examples discussed emphasize these points. The *mathadis* (head load carriers) and metal porters are self-employed and classified in the unorganized sector; but they effectively have a closed shop and "most of them earn more than Rs. 160 p.m." (Joshi and Joshi, 1976, p. 98), well above average unskilled money wages in the smaller and medium-size engineering establishments.[26] Although there are many more examples of organized-sector wage rates in excess of this total, their overall quantitative share of the metropolitan labor market, particularly with respect to manual and unskilled labor, must be judged to be small. Some of the highest figures cited represent enclaves in the foreign private sector or the prestigious Indian private and public companies. The banks, the Life Insurance Corporation of India, the Reserve Bank of India, and so on, and the foreign firms also require a minimum of secondary or high school education. Others, such as the textiles, emphasize prior work experience.

The Bombay data presented here focus on alternatives in wage-earning employment. There are, of course, income alternatives in other activities, especially in entrepreneurship and self-employment.

Such overlaps in formal- and informal-sector incomes have been observed in other parts of the world. The Hong Kong study has been mentioned before and deserves repetition. As in the San Jose study, there were considerable interindustry differences in household earnings, but dualism as such could not be inferred from sectoral or industry breakdowns (Hsia and Chau 1978).

Joan Nelson (1979, pp. 29–30) summarized the findings of two recent studies as follows:[1] A sample survey for Belo Horizonte, Brazil, of household incomes in 1972 indicated that one in eight of the poor (those earn-

ing below the minimum wage) were employed by the government, 17 percent in large firms employing more than 50 workers, and 15.5 percent in firms employing more than 5 (Webb's "modern" sector) but less than 50 workers. Conversely, a third of the nonpoor were domestic servants, self-employed, or employees of small firms, all of whom are usually considered part of the informal sector. The Tanzanian study of seven towns, also quoted earlier, provides the other example. All persons in paid employment were compared with the four largest categories of the self-employed (street traders, landlords, shopkeepers, and craftsmen). Many of the self-employed were in the moderate- and high-income brackets, and the percentage distribution in each activity was not markedly skewed.

Richard Webb, whose study of Peruvian data has been mentioned earlier, reported that in the Peruvian economy, modern-sector (mainly urban) individual earnings were mostly in the top quartile but that nearly 60 percent of those in the urban traditional sector were in the top two quartiles. He further adds

> ...most UTS (Urban Traditional Sector) incomes surpass the limiting income for the bottom quartile...by a margin much larger than any plausible correction. The common assertion that UTS workers are no better off than the rural poor is an erroneous generalization derived from the case of the urban fringe: the poorest (and most visible) 5 to 10 percent. (Webb 1973, p. 30)

Joan Nelson, in what is surely the most thoroughgoing appraisal of the usefulness of the dualistic framework in analyzing the problems of the urban poor, is equally negative. She pinpoints the weaknesses in the following terms:

> The dualist model not only seeks to explain urban employment and therefore income distribution, but also...is often linked to a series of assumptions regarding the make-work character of informal sector activities...These assumptions turn out to be still less reliable.... (Nelson 1979, p. 33)

One major reason for this is the failure to distinguish traditional skills and the scope for nonmodern employment where entry is by no means free. Their role in providing an important and viable alternative to urban wage employment is just beginning to command recognition. A study in a West African urban setting illustrates this finding.

Traditional Skills in the Urban Economy

Kumasi, Ghana[27]

The data may be briefly summarized:

Minimum wage rate = 2.00 cedies per day[28]

Tradesmen grade II	=	75.06 to 81.81 per month[29]
divided by 26	=	2.886 to 3.146 per day
Less social security (12.5%)	=	2.525 to 2.752

The average gross earnings of informal-sector establishments (after paying for electricity, raw materials, and wages) range from 150 cedies per month at the low end to nearly 1,000 cedies at the upper end, the former where the master's training consisted only of apprenticeship with another wage-earner and the latter where he had technical training. In the bulk of the cases, the establishments grossed around 350 cedies per month.[30] It is noteworthy that the highest earnings—in 4 of 300 units—were those where the master received his training within the family; technical training (6 out of 300) or training in an institution (10 out of 100) produced the next highest earnings, around 600 cedies per month.[31]

	Gross Earnings[32] per Establishment	Number of Units
Informal	77.43	267
Formal	85.26	31
All	78.25	298

In 269 out of 298 cases, apprenticeship was in the informal sector and gross earnings averaged over 300 cedies per month. When broken down by the level of education, masters with no education (82 out of 298) and with primary-level education (38 out of 298) averaged 253 and 320, respectively. These figures clearly indicate that informal-sector entrepreneurs did quite well compared to those in formal employment and those covered by the legal minimum (even allowing for depreciation, interest payments, and shares of partners in the enterprise).

That the Kumasi, Ghana, example is not an isolated case is suggested by the pioneering intercountry analysis by James G. Scoville (1976b). This is discussed in the next section.

An Intercountry Comparison

Scoville focuses on the traditional industrial sector, in part because he sees an interdependence in the urban earnings structure. The higher the skill differential in the former (and, one may add, the larger its relative importance), the greater its impact will be on the entire spectrum of modern-sector earnings, skilled and unskilled. Investigations in Kabul, Afghanistan, provided the early inspiration for this formulation and led to a more extensive scanning of the published literature for various countries. Scoville's data are reproduced in Table 35. Scoville's explanation of

Table 35

Intercountry Comparison of Incomes, Earnings, and Wages by Sector, and Intersectoral Ratios of Urban Earnings

Place	Date	Currency	Time Reference*	"Formal" sector: Skilled (w_s)	"Formal" sector: Unskilled (w_u)	"Traditional" Skilled (w_x)	Common Labor (w_o)	Intersectoral Ratios of Urban Earnings: w_s/w_u	w_u/w_o	w_x/w_o
Ouagadougou	1969?	CFAfr	w			2,500[a]	1240			
Khartoum	1956?	£S	y	300	77[a]	375	120	3.89	.642	3.125
Poona	1954	Rs	y	1,200	790	730	445	1.52	1.775	1.64
Nairobi	mid-1960s	sh	w	40[a]	34[a]	50[a]	40[a]	1.176	.850	1.25
Kenya	early 1970s	sh	m	450[a]	225[a]	120[a]	70[a]	2.00	3.214	1.741
Iseyin	1965–6	£N	m			15[a]				
Ibadan	*c.* 1964	£N	m		6.37[a]	11.25[a]				
Ibadan	1959–62	£N	m		6.25[a]	8.5[a]	2.5[a]	—	2.5	3.4
West Bengal	1972–4	Rs	m	250[a]	174[a]	150[a]	75[a,c]	1.437	2.32	2.0
Kanpur	1954–5	Rs	m	80[b]	47[b]	48[b]	34[b]	1.702	1.382	1.412
Bombay	1954	Rs	m	110[a]	71[b]	104[b]	69[b]	1.549	1.029	1.507
North Central State, Nigeria	1972	£N	y	250[a]	120[a]	157	49.4[c]	2.083	2.429	3.178
Kwara State, Nigeria	1972	£N	y			144	81.8[c]			
Mysore State	1963 or 1964	Rs	d	4.51	4.43	2[a]				
Amravati City, India	*c.* 1960	Rs	m			63.46[b]				

Table 35, *continued*

Place	Date	Currency	Time Reference*	"Formal" sector: Skilled (w_s)	"Formal" sector: Unskilled (w_u)	"Traditional" Skilled (w_x)	Common Labor (w_o)	Intersectoral Ratios of Urban Earnings: w_s/w_u	w_u/w_o	w_x/w_o
Sholapur City, India	1938–9	Rs	y	226[b]	157[b]	110[b]	68[b]	1.439	2.309	1.618
Saugor City, India	1956?	Rs	m			37.5[a,b]				
Bangkok	1975	Bt	d	55	29					
Addis Ababa	1968–9	$E	d	2.72[a]	1.20[a]	2.075[a]	1.125[a]	2.267	1.067	1.844
W. Bengal	1966	Rs	y	1,383	1,320	747				
Ahmedabad	*c.* 1961	Rs	m	159[a]	122[a]	150				
Hyberabad	*c.* 1961	Rs	d			2.25				
Karimnagar	*c.* 1961	Rs	d			2				
Kondapally (village?)	*c.* 1961	Rs	m			100				
Bihar State	1968–70	Rs	y			820[b]				
Tanzania (all urban)	1971	sh	m	397	151[a]	200	50[c]	2.629	3.020	4.000

Source: Scoville (1976b).
* d=day, w=week, m=month, y=year.
[a]Averaged.
[b]Estimated.
[c]Agricultural common wages in urban areas.

the limitations of the figures, themselves survivors of a mass of material which was scrutinized, is important.

1. One cannot be sure of occupational classifications because of insufficient information, changing usage, and aggregations employed.
2. There are problems in distinguishing rural and urban labor markets where there is a continuum.
3. Many studies do not adequately define concepts used such as "income," type of industry or enterprise, and so on.
4. There was an extraordinary range and wealth of sloppiness in the presentation, discordance between texts and tables, and omissions of dates, sample size, and so forth.

Thus, what emerges is a working table, carefully winnowed, and (unfortunately for the purposes of this chapter) again compressed into four sets of wage figures to facilitate regression analysis.

From these figures, one may derive for certain countries additional ratios of modern-sector skilled to unskilled wages and modern-sector unskilled and traditional skilled to urban common labor wages. The results are also shown in Table 35. The last two columns give the ratio of wages of modern-sector unskilled to common labor and of wages of traditional skilled labor to common labor. There is considerable variation among the labor markets studied, even within one country. Of the 26 labor markets reported on, 14 are from India and 5 are from Nigeria. Of greater relevance to the purposes of this chapter is the existence of a viable alternative outside of the so-called modern sector. Actually, in most cases it is a superior alternative to entering the unskilled ranks of the modern sector, although we cannot be sure for how many. It is this which prompted Scoville to advance the view that the traditional skilled sector, rather than the modern sector, should be considered as the *independent* variable in urban wage determination. As he rightly adds, its importance would depend on its relative magnitude, which varies from country to country.

Personal and Social Variables

Urban-rural or modern-traditional differentials are aggregates which encompass the effects of many component variables. The foregoing discussion emphasizes the pitfalls in simplistic divisions: skills in demand may not all be modern, and traditional need not mean only unskilled or subsistence-type activity.

The burgeoning literature nevertheless emphasizes the need for finer and more relevant ways of differentiating labor characteristics which command premia in the market place.

A key problem is to determine what constitutes "skill" in labor markets where the formal school system is as yet a limited dispenser of skills in demand (Johnson 1972). Although fashionable, it would be unwise to assume that the value attached to ethnic or other particularistic affiliations is irrational. The formal training or schooling system may be important in jobs of a standardizable nature, where the school, rather than some kind of family or informal apprenticeship system, commands a comparative advantage. In those special sectors (for example, government) characterized by sticky wages and an excess supply of educated labor, however, educational criteria may be relied upon to insure "fairness-in-hiring" (Bhagwati and Srinivasan 1977). But we cannot juxtapose ascriptive and educational criteria as if they constitute a polarized choice between nonrational and rational means (Kannappan 1977a, pp. 7–8). Also, economic, sociological, and psychological explanations of the returns to education are not mutually exclusive where there is a fair degree of competition (Blaug 1973a).[33] We have argued that the absence of competition has been exaggerated in the literature—at least that substantial portions of the urban labor market display sufficient flexibility and atomistic organization.

At any rate, the data suggest an earnings advantage for the educated, even outside the formal sector, and sufficient differentiation among others, assumed to be homogeneous. Some examples follow.

In an analysis of 1971–72 wage differentials of 2,138 randomly selected workers in five industries (29 factories) located in Delhi and nearby areas, Johri and Misra (1973, pp. 39–69) concluded that strong interindustry effects "show that there is no such thing as an undifferentiated mass of homogeneous labour force at the lowest level of skill." This finding was attributed to individual bargaining and the weakness of standardizable influences such as trade unions and collective bargaining. Among four skill categories studied, the coefficient of variation for the lowest skill class was larger than for the others in two out of five industries and larger than that of the two highest skill classes in one more. Also, medium-sized firms (100 to 500 employees) had greater dispersions than larger firms, and this was most pronounced in the unskilled category.[34]

Productivity differences where one would least expect them were pointed out by Scoville (1976) quoting from an Indian study of beggars in Cuttack, the premier city of Orissa:

Category of Beggars	Daily Earnings in Rupees
Average	1.00
Diseased	0.87
Physically Handicapped	1.06

Able-bodied	1.31
Religious Mendicants	1.34

Source: Scoville (1976).

The economic rationale provided by the author is as follows:

> People often give, not with the idea of helping the needy, but with a motive of achieving "Punya" (virtues). Thus religion seems to have encouraged begging because it gives rise to more mendicants and simultaneously increased the number of alms givers who sought to achieve virtues (Punya) and thereby individual salvation through charity. . . . Consequently, in the pretext of religion a large number of people find in begging a means of escape from hard work and other responsibilities of normal life. Thus there is a large number of beggars who though able bodied and capable of working become lazy and prefer to thrive on begging. (Misra 1963, p. 2)

Somewhat similarly, Richard Webb points out for Brazil that unskilled manual labor migrants doubled and even trebled their incomes by moving to urban areas. They bypassed the lowest-rung urban jobs, those close to the legal minimum wage (which in turn was close to the daily agricultural wage rate). Webb concluded that "the 'minimum wage' entry jobs do not define the earnings for a majority of the class of manual workers" and that part of the explanation must be sought in "the skill hierarchy within the manual category" (Webb 1973, pp. 29–31).

Gene Tidrick reports for Jamaica, where real wages in unorganized sectors rose as rapidly as in the unionized sectors (the Jamaican economy being characterized as "heavily unionized"), both a pattern of considerable interindustry variation in the wages of unskilled workers and attractive earnings possibilities in casual employment (Tidrick 1975). The interindustry variation, which he terms a "distorted" wage structure, includes differentials of 2 to 1 in weekly earnings between bauxite mining and the two next most highly paid industries, transportation and construction.[35] In terms of interindustry variation Jamaica is the fourth highest among 18 countries reported on in 1970. Tidrick further estimated that high-wage casual employment in docks, construction, ourism, and illegal activities would earn at least as much as full-time agricultural wage earnings. A two-day, seven-hour shift in the docks would bring in more than a week of full-time agricultural work.[36]

J. G. Scoville, whose work was discussed earlier, has pointed out the advantage enjoyed by skilled workers in the traditional sector in Kabul, Afghanistan (1969, 1973, 1974). The data, reproduced in Table 36, are more informative than the highly compressed statistics presented earlier in this study.[37] These results, comparing average compensation in Kabul for modern-industry, traditional-industry, and agricultural employment, indicate a 2 to 1 difference in favor of modern-sector unskilled workers.

Table 36

Selected Indicators of Income Structure, Afghanistan

Sector and Occupation	Afghanis per Year
1. *Agriculture*[a]: Income per adult male, 5 provinces, 1970	4,800
Modern Industry[b]: Average compensation, Kabul and vicinity, 1970	
2. Unskilled men, year-round	9,600
3. Weavers, power-loom	16,400
4. Other operatives	16,300
5. Mechanics	34,400
Traditional-Sector Trades[c]: Median labor income, Kabul, 1972	
6. Owner-operators of shops (28 men in sample)	40,000
7. Adult male workers (31 men)	36,000
8. Boys, aged 12–18, excluding part-time workers and apprentices (32 boys)	14,500

Source: Scoville (1974a), Table 1, p. 276.

[a]Figure has been derived from those for six provinces south of the mountain range which separates Kabul from the North (provinces of Kandahar, Parwan, Ghanzi, Nangarhar, and Laghman).

[b]Figures include fringe benefits. Modern-sector workers are employed on fixed-term contracts: one year for unskilled, longer for operatives and skilled workers.

[c]Estimates were prepared by the author from interviews at 23 shops in Kabul during July 1972. Nine kinds of shops were visited: tinsmiths, carpenters, bicycle repair, electrical repair, tailors, bakers, auto repair, metal working, and a forge. The income of owner-operators was apportioned between capital (their estimates) and labor inputs, using a 35 percent rate of return on capital. To the extent that "small capitalists" of this sort cannot get 15 percent on alternative investments in land or carpets, their labor income has been underestimated.

But traditional-sector trades indicate a distinct superiority, and even boys aged 12–18 seem to do better than the unskilled in modern industry. Again, the importance of unrecognized elements of skill differentiation is suggested.

The large and growing literature on the returns to education, a significant human capital variable, is also of interest. Much of this is of limited general value, focusing mainly on the specialized labor market for educated persons. But the more general studies are of interest because of the light they throw on labor market segmentation and other unspecified human capital (personal or social) variables. On the whole, there is limited support for the proposition that education and literacy serve only as rationing criteria with no productivity implications. They are impor-

tant in the nonmodern sector as well, but their predictive power is relatively weaker. Particularly relevant are the studies by Dipak Mazumdar, George Psacharopoulos, George Johnson, Pang Eng Fong, and others discussed in this chapter.

An analysis of income distribution in Belo Horizonte studied the influence of market structure and human capital clusters (Sant'Anna, Merrick, and Mazumdar 1976, pp. 45–51). The results showed that

> characteristics currently associated with informal sector employment, such as unskilled manual occupations, shorter working hours, size of firm, casual remuneration of labor and self-employment, have different impacts on individual earnings and, in some cases, no significant effect at all. (p. 48)

Peripheral residential location had a consistently negative effect on earnings, suggesting the possibility of a spatial dimension in labor market segmentation. Although there was some evidence of upward mobility between generations, the study concluded that workers of all types in poorer households earned substantially less, and those in the higher classes very much more than the values predicted by human capital variables alone. A class effect emerged as an important explanatory variable to be explored.

In contrast, the human capital variables emerged as more important in a comparative analysis of metropolitan Kuala Lumpur and two towns on the east coast of Malaysia (Mazumdar and Ahmed 1978). Two versions of the segmentation hypothesis were tested: (1) differences in earnings arise from variations in "measurable" human quality due to education and experience, "institutional" factors explaining the rest; and (2) location in the labor market modifies the slope rather than the intercept with respect to the human capital variables. The results of employee earnings alone indicated that human capital rather than institutional variables did a better job in explaining the earnings of unskilled workers. Number of employees turned out to be the only institutional variable of consequence but its importance was judged to be small. There was evidence of a trade-off between experience and formal education in Kuala Lumpur. Finally, and most significantly, there was "no evidence" for the popular hypothesis that earnings through a worker's career are limited in the informal sector. As Mazumdar and Ahmed explain:

> In an established labor market like that of Kuala Lumpur the greater opportunities for increased earnings in the larger plants through formal educational attainment are balanced by a closer relationship between experience and earnings in the smaller plants. In the more recently growing labor markets of the East Coast, while wage differentials are substantial. . . a small amount of formal schooling and a short period of experience seem to be sufficient to pull up the earnings in the small plants to the level of the larger plants. (1978, p. 34)[38]

George Johnson's analysis of urban Kenya emphasizes the importance of a complex of variables of undetermined significance which contribute to observed wage differentials (Johnson 1972).[39] He points out that

1. Unions are able to raise wages in private industries by 30 percent and in government employment by 11 percent; however, non-union wages in private industry are also twice the hourly rates for self-employment.
2. Available data do not permit testing the prediction that the real wage for the self-employed in urban areas will be equal to the wage level in agriculture (see p. 11); the cost of living figures (p. 26) suggest that it may actually be lower.
3. The largest tribe, the Kikuyu, suffers from discrimination, but their lower earnings in Nairobi may also be consistent with their location (closest to Nairobi) and "simple migration theory."

Age and education were important, but had systematically different effects for the self-employed as compared to employees, indicating the lesser significance of education in "petty capitalism" (Johnson 1972, p. 34).

George Psacharopoulos (1976) similarly subjects Moroccan modern-sector earnings data to a test of the returns to schooling. The data yield the conventional positive returns to education. The returns at each incremental level of schooling were also high, unlike the case in Pakistan and other Asian countries, raising the question of imperfections in the human capital market. What is puzzling, however, is the sharp differences between native Moroccans and foreigners in the returns to education. Since the data pertain to a period of French rule, one possibility is that native Moroccans were discriminated against (or that there was a taste preference for employing the French in the higher positions). However, Psacharopoulos opts for the explanation that native schooling was inferior to the schooling the foreigners received.

The issue of the economic advantage of ethnic association has been raised, but only inconclusively dealt with, by Psacharopoulos, Elkan, Johnson, and Pang Eng Fong. A penetrating analysis by Remi Clignet (1976) of the employed workers in the Cameroons identified ethnic factors as well as formal training as independent influences on wage differentials. The variation in earnings attributable to education or ethnicity was greater in the manual than in the nonmanual labor market. The difference between the highest and lowest educational category was about 8 to 1 in the former and about 4 to 1 in the latter. The differences were less striking when controlled for training, but were present for the different ethnic groups; further, these were more pronounced at the lower educa-

tional levels. It should be noted that the survey was limited to wage employment in the modern sector, but excluded public employment. Important questions left unresolved naturally include issues of access to the better-paying jobs. One should also note Clignet's observation, substantiated by other studies for other parts of the world, of greater differences in wage differentials by levels of literacy or education in urban than in rural areas. Clignet himself concludes:

> Particularistic variations in the rewards accruing to a same educational experience are not surprising if one assumes that the function of schooling is . . . to legitimize the current hierarchy of social and ethnic groups and, hence, to perpetuate current patterns of social and ethnic stratification. (Clignet 1976, p. 215)

However, Clignet's own analysis of the role of "particularistic" factors is more complex and does not exclude a functional role for ascriptive factors. Factors such as education and experience intermingle with others such as sex, age, and ethnic origin in predicting worker productivity; also important are scalar attributes of employers and jobs. There is much that is of value here which will be taken up in the next chapter dealing with labor market processes, and which incidentally is consistent with contributions by economists stressing the greater importance of particularistic variables in the early stages of development (Levine and Taira 1977). One of these "indices," the family status of migrants, deserves special mention because of a particularly rewarding analysis focusing on a neglected component of human capital. We refer here to a study by Dipak Mazumdar of the considerable wage advantage enjoyed by the textile workers of Bombay city during the nineteenth and early twentieth centuries when such influences as trade unionism and welfare legislation were of minimal importance (Mazumdar 1959a, 1959b, 1973). Mazumdar argues that the variable of productive significance was whether the migrants were accompanied by their families. This was associated with stability, which was important for the employers in the newly industrializing area. A shortage of workers with this characteristic meant that earnings in employment would at least have to equal foregone *family* earnings in rural areas. Also, as I point out (Kannappan 1968a), stability and productive experience interacted to produce a situation where real wages rose systematically over a period of several decades, a phenomenon poorly explained by reference to excess supply in the general Bombay labor market. Kinship and ethnic ties were important factors in the growth of the huge textile labor force and remain so even today in migration to Bombay.

Interactions between personal, social, and skill variables go to the heart of how a labor market functions. Since these are not systematically

related to migrant/nonmigrant status, the latter does not yield consistent differences in earnings. Schaefer (1976) sees migrants as worse off, at least as judged by the distribution of migrants and nonmigrants in monthly income categories among different economic sectors and subsectors. Given a nearly 2-to-1 ratio of nonmigrants to migrants, there were more nonmigrants in several low-paying categories, but the proportion of migrants in the lower income categories was somewhat higher. The findings are by no means conclusive, however, as the differences were not all that significant in such activities as domestic and personal service, and there are other relevant factors as well. For instance, the author suggests that the greater proportion of migrants in the lower-paying income categories in repair and maintenance may reflect the fact that many are apprentices acquiring general skills. Schaefer also noted that there were relatively insignificant differences in migrant incomes among different metropolitan areas in Brazil and, further, that 56 percent of the migrant workers in Sao Paulo earned more than the minimum wage in 1970.

By way of contrast, Rakesh Mohan's (1978) analysis of incomes in Bogota, based on a recent, thoroughgoing survey of this major metropolitan labor market, leads him to challenge the relevance of the migratory status as an independent variable. His data suggest that migrants

> are not especially poor; they do not concentrate in specific areas of the city . . . ; they are not less concentrated in particular occupations nor activities; they are not less educated, nor, perhaps, less skilled than the natives . . . . Furthermore, there is little evidence that they are disadvantaged in the job market. (pp. 71–74)

Joan Nelson's more general survey (1979) also cautions us against equating migrant status with low economic remuneration in the city. One reason for this is the differences in the quality of the migrant labor force and the relatively higher scores recorded for some migrant streams on such things as education or employment experience. She summarizes the situation as follows:

> To say that most domestic servants and many construction workers are migrants does not imply that most migrants are thus occupied. Looking at the entire spectrum of urban occupations, do the occupations of migrants differ significantly from those of natives? And if so, why? The short answer to the first question is that in some places there are fairly clear-cut occupational contrasts; elsewhere there are not. The explanations for the contrasts, where they appear, can be found largely in differences in education levels. Subsidiary reasons have to do with contacts and credentials, ethnic bias, and perhaps the proportion of temporary to permanent migrants. (1979, p. 77)

The evidence is more consistent for the view that migrants do better than nonmigrants in terms of unemployment. However, this is consistent both with the position that they have lower reservation prices and accept jobs more readily and with the possibility that migrants are somewhat more

careful and well-informed and migrate only when they perceive distinct possibilities of bettering themselves. The plain fact is that since they are a diverse lot at the point of origin, and metropolitan areas differ considerably in terms of opportunities offered, migrant status alone is too weak a predictive factor.

This point is amplified by Mohan's analysis of Bogota (1978), which shows both the limited importance of the urban dichotomy and the presence of other factors associated with low urban earnings. Manufacturing has the highest concentration of large firms but production (manufacturing) workers are among the lowest paid, raising the question of whether there is a "protected" sector or at least whether it is to be considered synonymous with manufacturing. In Hong Kong manufacturing earnings were similarly on the low side because of considerable intersectoral labor mobility, a point emphasized by Clignet in dividing the labor market between manual and nonmanual workers rather than any other way (Hsia and Chau 1978). However, there are limits to this mobility which affect migrants and nonmigrants alike.

When dealing with the lowest-paid workers, the important predictive factors are the characteristics associated with being poor. Mohan (1978) notes that the age-income profile for workers in Bogota is low and flat.[40] This emphasizes the role of housing segmentation, transport problems in access to the job market, and their interacting influence on schooling, aspirations, and contacts. Some studies have identified single females, and others the unemployed, the aged, and the infirm.[41] Clignet notes a strong pattern of residential segmentation of the migrant poor. On the other hand, the San Jose, Costa Rica, study found it difficult to establish clear relationships between residence in *tugurios* and poverty status. As of now we are not in a position to generalize. Part of the problem is the preoccupation in many studies with identifying the proportion of the population or labor force falling below a poverty norm, rather than identifying, as the studies under consideration here tend to, characteristics which encourage the development of noncompeting groups which are stuck in the very lowest-paying categories.

In a more general sense, poverty is only one aspect of social stratification which cuts across rural/urban and migrant/resident divisions. One would expect an increasing emergence of class variables such as parental occupation, income, and so on. Such class variables would be important in governing access to education even if levels of educational attainment tend increasingly to prescribe uniform rewards. Studies controlling for class variables are relatively rare.

Perhaps one of the strongest manifestations of class in an urban area is the tendency to unionize. The idea that there is a favored segment of the urban labor market, a "labor aristocracy," as it were, relies upon the role

of unions in raising wages by collective bargaining and by influencing public intervention. We shall consider this aspect now.

The Impact of Unions and Institutional Intervention

On the whole, there is limited verifiable support for the proposition that unionism is a significant factor in an upward movement of the entire urban wage level. Nor is this surprising, given the large segments of the urban labor force which are outside the high-wage modern sector and the even smaller percentage which is actually unionized. Wage increases in the nonunionized categories of the urban labor force must naturally be constrained by the dampening effect of rural-urban migration and other sources of labor supply internal to the urban labor market. Tidrick, however, in his analysis of Kingston, Jamaica, advances the view that gains in the organized sector of the labor market are transmitted elsewhere through the "spillover" effect. Such sympathetic adjustments of supply functions and reservation prices in the labor market which are orchestrated with autonomous pressures in the high-wage sector are unusual, however, and the explanation is not convincing. A unique factor in the Jamaican case is the impact of emigration on wage increases in the Kingston labor market. This situation is akin to favorable demand shifts and is quite different from that in most developing economies.

Other studies have tried more modestly to determine the influence of unions on intraurban or intra-modern-sector earnings. We noted earlier the serious problems related to the reliability and definition of union membership figures. Available studies are few, and do not support the impression of a significant union influence. The Johnson findings regarding Kenya, devoted to a detailed analysis of intramodern-sector differentials, differ from the study undertaken more recently (Rempel and House 1978). Rempel and House claim that the Kenyan data show that the "modern" sector as a whole (defined in extremely broad terms) displays Todaro-type characteristics of wage rigidity. Unionization is not separately identified, nor is it likely to be coterminous with such an extensive modern sector.[42] There are other problems with this analysis which also make it less than adequate.[43]

With respect to India, Grace Horowitz (1974) argues that on the whole unions and government are relatively unimportant in wage determination. She finds that the wage differentials since government intervention in the late forties have not been different from what prevailed before. The general picture is one of weak unions and relatively limited government intervention. The variables with stronger impact appear to be size, capital-labor ratio, and labor productivity.[44] A judgment as to the

impact of unions is difficult because, although they cover only a narrow spectrum of the urban labor market, their influence is exercised partly through public policy with respect to wage regulation. A variety of instruments including compulsory arbitration or adjudication, wage boards, and wage norms have been employed.[45] Even where such regulation has focused on the public sector, it has been argued that it has set the pace for others in private employment. If so, such orbits of "coercive" comparison must be small in range, confined to blue-chip employers who compete for the same superior and scarce manpower. The problem is also due to the wide variation in practice among various countries as well as to differences between rhetoric and practice. The latter was strikingly illustrated by the Indian government's flat refusal to accept as binding for public employees the 1957 National Tripartite Conference's norm of a need-based minimum wage, which was also disregarded in numerous tribunal and wage board decisions. This position held despite the Labour Ministry's endorsement of this norm and the unanimous support from representative national trade union and employer federations, public-sector employers, and state government representatives!

A review of the literature yields few generalizable propositions, but on the whole cautions us against assuming a priori that the union effect, even in combination with government policy, is either significant or disruptive. This is substantially similar to the conclusions emerging from the thoroughgoing review of the literature and evidence by Peter F. Gregory (1975). In India, the main effect of government intervention in (industrial) wage determination was said to be one of moderating wage demands and linking money wage increases to increases in the cost of living (Jackson 1972, Handy and Papola 1974, Sawhney 1976). In Nigeria, tradition is said to tie private wages to upward pressure on government wages, but only in the modern sector. But there is some doubt that this represents an independent influence of trade unionism.[46] In Mexico, the experience since the sixties gives rise to a disquieting feeling about the increasing impact of institutional intervention (union and public policy forces acting together), but its impact on various industries and units is uneven. Other stress the importance of market forces, particularly for an earlier period (Gregory 1975, Isbister 1971). Gregory himself (despite his apprehensions about the Mexican experience) concluded that "while several of the authors have asserted that trade unions have been effective in distorting wages of their members away from market levels, there has been little presented . . . as adequate proof of this assertion" (Gregory 1975, p. 2). The survey goes on to add that there is little evidence for the popular view that trade unions in developing countries possess independent power which can force employers to pay "high" wages. It argues that the ingredients of bargaining strength – full employment, political

independence of labor organizations, financial self-sufficiency, and organizational strength—are only rarely encountered. Although such power may be obtained *via* political association or governmental action, there is no basis for assuming that such an association will necessarily guarantee ever-higher wages; and it may well be a "vehicle of wage restraint" as government intervention seeks to secure the national interest. Thus, even if we speak only in terms of the urban modern sector, a blanket assertion that the effect of unions has been to increase wages would be difficult to sustain.

The legal regulation of minimum wages inevitably borders on the issues of institutional intervention discussed above. But there is some virtue in dealing with it separately. Its coverage of the urban labor market may be more inclusive than that of the minima associated with collective bargaining, and the level may be substantially independent of trade union pressures. Enforcement would also depend more on public vigilance than on policing by the trade union.

There are three possible situations to consider: (1) a minimum wage that is set at the level of the high-wage enclave sector, but with liberal exemptions for self-employment, services, small-scale enterprise, and so forth; (2) a minimum wage that is set sufficiently low (and somewhat variably for the different industries) so that it permits employment both above (as in Sao Paulo or Peru) and below this rate;[47] and (3) a minimum wage that is in fact higher than a rural-urban equilibrium differential and is vigorously enforced throughout the area.

There are many good examples of the first two types, and their consequences will be limited in space and time. The minimum wage in Khartoum, Sudan, is a good example of a nondisruptive version of the first type. There are others with vague and sweeping intent and lackadaisical implementation, whose true intent is consistent with either type 1 or type 2 (Webb 1977b, pp. 226–33).[48] In either case, there will be some disequilibrium in urban labor markets but it will be specific to the firms or trades covered. It is only the third type that can create an *urban-wide* disequilibrium. Our survey of metropolitan employment does not reveal any instance where this is true. The Tidrick "spillover" effect sounds good, but cannot hold when there is a continuing inflow of migrants with lower reservation prices.[49] Such a disequilibrium rate can be enforced only by an authoritarian state determined to stop such inflows. Today, only China, Kampuchea, and Vietnam may have this authority. For most developing countries, even sweeping intent must in practice adjust to various market rates.[50]

But the possibility does exist that type 1 or type 2, or some variant, may be more or less disruptive, depending on the scope of the "modern" sector, the scope of coverage, and the vigor of implementation. Elliot

Berg (1966, 1969) argues that the minimum wage is the effective rate for about half the workers in some African countries. Kannappan (1975), however, found that the relatively higher minimum wage of Khartoum benefited only a small number on the fringe of a minority modern sector. Webb (1977b) argues that the African situation (as described by Berg) is atypical. Elsewhere, "in the more developed and differentiated labor markets of Latin America," the impact is limited.[51] An important study by Isbister (1971), for instance, discusses the relationship between legal minimum wages and actual earnings of unskilled workers over an extensive area in Mexico from 1950–66. There was simply no correspondence in levels, dispersion, or movement.

Webb's conclusions can also be extended to countries like India. Thakur (1975, 1979), on the basis of a detailed study of apprenticeship conditions in Delhi, shows the limited impact of statutory minimum wages. He points out that the legal minimum wages may constitute not a floor but a ceiling for certain categories of workers, and that wages are largely determined by firms, despite the existence of tripartite industrial wage boards, labor courts, collective agreements, and so on (1975, chap. 8). Similarly, a detailed earlier study of the printing industry by Thakur and Munson (1969) points out that no one takes seriously the legal requirement that employers with more than 25 employees must notify authorities about observance of labor laws (p. 81). Thakur and Munson argue that "the combination of small firms, new employers, simple technology, and competitive markets means that labour laws will not be implemented easily" (p. 125).

Finally, there is a question about the combined effect of these forces of institutional intervention. As we have already seen, it is widely held that there will be a growing wage gap between the urban formal and informal sectors and that the latter will fall even below the rural average as people wait in line for modern-sector jobs.[52] In the sixties some even argued that rural-urban differentials were widening.[53] Others voiced fears about government policies, growing militancy of the union movement, monopolistic product markets, import subsituting technologies, etc. A recent study by House and Rempel (1978) hypothesizes a more ambitious country-wide Todaro-type modern sector characterized by high wage rigidity. But the model is weak, given the gaps in available information and the issues raised in this chapter about the wage structure. Briefly, wages in the modern sector are shown to be unresponsive to excess supply situations in the different districts of Kenya. The modern sector extends throughout the country rather than being only an urban or metropolitan phenomenon, and is not clearly defined. Nor are productivity and quality variables identified. The competitiveness of the informal sector is assumed, and demand in the modern sector is held to be

inelastic. Government survey data on modern-sector wages are assumed to be operative throughout. Finally, in terms of the study's own findings, it is not clear why smaller wage increases in districts with greater labor supply are inconsistent with the competitive hypothesis, or what to make of the negative coefficient between the district proportion of modern-sector employment and changes in labor supply.

An interesting weakness of these approaches is the tendency to attribute greater homogeneity to the modern sector than is warranted. The Macedo (1974) study for Brazil shows variations in the relationship between the public sector and private wages in well-established employment units. M. A. Zaidi reported in 1978 on differences within the automobile industry in Mexico. Pastore, Haller, and Buendia (1977) bring out the importance of a number of individual factors in the modern-sector wage structure in Brazil. Lim (1978) points to the existence of "sweat labor" in Malaysian manufacturing and attempts, somewhat inconclusively, to demonstrate that this is not necessarily exploitation but may reflect productivity differences (see also the ILO Mission Report on Sri Lanka [1971a]).

In any case, we also have to keep in mind that governments also act as restraining elements in the labor market; trade unions often stagnate or lose out in clashes with the authorities; and the most rapid growth in employment more often occurs outside regulated employment. A good example, perhaps, is the present situation of the Istiqlal, once a power in Moroccan politics and collective bargaining and now reduced to a purely dependent relationship and a rather limited role in the labor market. Much the same is true of the Sudan as well. Although our data base is limited, it would probably be premature at best and irresponsible at worst to assume that the relevant rural-urban or intraurban differentials are necessarily disruptive or are moving towards a worsening disequilibrium.[54]

A recent exercise by Webb (1976b) comparing real wage *trends* in modern manufacturing with trends in GDP per capita throughout the 1960s supports this inference from another direction (see Table 37).[55] In half of the 27 countries studied, real wages in manufacturing grew less rapidly than real GDP. The "low-wage" countries[56] included several noted for having pursued "authoritarian and anti-union" policies but also others such as India, termed "a major political exception" (p. 242). Despite strong democratic pressures and decentralized state governments, the central government established "principles of strong central control, of wage restraint, and egalitarian wage criteria. Along with general wage restraint, there has been a sharp reduction in skill differentials" (Webb 1976b, p. 242). Although there were economic changes which tended in these directions, "consensus"-type wage and industrial

Table 37

Trends in Manufacturing Wages and GDP per Capita for Selected Countries (Annual Average Changes, in Percentages)

Country	(1) Real Wage (1956–72)	(2) GDP per Capita (1959–71)	(3) Difference (1)−(2)
Tanzania	9.4	2.2	7.0
Nicaragua	7.1	3.5	3.6
Zambia	6.5	3.1	3.4
Colombia	4.7	1.9	2.8
Dominican Republic	3.6	1.0	2.6
Chile	4.6	2.1	2.5
Jamaica	(5.6)	(3.1)	(2.5)
Peru	4.1	1.8	2.3
Ecuador	4.1	1.8	2.3
Venezuela	(2.7)	(0.6)	(2.1)
Ghana	1.4	−0.1	1.5
Ceylon	3.1	2.1	1.0
Panama	5.5	4.7	0.8
Egypt	(1.2)	(1.1)	(−0.1)
Mexico	3.8	3.9	−0.1
Turkey	(3.5)	(4.0)	(−0.5)
Brazil	2.3	3.1	−0.8
Pakistan	1.0	2.2	−1.2
Guatamala	1.8	2.1	−1.5
Burma	(0.4)	(2.0)	(−1.6)
Costa Rica	(0.5)	(2.2)	(−1.7)
Argentina	0.5	2.6	−2.1
Taiwan	3.2	5.7	−2.5
Korea	4.2	6.7	−2.5
India	−1.3	1.5	−2.8
Philippines	−1.4	1.6	(−3.0)
Thailand	(−2.6)	(5.3)	(−7.9)

Source: Webb (1976b), Table 5. Reprinted by permission.

Notes: Parentheses indicate cases where data were available for short subperiods only.
The dates shown in column headings indicate maximum period covered; in some cases the periods are shorter.
The maximum periods for columns 1 and 2 do not match fully, but they overlap sufficiently to indicate the approximate relationship between manufacturing wages and GDP per capita.

relations policies rather than the high-wage or low-wage (and repressive industrial relations) policies were the principal policy input. For the LDC experience as a whole, Webb concludes as follows:

> The "high-wage policy" that allegedly characterizes LDCs, and that is routinely attacked in discussions of employment and equity, is a misrepresentation of wage policy in LDCs. Cases of straightforward redistributive pro-labor poli-

> cies, such as the post-independence experience of several African countries and the Peron period in Argentina, have been the exception not the rule. Wage restraint and industrial consensus policies are the more common LDC attitudes toward modern-sector labor. Modern-sector wages have risen more often *despite* primarily repressive or neutral wage policies. (Webb 1976b, p. 246)[57]

The literature on wage trends which discusses the interrelatedness of labor markets is also of interest in this context. On the whole, these studies indicate that wage movements are more complementary than incongruous, which clearly implies that wage determination in the leading (modern) sector was being guided by the (rural) opportunity cost. The Hong Kong study disputed the idea that labor markets are compartmentalized by showing the interrelatedness of ISIC breakdowns of household earnings and emphasizing vigorous horizontal labor market movements, particularly in manual categories. Others arrive at the same result by focusing on intercountry comparisons at a more aggregative level. Gregory's (1976) regressions of wage rate changes in manufacturing on comparable agricultural figures for 25 countries indicated a proportional relationship. The coefficient was stronger (0.99 as opposed to 0.8) when wage changes in agriculture were regressed against construction changes. A multiple regression analysis by Glytsos (1977) yielded a coefficient of 0.97 between percentage change in manufacturing wages and percentage change in average agricultural incomes.

Swadesh R. Bose (1975)[58] undertook a more detailed but still aggregative study of wages in three sectors—agriculture, manufacture, and construction—for seven countries (Kenya, Ghana, Mauritius, Sri Lanka, Korea, Mexico, and Uruguay). Manufacturing and agriculture were considered equivalent to the urban-modern and rural-traditional sectors and construction was used as a surrogate for the urban-traditional sector. The period covered was 1960–70. Bose found no instance of rising real wages in manufacturing, while real wages in agriculture were stagnating. The direction of change in real wages in each of the three sectors was the same, which was "considered as fairly good evidence of inter-acting labor markets and of the relative absence or ineffectiveness of differential policy intervention" (p. 31). In Korea (and, to a lesser extent, Mexico) rising real wages were associated with rapidly rising real GDP per capita (3 percent or more per annum) and rapid employment growth in non-agricultural sectors. Slow growth of GDP per capita (even modest growth of 2 percent per annum, as in Kenya and Sri Lanka) meant virtual stagnation of real wages. Kenya, Sri Lanka, and Mauritius may have favored institutional intervention over manufacturing wages, but these proved unsustainable given the limited real GDP growth. However, despite "an anti-union political framework and low wage policy," Korea "came first in the wage league" (p. 33).

Such interrelated movements depend upon vigorous labor mobility and equalizing tendencies linking the several labor markets, which is why an observed differential cannot tell us much. In the LDC economies, the close, continuing, and sometimes almost permanent ties between urban workers and rural relatives make it hazardous to draw any a priori conclusions about welfare or growth diffusion. Collier and Lal (1979) show how important rural-urban links are in Kenya, not merely for subsistence support but for rational and productive use of urban earnings. The authors suggest that these serve to minimize disparities, although they stop short of identifying this as a trickling-down process. Gallin and Gallin also demonstrate the importance of these factors in decisions to migrate as well as to return, sometimes after a considerable absence (Gallin 1978, Gallin and Gallin 1980). These links not only introduce greater complexity to our analysis, but indicate a much closer integration of rural and urban labor markets than has been assumed by dualist theory. Lack of efficiency or equity in urban labor markets must derive from other sources.

Concluding Remarks

Formal models of the urban labor market consider the urban wage level and its breakdown to be determined exogenously and to be inflexibly higher than the (rural) opportunity cost. The burden of adjustment is then on net migration. Such models are not helpful in explaining either the urban wage level or structure, and in some respects are misleading. Available information on urban wages and earnings—although spotty and heterogeneous—shows rural and urban earnings to be fairly well linked, with elements of flexibility in the urban wage rate, and well-integrated labor markets.

Institutional intervention may well be important, but only for some countries and even then only for well-defined, limited segments of the urban labor market. Growing urban demand for labor is an obvious upward influence on urban wages, but equilibrating movements keep wages in line with measures of (rural) opportunity cost. Urban wage levels, when careful adjustments are made for equalizing differences (cost of living, relevant reference groups, etc.), may not be all that high compared to rural areas. Such refinements are not easy, but are essential.

Broad rural-urban averages must be broken down at both ends to give an adequate idea of the choices open to employers, employees, and the self-employed. Such choices are made at the margin, but it is not easy to specify which margins are relevant among the range of rural alternatives foregone and emerging opportunities in the urban economy. The various

intraurban contrasts presented in this chapter demonstrate that a high-wage job in the urban-modern sector is only one possibility within a wide and complex range of opportunities. It is also clear that the rural inflow is not restricted to the bottom rungs of the urban labor market, which raises the possibility that this is a horizontal movement linking various rural and urban skill and productive hierarchies. Little research has been done to test this proposition, but such support as can be found in the wage structure deserves further examination.

Disaggregated information on urban wage or income differences confirmed that there are important factors at work in the urban labor market of which we have only limited knowledge. There are elements of considerable differentiation in what appears superficially to be a mass of homogeneous and unskilled labor.[59] Although institutional factors, of which we hear a great deal (not always favorable), do not turn out to be uniformly and/or pervasively bad, the unorganized or informal-sector labor market is no bed of roses either. No component of the urban labor market is consistent with the economist's perfect labor market, but in the aggregate it is a market subject to competitive pressures. When available information on the distribution of employment (reviewed in the previous chapter) is combined with the limited detail on wages, we get a picture of the urban labor market which is quite different from the conventional image. It is not rigidly dichotomized between city and village or within the city. Therefore, we need to worry less about the cumulating pressures of unemployment or a widening gap in wages, and instead direct our attention to factors which differentiate labor, and labor's access to opportunity, within the urban labor market.

The observed phenomena which merit explanation may be briefly summarized. There are significant overlaps in wages cutting across urban labor market division that have been thought to correspond to high- and low-wage sectors. There is not much basis for asserting that an autonomously established legal minimum or a collectively bargained rate is the governing rate. The spread and differentiation in the urban wage structure suggests a continuous spectrum of earnings from low to high rather than a bimodal distribution. Self-employment is an important option for both high- and low-paid workers, and probably represents a wider range of opportunities than wage employment. Literacy and education appear to command premia, more so in the urban than the rural setting, and not just within the modern sector; this finding minimizes the significance of arguments that literacy and education are only screening devices for formal-sector employment. The Kuala Lumpur study, which discounted the importance of institutional and locational variables such as education and experience, nevertheless found much unexplained variation in earnings. Unspecified class effects were hypothesized. It is also

not clear whether it is experience as such which is being rewarded or other characteristics conducive to experience. One such attribute, an "unconventional" human capital variable, may be family status. The Bombay study emphasized that this was a favored attribute among textile employers because migrants with families proved to be more stable and were correspondingly compensated. Other "less conventional" human capital variables such as ethnic ties, place of origin, and traditional skills also appear to be important. In the Cameroons, ethnicity competes with literacy, even among modern-sector employers. Traditional skills and crafts also appear to command a premium in places as far apart as Kabul and Lima. Finally, we have much unexplained variation in earnings in entry-level wage rates for manual workers, including migrants, in Sao Paulo and Casablanca, for example. Urban poverty and low-income status bring to the fore additional exclusion aspects linked to social, housing, and residential segmentation.

This brings us to an important aspect of this summary, namely, how the labor market serves to diffuse the impact of economic growth. Rural-urban linkages are not a one-way street deriving from modern-sector employment prospects and expenditures from resultant incomes. Some of the urban demand for labor would thus not be linked to urban modern-sector growth, and part of it would be for services and skills of a traditional nature. These possibilities are suggested by the existence of adequate earning opportunities outside the modern sector, and the more rapid growth of smaller towns and urban non-modern-sector employment. Economic growth probably has an across-the-board expansionary impact on rural areas and cities and on the dynamics of their interrelationship. This is certainly clear in the Brazilian case, where the effects of economic growth were felt beyond the "modern" sector. The interrelatedness of wage movements between rural and urban areas, and within urban areas, and the flexibilities in the observed wage structure, would argue that this is relevant for other countries as well. The emphasis would be on demand shifts rather than sympathetic "spillover," supply shifts as transmission mechanisms leading to wage increase in the labor market. Supply elasticities would be crucial in determining wage differences and rates of increase in both modern and traditional sectors and for both types of skills and combinations thereof. This would be consistent with what we know. The benefits of growth are distributed unevenly, but are by no means confined to the modern sector. But we need to know more about who benefits and why.

These are the major phenomena which merit attention, and assumptions of labor homogeneity and dualism underlying current approaches have simply been too restrictive to permit an adequate exploration of them. This is why even studies within this circumscribed tradition have

provided more detail in practice. Others have called for three- or even four-sector breakdowns. Our need is rather for innovations which incorporate more effectively the heterogeneity on the supply side of the labor market and the diverse elasticities. We focus on three aspects: (1) a wage structure which does not correspond to the pattern predicted by prevailing classifications (mostly dualistic) of the urban labor market, a pattern derived mainly from institutional/organizational characteristics or urban employment rather than supply-side characteristics; (2) labor quality differentiations and aspects of segmentation which emerge as important and about which our knowledge is limited; and (3) the role of the labor market as an integrating mechanism, diffusing the impact of economic growth and linking rural and urban economies and their components.

The metropolitan studies reviewed earlier assumed the dualism inherent in the formal models and mobilized data on urban earnings accordingly. More detail has been obtained by, for instance, the Hong Kong study using ISIC categories (consolidations of which provided the basis for attempts to estimate formal/informal sector totals). Others have relied upon size cut-offs, measures of capital intensity, status as a registered factory, and even wage employment. The aggregations were intended to approximate and emphasize the disequilibrating nature of rural-urban and intraurban differentials. In the ensuing discussion we will focus on the latter.

Unfortunately, none of the variables have consistent predictive value. Formal-sector earnings are not uniformly higher. The urban traditional-sector wages are not necessarily low, even when the urban sector is broadly defined so that the informal sector includes only units with fewer than five employees. Small firms show up every now and then, as in Indonesia, indicating higher productivity and earnings. Just as there are segments of low-wage employment in the favored or "protected" modern sector (see the Bogota study by Mohan, for example) and in manufacturing (the Hong Kong study), there are also relatively well-paid workers in the traditional or informal sectors. (See the intercountry and Afghan studies by Scoville [1972, 1974], the study by Joshi and Joshi [1976] on Bombay city, and Webb's [1973] study on Lima.)

Of course, one could point to studies which show the impact of size or technology on productivity and earnings (Guisinger [1978] on Pakistan, Horowitz [1969, 1974] on India) and press, as some have done, for additional urban breakdowns. However, these are of limited value unless there is a clear theoretical basis for assuming that such institutional/organizational variables are related to earnings.[ω] If one ignores differentiating characteristics on the supply side, we fall back on employer largesse and rationing to explain high formal-sector earnings, but we have no explanation for high informal- or traditional-sector earnings.

It is a measure of the weakness of theory here that attention so far has focused mainly on three "supply-side" variables: the minimum wage, trade unions, and migratory status. The first two are not really independent variables on the supply side, it being commonly assumed that formal-sector units are unionized and/or covered by the minimum wage. An example is the Joshi and Joshi (1976) validation of their estimate of formal-sector employment. Only in the Sao Paulo study was the legal minimum wage the explicit basis for establishing a formal sector. But even such attempts are seriously limited. In Bombay, we ran into a whole set of minimum wage rates for different occupations and industries, actual rates varying in either direction.[61] Sao Paulo, Casablanca, and Mexico, among others, have shown a variety of starting rates both above and below the legal minimum. Available information makes it more difficult to establish how many workers benefit from trade unionism and collective bargaining. But it is certainly misleading to assume that collective action is nonexistent in the informal sector, as the Bombay example of the *mathadis* shows; and it is premature to assume its effectiveness in unionized segments of modern industry. Johri's data for Delhi show a weak homogenizing effect of factory employment on unskilled workers, and a considerable dispersion in unskilled earnings even among medium-sized firms. So we have two supply-side variables which are represented in practice only by widely divergent institutional/organizational variables. These go to the core of industrial unionism's raison d'être.[62]

Migrant status may be a more genuine supply-side characteristic, but proves to be a weak predictor. Migrants are not uniformly poor, nor are they more likely to be unemployed. Here again, it is not clear that the expectation that migrants would do less well is founded on a defensible labor supply proposition. Our global data in the first chapter pointed out that migrants are well equipped for entry into the urban labor force, at least in terms of age, sex, and educational preparation. The expectation seems to derive from the assumptions of labor market dualism which placed migrants behind natives in the urban queue (and glossed over other aspects of labor quality). They were undoubtedly supported by casual empiricisms which generalized from migrant visibility or concentration in slums and low-income employment to a disproportionate tendency among migrants to enter these areas.

Given the limitations of the present state of knowledge, we can at best theorize about some of the factors which may be important in determining the urban wage structure. We will not touch upon education or formal skills, which are adequately covered in the formal literature. We will also skip over chance factors and others giving rise to short-run disequilibria. One cannot overlook these, particularly in markets characterized by limited information networks. To the extent the work-experience relationship leads to continuing improvements in produc-

tivity, the advantages deriving from chance may even be longer-lasting. However, such windfall gains and rents may for the most part be self-liquidating.

The more enduring aspects of wage advantage, however, may flow from "innate" differences among workers and corresponding hiring preferences. These will be discussed in greater detail in the next chapter. Some of these differences may pertain to physical strength and stamina, age, sex, and place of origin, or some social variable as a proxy for the same. Where much work is manual, or not different from work done before, the preference may be rational. This may also be true of the services (food vending, domestic service, etc.). An important characteristic of production here is the inability to separate the "product" from the "producer," so that discriminatory/preference patterns may blanket much of the tertiary (and perhaps even secondary) sector and reinforce the importance of innate individual and social characteristics. We are accustomed to dealing with these as standardized products or services, while it may simply be more accurate to treat them as differentiated, or even as different, products. Employer practices—substituting personal ties and contacts for formal procedures, learning on the job for formal skills, and social sanctions for contractual relationships—may also lead to a widespread pattern of preferred traditional attributes which command premia. The presence of a large number of small employers, unpaid family work situations, self-employment, and proprietary forms of organization, combined with differentiated products and services, reinforces the importance of such innate individual and social characteristics.

Such characteristics may also be important in the as yet poorly understood and enumerated world of traditional skills. In the urban area, this would include traditional practitioners who, as we argued in Chapter 1, have incorporated some modern inputs. It would appear reasonable to assume that at least in some trades, the relevant skill is a family, caste, or locational tradition. Any growth in demand for such skills or crafts would necessarily provide a wage advantage, which may well be enduring if it is associated with a crucial aspect of the social structure such as caste, religion, tribe, or language. This may also be an important determinant of urban traditional wages or earnings if the urban employer or consumer of the service is a price taker in the relevant labor market. If these skills commanded a premium in the traditional setting, there is no reason to assume that they would be available at the urban equivalent of the subsistence average. Supply functions would be steeper, of course, for the more specialized, localized, and socially segmented skills.

It seems possible that some of these factors are also important in determining the earnings of the lowest-income segments of the urban labor market. Personal handicaps, both physical and mental, may dovetail

with other disabling characteristics. Young runaways, those injured on the job, female household heads, and those of low social status are among the people who may be thus disadvantaged.

Lacking adequate employment and wage breakdowns, economists have naturally relied upon the limited data on income distribution and trends. They have further concluded that, given stable or even worsening distributions, "trickling-down" benefits are negligible. There are serious limitations to the income distribution measures, even when they are not aggregated in a self-serving way. The labor market provides a better sounding board about what is happening.

Income distribution figures include labor and nonlabor sources of income and consolidations of several earners and dependents in enumerated households. They can mask almost continuous variations in demand and supply conditions, as these changes occur in the margin and have negligible influence on the household distribution of incomes. Thus, in Brazil, although income distribution figures struck a somber note, Webb and Pfeffermann's data indicated that wage rates at the lower rungs of the urban labor market (outside the regulated market) were increasing. Even with data limitations, a careful sounding of what is happening to various unskilled rates for new employees would be preferable to merely assuming a generalized urban wage rate.

Further, even static income distributions can be deceptive, as they are consistent with much cohort improvement ignored in the summations. This can be true even when figures indicate deterioration due to an increase in the proportion of incomes accruing to the lowest income deciles. Thus, a recent study of the Indian Punjab raised the possibility that the increase in low income deciles accompanying vigorous growth may stem from an increase in migrants from other low-income states.[63]

It is also important to bear in mind that households effect trade-offs between income and nonincome goals. Income distribution data as such, without supplementary information on the labor market, provide little understanding of how households seek to equalize opportunities or of the choices they face. Increases in household size and in the number of earners may equalize household incomes and facilitate economies on certain expenditures. Many poor rural families depend upon remittances from wealthier urban workers. There is some evidence, as yet little explored, that with improved labor market prospects, urban families tend to substitute nonincome goals for labor market work. Clearly, supplements to wage incomes may also aggravate inequalities, and there is plenty of evidence that that also occurs in urban labor markets. One important aspect of the low per-capita incomes of urban households which merits attention is the extent to which overcrowding is related to the potential for acquiring valuable general skills. Its relationship to edu-

cation and formal training is well understood. Less clearly grasped is the potential in self-employment, family enterprises, and so on, some of which may involve traditional skills.

We noted earlier the possibility that at least some of the increase in urban tertiary employment may reflect favorable prospects resulting from economic growth Current supply/demand dichotomies fail to evaluate growth in this type of activity or its potential for attracting participants. The lure which attracts an overflow is commonly recognized. Successful adaptation of the type discussed in Chapter 1 means that we are talking about not a static but an expanding framework of opportunities. Most efforts to seize and exploit the perceived opportunities—whether it be a self-employed cattle-tender going to different homes, or a restaurateur operating a food-vending facility—depend upon individual initiative and a reservoir of broader support. Both conventional and less conventional human capital variables, such as literacy, education, experience, ethnic association, place of origin, contacts, and family traditions, will emerge as important and stable aspects of labor quality. Some of these differences may be of an enduring nature; if so, critical elements of labor quality which produce differences in urban earnings may not change easily in the long run either. For many family workers, low-paying or even unpaid apprenticeship may be the best among the available urban alternatives. Nor need this necessarily be a poor alternative. As noted in the Mazumdar study of Kuala Lumpur, experience may have particular value in small enterprises with less formal managerial traditions.

To conclude, it is clear that we need to go beyond the conventional labor market models and expand our theoretical framework. We can then explore further some of the interesting issues of labor market segmentation, channels, and practices which this and earlier chapters have emphasized.

Notes

1. Models of misallocation, underemployment, or cumulative unemployment are similarly derived from an exogenously given urban wage; see Porter (1973) and Stark (1979). While the former sees some hope if employment grows faster than population, in the absence of a labor market clearing mechanism, he ends up with a figure at least twice as high as Todaro's already high "long-run equilibrium unemployment."
2. On-the-spot soundings may help but much care and cross-checking would be needed. See Lubell (1980) for a description of problems in urban Cairo.

3. The breakdown is as follows: farming, 44,564; mining, 182; industry, 6,572; commerce, 6,700; transportation, 2,546; construction, 5,979; and services, 5,305 (OFIPLAN 1977).

4. This is because incremental costs of additions to family size, which would include young dependents, would give us a multiplicand clearly less than 5.3.

5. The workers per family according to income category in metropolitan San Jose were as follows:

	Family Income		
	Less than c1300	Less than c2000	Over c2000
Tugurios	0.96	1.24	1.88
Non-*tugurios*	0.80	1.09	1.87

Source: OFIPLAN (1977), pp. 71–72.

6. Although the most common cut-off ages place those below 15 or over 65 as not in the labor force, one must notice that in practice labor force participation in many LDCs is not insignificant in the 10–15 age group. In Sao Paulo, in 1970, of those in the 10–14 age group, alternative estimates placed between 22.8 and 31.7 percent in the labor force; the employment rates were lower as the result of considerable unemployment (Schaefer and Spindel 1976, pp. 29–41). The age-specific economic activity rates for Morocco in 1971 indicate 15 and 7 percent for males and females in the 10–14 age group (Government of Morocco 1976).

7. That is, assuming that the "poverty" and "subsistence" standards are realistically set, which means that they include family migration. Also, as the Costa Rican study points out, it is not easy to live at below-subsistence levels. One must assume various unrecorded transfers, etc., on the income side and, I would add, normative rather than actual needs on the consumption side.

8. There were some unresolved problems with these data, as follows. First, figures elsewhere indicate the "nominal" monthly minimum to be Cr. $176 for 1970 and Cr. $212.80 for 1971, yielding an average of Cr. $194.80. Second, the scope and coverage of the minimum wage data and their correspondence with the monthly income data of the employed population are not clear. One presumes that the monthly minimum wage refers to what one would earn if working full-time at the minimum hourly or daily rate. Departures from this would be due to working less than full-time or being in uncovered (or excluded) economic activity (for example, unpaid family workers). The income data of the employed population presumably includes both wage and nonwage income, including income from nonhuman wealth.

9. The annual movements of the Rio de Janeiro legal minimum (revised every May 1) and per-capita GNP (both expressed in current U.S. dollars) were as follows:

	Legal Minimum	GNP Per Capita
1970–71	1.91	9.52
1971–72	6.99	15.21
1972–73	12.86	43.39
1973–74	8.05	21.05
1974–75	18.00	11.95
1975–76	9.70	10.69

However, when expressed in current $ cruzeiros, the legal minimum grew faster than per-capita dollar GNP in 1970–72 and 1974–76.

10. However, differentials may well narrow if internal upgrading seems more economical at the margin and/or there are supply-side shifts raising unskilled wage rates (an assumption which would call into question the existence or relevance of widespread underemployment).
11. Or U.S. $1300 annually, or U.S. $260 per capita, assuming average family size of five.
12. See in particular Connell et al. (1976). Village-level data from different parts of rural India emphasize rural inequality as giving rise to differential patterns of migration as well as cumulative subsequent inequalities.
13. See also Fields (1977), Pfefferman and Webb (1979), Ahluwalia et al. (1980), and Kannappan (1980).
14. Knight attempts to isolate the influence of the income differential from that of changes in tastes and values on rural-urban migration.
15. The remaining were with employers in agriculture, services, etc.
16. See also the interesting prior discussion. Of particular importance is the possibility of rural subsidy to the urban migrant, in no case to exceed the subsidy while in rural economic activity or to take the form of cash.
17. Or migrants at the margin.
18. This appears to be a reversal of the earlier situation, or it might reflect the particular traits of the 1967 sample, which was of the eastern region.
19. There is a departure here from the author's usual careful use of data: "modern"-sector nonagricultural employment is not defined. In 1960, employer returns for all of Ghana indicated wage-employment to be 330,000, and the nonagricultural figure for that year, from the same source, is placed at 269,000, or about four-fifths of the total. This is puzzling because the former is supposed to have included agricultural employment (Knight 1972, pp. 220, 214). In any case, it would be a mistake to include all of the residential as "modern"-sector employment.
20. However, Webb clearly considers this a mistaken stereotype.
21. All these figures were obtained from Sethuraman (1976), pp. 129–37. Exchange rates varied as indicated on p. 10 of that study, and averaged U.S. $1 = 400 Rp for the period covered.
22. The poor may have to work more days than others to earn a given income; but their work may also be spread out with intermittent spells of idleness. However, only one-fifth of those covered by the 1972 survey seemed to want more work, and a majority worked a standard 44 hours weekly (Sethuraman 1976, p. 136).
23. Joshi and Joshi (1976), p. 27. In 1971 the labor force was estimated at 2.37 million.
24. "Organized" refers to establishments employing 25 or more workers. This tends towards an expansive definition of the organized sector when compared with the criteria of market structure, technology, etc., invoked as the basis for distinguishing the sector (Joshi and Joshi 1976, pp. 44–49).

25. See detailed discussion and table in Joshi and Joshi (1976), pp. 51–57.

26. The 1968 picture in the engineering industry was as follows:

Firm Size	Number of Firms	Average Monthly Wages
0–24	14	127.85
25–49	18	139.34
50–99	12	155.35
100–199	10	171.49
200–299	9	186.20
300+	12	225.76

Source: Joshi and Joshi (1976), p. 99.

27. See Aryee (1976). The study included motor repair, blacksmithing, carpentry, tailoring, woodcarving, cane weaving, footwear, etc.

28. 1 cedi = U.S. $0.87.

29. The entrepreneurs in the informal sector covered by this study are considered comparable to tradesmen grade II.

30. The reported gross earnings are per-week and were multipled by 4.286 to obtain a monthly equivalent.

31. There is some overlap, as these are not mutually exclusive categories (see Aryee 1976, p. 13). On the importance of family background, see p. 18. The family connection emerges as a major element in access to capital and skills.

32. There is no information concerning wages, etc., of apprentices in the units covered. But an earlier survey of some 400 apprentices in the Volta region indicated that most are provided two daily meals, about half lodging with the master, or some combination of meals and lodging; and only one master paid his apprentices 3 cedies in cash per month.

33. See also Blaug (1976), especially pp. 831–33, for further, incisive analysis.

34. On the influence of size, see also Guisinger (1978), especially pp. 14–15. The wage advantage was greatest in medium-sized firms (250–499 employees in 1959–60 and 50–499 in 1969–70).

35. Unskilled mining workers earned more than skilled construction workers. Also, unskilled construction workers earned 2½ times as much as agricultural workers (Tidrick 1975).

36. Tidrick's explanation, which we do not find convincing, is that institutional intervention (including collective bargaining) sets the high wages, and the supply functions elsewhere move up in a sympathetic manner. Interindustry and other differences are still left unexplained. There are other weaknesses in the Tidrick model which will be taken up later.

37. These were developed by Scoville for purposes of regression analysis. Much material of interest was undoubtedly lost in the summary statistic.

38. Employment in small plants was considered equivalent to employment in the informal sector.

39. See point 3 below. It is not clear whether the Kikuyu are paying for the privilege of being closer to modern-sector employment (the Todaro effect) or if the wage differentials result from their relative immobility. Even the facts are

not clear. Elkan (1975) says the Kikuyu are favored and this may, *inter alia*, reflect a non-Todaro-type proximity-facilitating migration effect!

40. See also Webb (1975) for Peru.

41. In Sudan, for instance, one-fourth of the poor-income households were headed by females and 50 percent of these were over 50 years of age (ILO 1976b, p. 70).

42. See also Nelson (1979), pp. 404–5, note 23. The dualist claim of the spread and appeal of the modern sector is not only sweeping, but not unambiguous.

43. See discussion later in this chapter.

44. See also Webb (1977b), pp. 215–58. His analysis (p. 234) is similar. An "urban presence" effect is noted and "rapid output growth" is stressed as the relevant productivity variable. See also Guisinger (1978), pp. 18–19, on Pakistan. For two of the periods studied (1964–65 and 1969–70), only capital intensity emerged as significant in an analysis of interindustry average annual earnings.

45. See Dutta (1980) for an inconclusive survey of the Indian literature, focusing mainly on the "industrial" wage structure.

46. See the debate among Kilby, Warren, Berg, and others discussed in Gregory (1975).

47. Webb (1977b) cites many examples in Brazil (e.g., pp. 215–16) and other developing countries. This also occurs in India, Morocco, etc.

48. There are also serious problems of feasibility with small firms, in agriculture, and so forth.

49. One must recall that for Tidrick, increases in modern-sector wages result in increases in nonmodern sector wages because labor withholds supply at the previous wage. Such a supply shift is different from organized pressures, but in Jamaica seems to be sustained by high rates of emigration.

50. In Guatemala, despite an authoritarian regime, it was believed that labor inspectors could venture into rural areas only at the risk of their lives! (Webb 1977b, p. 227)

51. See Webb (1977b), pp. 238–39, for a summary of the studies. Everyone, of course, recognizes Puerto Rico as a special case!

52. Although, as Johnson (1972) points out, this process will stop when migrants find the possibilities limited in the "modern" sector.

53. See Berg (1966). Perhaps, even for Africa, this represented undue alarm emanating from one or two ad hoc increases following the first flush of independence.

54. See also Guisinger (1978) for Pakistan, pp. 7–10. Real earnings of informal-sector workers did not decline between 1960 and 1975, and may even have increased.

55. See also Webb (1976b), pp. 239–45.

56. The countries named include South Korea, Thailand, Taiwan, Guatemala, Pakistan, and Brazil.

57. A less sanguine, though agnostic, view is taken by Gregory (1974).

58. Relevant, although somewhat outside our scope, is the detailed study of agricultural wage rates and movements in Kerala (UN 1975). This is a unique situation with active and well-established agricultural labor unions and government intervention in fixing minimum wages. There was no clear basis for establishing a positive union effect; productivity effects were present but by no means consistent; and intersectoral movements were close.

59. See Dutta (1980), pp. 23–25, for a brief reference to Indian literature which emphasizes this point.

60. Clignet (1976) may be among the few to reject entirely such sectoral divisions as valid for labor market analysis of manual workers.

61. It is actual rather than posted or stipulated rates which are important, and as Pfefferman and Webb (1979) show, they depend upon changing economic conditions. Hence it may not be proper to assume, as Joshi and Joshi do, that the minimum represents an average of going rates.

62. It should be added that craft unionism is practically nonexistent in Indian organized industry. See also references in the Ahmedabad study to an unstandardized and "chaotic" wage structure. The Sudan report also showed much private-sector wage variability.

63. See Hoben and Timberg (1980) and the numerous references therein, including Bhalla (1979) and Ahluwahlia (1977).

5

Labor Market Channels and Practices

This chapter is concerned with how labor market institutions and practices relate emerging requirements and needed supply of labor. We will be considering workers, employers independent entrepreneurs, and the self-employed. We are also interested in the infrastructure, the information, communication, and transportation network which guides the quality and quantity of the flow of labor services, as well as with the institutions, regulations, and practices governing certification, hiring, job access, contract enforcement, and so forth. There is an astounding and complex variety of all of these elements in developing nations, which involve an interplay of "modern" institutions such as the employment exchanges with "traditional" ones such as the family. "Modern" and "traditional" practices coexist and intermingle as well. Work is organized in a variety of ways, from the purely casual to the permanent, sometimes within a single enterprise. Also, as we noted in Chapters 2 and 3, in the absence of mandatory schooling for the young, effective child labor laws, and social security arrangements for the aged and disabled, it is not always clear where labor force participation begins or ends. As a result of all this, labor market channels and procedures can be either highly formalized and visible or unstructured and elusive, and this diversity cuts across the dualistic divisions of the urban labor market. There is much awareness of the rationality of these informal channels in the literature of the American labor market, but our knowledge of LDC urban labor markets is much too limited to permit confident generalizations. There is the further problem that many observers have tended to consider formal and universalistic procedures as also being optimal.

The comparative studies of urban employment highlight the need for more information in this area, particularly with respect to the large residual informal sector which is neither homogeneous nor negligible. Related studies, including those in progress and those from other disciplines, may add significantly to our knowledge.

Economic analyses of urban employment problems have not gone into the details of labor market processes, and have not for the most part gone beyond a priori generalizations: the main motivation for entry into the urban labor market is a modern-sector job; employment probability here is random but circumscribed by the unemployment rate; and the probability of employment increases the closer job seekers get to the modern sector and the longer they wait unemployed for openings to emerge. Given the benefits of modern-sector employment, people may pay for this privilege in other ways as well: by taking lower-paying jobs in the informal sector or in neighboring towns, for example. Thus we have the analytical underpinning for the concept of step-migration. Given the lacunae in the existing literature, the purpose of this chapter will be to pull together available information on a selective basis, with a view to developing some typologies and illustrating approaches which future research may profitably exploit. There is no pretense here of systematic research covering the vast quantities of primary material which deal only incidentally with the labor market. I will also draw on my personal experiences in research and fieldwork.

We will start first with the role of ethnic ties, which has come up several times in earlier chapters. We will next discuss employer approaches, taking care to distinguish a select, "enclave" (as compared to a broader, "modern") category of employers whose policies favor stable employment at above-average productivity. This may enable us to pinpoint more narrowly an elitist and isolated segment of the urban labor market while looking for variations in the rest. Critical references to high-wage policies and hiring standards, and much of our detailed knowledge, pertain mostly to this enclave sector. We will also examine some of the problems of entry and success in the rest of the urban economy, the criteria and processes involved, and what all this adds up to in terms of urban labor market structure and practice. The issues raised here have been little explored and data limitations are far more severe than in the case of, say, unemployment or trade union membership. For the most part we will have to be satisfied with educated guesses about relative magnitudes or ordinal judgments.

The Roles of Family, Kinship, and Neighborhood

The term "ethnic ties" is a loose way of referring to a whole gamut of kinship and ascriptive relationships which everyone acknowledges to be important. The ethnic network is of some importance even in developed nations, and one must expect this to be even more the case in developing countries. However, little systematic research has been done in this area.

Individuals are linked to families, which in turn can be linked to broader groups such as extended families, castes, and tribes, or linguistic, religious, and national entities. Almost everything one reads suggests the importance of such group ties in the labor market and in extending its role. Mostly these traditional ties seem rationally adaptive to changing needs. We consider this factor at several levels.

First, ethnic ties facilitate migration. Rural rights are protected, remittances are made, and a code of reciprocal obligations prevails. Families which have already migrated share valuable information about the new environment, act as references or scouts, and so forth. However, common caricatures notwithstanding, such ties do not encourage utopian venture or cavalier disregard. Thus, in the Ivory Coast, it was reported that families who had already migrated politely discouraged further migration if suitable job opportunities were not available (Joshi, Lubell, and Mouly 1974, p. 42).[1] In Sudan, tribal custom was quite specific in requiring migrants to contribute their half share of effort and other inputs (or an acceptable substitute) for the upkeep or cultivation of family property. The exodus at harvest time must be related to such explicit or implicit "family obligations."

The ethnic network is also a major component in the informal channels of the labor market, valuable also to the employer looking for a better quality-price combination for labor services required. Friends and relatives are important in the job search process and benefit employers as well as workers. They provide vital information and minimize the risks taken.

A contemporary account of the recruitment of tailors from Italy to the United States is illustrative (Ingrassia 1979). "Clothing manufacturers and retailers have long used this informal network" (of family connections going back to one-room shops and young boy apprentices in Naples, Italy), says a report in the *Wall Street Journal*, which "is the best way, and sometimes the only way" to find a tailor. In part this is because tailoring is a trade shunned in the United States (increasingly in the "old country," too), and "more than 80 percent of the cutting and sewing is still done by hand." A company official explains:

> Once you get a nucleus of workers, you have the network established because they're all part of a family. . . . It's an unofficial employment-procurement center.

The "system works so well" that workers may take the initiative. The official adds:

> A tailor tells the foreman in the shop, "I have a *cugino* (cousin) in Napoli. . . ." One thing develops into another. If it's a skilled coat maker, we'd guarantee a job.

However, retailers in small towns do not have the same luck, despite advertising and calls around the country. Explains the owner one such store:

> Everybody will give their right arm for a tailor today. Why is one going to move and relocate his family to Beaver Falls? To them this is the end of the world.

Finally, he decides, with the help of the Menswear Retailers Association, to sponsor a tailor from India. There are no apprenticeship programs in the United States, and the industry is accused of excluding Americans, especially blacks. The immigration process is also time-consuming, taking anywhere from two months to two years, but the industry considers it worth the trouble. Explains a personnel official:

> Tailoring is finger dexterity. If you don't learn when you're seven or eight, you can't learn. When you see tailors working in Europe, you can hardly see their hands they go so fast.

The Bombay labor market study similarly showed the importance of contacts with friends and relatives for the various linguistic entities drawn from different parts of India. A good proportion had obtained some specific promise of a job before migrating, and this proportion was greater among those who came from farther away (Hindi- and Tamil-speaking persons). Recruiting through existing employees, a classic aspect of the informal labor market channel in the United States, is noted. But the implications of such hiring can be complex. As the personnel officer of a private firm explained:

> Many of the workers in unskilled jobs feel that they can bring "cousins" and friends as substitutes and go on home, leave whenever it is necessary for them to do so. They seem to regard their contract with the company as transferable to other persons in their group. (Joshi and Joshi 1976, p. 133)

Such patterns of "transferability" or "circularity" have been more commonly observed in the context of self-employment in many parts of the world where family ties are strong and siblings may take turns manning the urban enterprise.[2] Joshi and Joshi point out that this creates "differential corridors" of migration, with much heavier representation from a few places of origin as well as some occupational specializations. Thus, in Ratnagiri, a major source of labor supply for Bombay, one village traditionally provided recruits to the armed forces, another to the police, others to the cotton mills, and so forth.

Ethnic factors governing the acquisition of relevant skills and aptitudes obviously play a part in these differential propensities to migrate. One would naturally expect ethnic factors to be more important in traditional trades or skills not covered by the school system, but they may well be

relevant to certain technical and professional skills as well. India and the former British Empire provide a number of interesting examples, in part because the existence of a central authority over such a large and diverse population encouraged specialized patterns of migration over great distances. Stenographers and secretaries from Tamil Nadu (known as Madrassis) are important in clerical and bookkeeping work in Ahmedabad, despite the Gujarati reputation for comparable skills. In Madras city, Chinese dentists were important in a principal thoroughfare; and in Jamshedpur, in the carpentry division of the famous Tata iron and steel plant, the Chinese were equally important. On the other hand, Sikhs have been important as policemen in Hong Kong and Gurkhas as watchmen all over India and on Malayan plantations. But such specialization occurs within one of India's linguistic or nationalistic categories, too. Cooks in Indian vegetarian restaurants in Madras were traditionally Brahmins, but this was less often the case among "servers" or waiters. Brahmins also commanded a premium as domestic help. More generally, many of the trades such as tanners, potters, barbers, scavengers, and musicians represented traditional specialties. In Sri Lanka, even as the government was seeking ways to effectively implement the agreement to repatriate Indian laborers, arrangements were being initiated to import Indian toddy tappers, and tea plantation supervisors indicated difficulties in substituting Sinhalese workers for female Tamil tea pluckers. This is just a sampling from a vast number of potential examples which span both the so-called formal and informal sectors and represent the combined influence of differential migratory corridors and channels of skill acquisition. And the pattern is by no means unique to India.

Family and village ties may also provide the nucleus for broader collective action in the city. These ties are of several forms, as we shall see. Caste associations in India have thus been important as pressure groups in such areas as education, public services, and the like. They are also important in self-help endeavors—for instance, in collecting funds for scholarships, securing school admissions for caste members, and so forth. It seems certain that they play a role in the job market, too, but details on the whole are lacking.

Ethnic ties also represent the potential for syndicalist action as an experience of mine demonstrates. In Delhi, in the late sixties, the taxi drivers were mainly Sikh and the trade union reflected communal ties. I left behind me in a taxi a paper bag containing expensive jewelry. When I later discovered the mistake, I made frantic efforts to locate the taxi driver. Because I didn't know the taxi's license plate number or the driver's name, and there were no telephones at the various taxi stands (they were mostly nonfunctioning), the task was not easy. The chief dispatcher in the central stand assured me that the taxi driver would be beaten up if my

jewelry were not returned. I protested that he did not even know the jewelry was there, but to the chief dispatcher (who also was someone high in the taxi drivers' union) the only thing that registered was the honor of the Sikhs. When, finally, the taxi driver of his own accord returned the jewelry (he had spent two hours looking for me), he expressed grief and dismay that I could thus possibly compromise him! His primary concern was that I should give a testimonial as to his honesty. The trade union obviously derived strength from the communal ethic and cohesiveness, a point well noticed by local observers. Of course, such communal spirit can work in less desirable ways, as in attempts—sometimes violent—to keep immigrants out of the metropolitan labor force. This can also lead to broader, "nativist" pressures in favor of "sons of the soil" and against migrants (Katzenstein 1975, 1978).

Some of these examples of collective action groups do not correspond to trade unions in the strict sense of the term. Sometimes their major purpose is to influence the policies and actions of public authorities; sometimes they are a loose association of the self-employed in a particular occupation, such as taxi drivers, transport workers, or craftsmen belonging to a specific trade such as potters. Although these groupings may have class implications, the capacity for cohesive action may well derive from a shared ethnicity. Sometimes they are merely neighborhood groups. But they do have labor market implications in terms of the way they affect the flow of information and job search patterns, and contribute to labor market stereotypes. Since the metropolitan areas include many such neighborhood clusters, it is also important to study residential, transportation, and schooling patterns and their impact on labor markets, not merely for the poor but for other urban residents as well. The Lagos study touches on transportation and the Belo Horizonte study on residential segmentation. Mohan's (1978) study of Bogota is more comprehensive and argues that all of these are major factors in determining urban opportunities, including the incidence of poverty.

The ethnic and related aspects are on the whole untouched territory. They seem to have caught the fancy of observers, but they have rarely received anything more than passing mention. An exception is a recent analysis of the Cameroons.

Ethnicity in Urban Cameroons

Ethnicity is not a working concept among economists, which may explain why the most systematic treatment of this phenomenon in an urban setting is by a sociologist, Remi Clignet. We will now consider his *Africanization of the Labor Market* (1976). Briefly, Clignet considers the

ethnic variable to be of major relevance in the "modern"-sector labor market.

We should place the study in context. It is set in the Cameroons, a relatively small West African nation. The data pertain only to small urban areas: Douala (250,000 inhabitants), Yaounde (170,000), Nkongsamba (71,000), and Edea (23,000). They are also incomplete: no overall population or labor force figure is given, although there are references to rates of increase, and there is some doubt as to the modern-sector total. It is unclear whether the sample represents a universe of 121,400 or 53,358 workers, but the following principles of selection were used to arrive at the sample from original census data. All firms with 10 or more workers were included, but a system of floating sampling ratios was used for those in the smaller sizes. Provision was made for regional variation, as the different regions represented different ethnic clusters. Corrections to the final list included organizations in the primary and tertiary sectors which did not necessarily meet the census criteria of modernity (never fully stated).[3] All wage-earners with at least a minimum of qualifications were included in the sample. The author's focus is on the "modern private labor market," which he felt should exclude non-Africans (Europeans), part-time workers, and the self-employed (there were some restrictions on the last). The above procedures resulted in a 20 percent cut in the sample, which also excluded females, seasonal and occasional workers, those paid in kind, and those whose ages could not be ascertained (nearly 45 percent of those eliminated at this stage). Ambiguities result from the weaknesses of the primary sources of information; thus it is reported that in 1960 "wage-earners of the modern sector" constituted 7 percent of the active adults aged 20–55, and 21 percent in 1970 (a span of time in which rapid population growth also occurred). There are further problems arising from the tendency of the author to term excluded private employment as the "murky sector."

The data presented in the study are, however, carefully derived and meticulously reported. As such this is a major and valuable study, representing original information not normally available. The author further presents supplementary and contrasting information, particularly on public employment practices (which, however, is more commonly available and more standardized for many countries). Further, sociological analysis is combined with labor market theory, with which the author is obviously familiar. All these features make the study of more general value, although some of the findings may be more applicable to small and undiversified metropolitan structures. Ethnicity emerges as an important factor in the labor market behavior of workers and employers.

Three major dimensions of ethnicity are considered: indigenous value

systems, the effect of variable exposure to modernization (mainly colonial) processes, and differential visibility. This last refers to residential segmentation, unequal access to informal labor market channels, and stereotypes which govern hiring by firms, all of which may be substantially discriminatory, and may facilitate antiunion policies as well. The ethnic endowment is thus variable with respect to schooling and other attributes, timing of entry into the modern-sector labor market, access to labor market channels, and subsequent advancement in employment or outside.

Early ("modernizing") migrants are seen as broadly representative of the parent stock, while later arrivals are more selective and therefore fare as well as the "modernized" groups (the Douala and Beti-Fang), being more often in public employment; in contrast, the Bamileke group (more recent modernizers) tend to go into private modern-sector employment. While the public sector provides security, this is not true of private modern employment, which is apparently viewed as a "target" and "temporary" experience, a prelude to self-employment. Migratory composition is strongest in public employment, next in private modern employment, and being native-born appears to be a distinct advantage for entry into self-employment. Migrants to Douala (as compared to migrants to Yaounde, which had less resistant traditions and therefore emerged as the European capital) were more concentrated on the periphery, and had less access to the higher-paying jobs.

Educational and training scores are also related to ethnic differences (pp. 67–69). Further, educational qualifications do not provide uniform access, even to nonmanual jobs (pp. 67–70). However, ascriptive contacts have lost some of their former importance: among the least educated, 97 percent of the older workers had gained first entry through friends, as opposed to 56 percent of those less than 25 years old. Formal credentials have become increasingly important in hiring, and on-the-job training is accordingly more important for older or manual workers. The correlation between current skill level and participation in on-the-job training is higher for blue- than white-collar workers, and this participation in turn "varies markedly along ethnic lines."

Some firms did not employ *any* Bamileke but they were a smaller proportion than those which did not employ *any* of the other major groups, the Douala, Bassa, Beti-Fang, and foreigners. Although such things as size and technology favored "ethnic cosmopolitanism," in general firms adopted different behavior toward members of the various ethnic groups. Further, firms which had a strong foreign (European) element in the upper hierarchies limited the availability to native Cameroonians of supervisory positions.

The findings of the Clignet study are by no means conclusive, given

the data limitations and inadequate knowledge about other choices open to members of ethnic groups and migratory and school output streams.[4] Nevertheless, it is clear that Clignet's analysis of ascriptive processes in the urban, so-called modern-sector labor market is important and deserves attention.

The Clignet focus on the behavior of firms is on the whole less instructive in terms of the ethnic dimension of ownership, in part because native enterprise was less developed and the main contrast was between the public sector and Cameroonian firms with high-level European personnel. The Cameroonian urban economy is also less complex and less developed than those of the major metropolises studied. But the ethnic preferences of employers raise issues of a more general nature governing the rationality of employer practice.

We will begin with a narrowly identified group of "enclave"-sector employers, for we know more about them. Working for others was, of course, not uncommon in traditional society, but this was governed as much by custom and convention as by changes in economic conditions and terms offered. Generally, the first attempts to develop a more or less permanent class of wage-earners are associated with the growth of large-scale modern enterprise, often under expatriate auspices, and with dependence on labor brought from elsewhere. This is true even now of many developing countries. In their hiring and recruitment policies, these employers displayed novel ways of reconciling "modern" requirements with traditional society, including the ascriptive features just discussed.

Labor Market Practices of the Enclave Sector

The enclave sector, as we use the term, is narrower in conception than the "modern" sector and includes mainly employment in government and public enterprises, foreign firms, and the best-established domestic enterprises. The objective is to focus on firms which exercise wage leadership and which typically pursue policies aimed at stable, permanent employment above prevailing levels of productivity. Their approaches and requirements set them off from other firms and prevailing practice. Their wage leadership is not a function of legislative and union pressure. The literature on industrial relations in developing countries identifies them as elite, blue-chip innovators in collective bargaining (Kennedy 1966). Such leadership is not necessarily the same thing as pacesetting, for "followership" may be lacking.[5] This is clear from the exhortatory tone of the literature and the independence of their personnel and remuneration practices from the larger groupings of employers. The determinants of pursued policies are not clear, but the literature identifies the following

as distinguishing characteristics: professional management, complex production processes, number of workers, sophistication of technology, capital per worker, entrepreneurial style, and so forth. I find it of some value to stress the relatively long time horizon governing employment decisions and the considerable independence of work organization, skills, and discipline from indigenous patterns and traditional foundations of legitimacy (Kannappan 1966, Squire 1979). This was certainly the case for many employers in newly industrializing developing nations. Often they also had to cope with bringing workers from great distances into unfamiliar territory. The polyglot or multiethnic population reflects such diverse origins.

Of the many experiences which fall into this category, we will choose Bombay city, for a number of excellent reasons. A virtually unpopulated area about a century ago, it today represents one of the major and best researched metropolitan labor markets. It illustrates dramatically the problems of recruitment in a newly industrializing area, even given the vast pool of labor in the hinterlands. We will review briefly the development of the cotton textile labor force consisting of nearly a quarter of a million people, which began around 1850.

The Development of a Textile Labor Force in Bombay

Almost the entire early record in the first 60 to 70 years of development of the cotton textile industry is characterized by reports of labor shortages (Kannappan 1968a).[7] Jobbers, or Mukadams, professional recruiters who were probably also payroll supervisors, were the principal means of bringing labor from the remote rural areas in to meet the industry's labor requirements. Their special position in the chain of command (comparable to first-line supervision) and in the labor market was due to their knowledge of the sources of labor supply, personal standing, and entrepreneurial skills. Often they advanced funds to facilitate the initial migration and settlement, and were correspondingly responsible to their employers.

The striking fact about the textile industry from the earliest days is that earnings were always reported to be "high" as compared to other textile centers or other industries in Bombay city itself. Further, despite the widespread poverty and the abundant number of laborers, real earnings in textiles rose throughout the period for which we have recorded evidence. A conservative estimate indicates that between 1900 and 1939 average real compensation rose threefold.[8]

How do we explain this phenomenon? After all, even with 100,000 to 200,000 workers, textile employment constituted an insignificant compo-

nent of the national, and later even of the urban, labor force. Certainly, this was not due to a radical or even reformist government supporting a militant push by mass industrial unionism, for Great Britain still ruled India and the political thrust of the government was not in this direction. In addition, some of the policies leading to an increase in real compensation per hour at work were favored by the employers and endorsed by the influential employers' association. These policies – related to hours of work, welfare measures, subsidies and allowances, and so on – were not the actions of a weak constituent bowing to governmental pressure, but attempts at a rational response to the problems faced by the industry.

This is not the place for a detailed review of one experience, but its distinctive features deserve emphasis. In a nutshell, the major thrust was to develop a stable, committed labor force. Individually and collectively, employers adopted a whole host of measures aimed at this outcome: literacy classes for adults and children; subsidized health care, housing, food, and transportation; premiums for attendance and regular service; and so forth. For most of this period the only effective labor law was the one designed to prevent a breach of contract. Government's help was sought and welcomed only to develop the necessary infrastructure or collectively favored codes of safety or hours of work and measures to maintain law and order. To assure itself of a regular labor supply, however, the industry depended upon its middlemen jobbers.

The development of a permanent textile labor force and an industrial proletariat in Bombay city itself, as well as other changes, led to an eventual decline in the role of the jobber (the transition being by no means painless). By the early 1930s, nearly 100 years after the first textile mill was established, the industry faced an excess labor supply. This took two forms: a *badli* or substitute labor force on the payrolls, and those outside textile employment in the larger Bombay labor market. Although this is the usual characterization of the Bombay situation, there are some difficulties with this view, as we shall note.

The *badli* system meant that employers kept a reserve of workers (about 10 percent of the number of permanent employees) to meet varying production requirements and to compensate for absenteeism. In the fifties, the industry also embarked on "rationalization" schemes which in effect stabilized employment while increasing productivity. Labor displacement was mainly limited to "natural wastage." Such a policy could not be welcome to the large numbers outside the lucrative textile employment. According to the late Ralph C. James, the solution was found by isolating the textile labor market from the more general urban labor market by the simple device of excluding everyone except those with prior work experience from eligibility to join the *badli* labor pool.[9]

A problem with this interpretation is that prior work experience, particularly factory experience, commanded premia even during the earlier days. Not only were experienced workers scarce, but employers went to considerable effort and expense to build up a pool of experienced workers. Even in the fifties and early sixties, the *badli* system was not a ragtag rabble of unskilled manual workers picked up at random off the streets. Rather, there was some specialization within the *badli* system, geared to the separate requirements of the different production departments. That the *badli* system was not just a manifestation of excess supply but a valuable screening device was suggested by the fact that as the *badli* ranks were depleted by absorption into permanent employment, employers pursued a conscious and deliberate policy of replacement (Kannappan 1968a, p. 454).

Dipak Mazumdar (1973, p. 492) develops the case for viewing the *badli* system as an effective recruiting mechanism as follows. There was a shortage at the going wage rate of stable workers who could be absorbed into permanent cadres, and employers found it convenient to keep the wage above the supply price of labor so they could choose from the resultant excess supply. The problem was the securing of a stable rather than a skilled labor supply, and the instability (at least in terms of turnover or return to the village) was primarily due to the extra workers recruited as *badlis*. Given these two types, permanent and casual, the employer would use them in such proportions as to equal the marginal costs of using the two different types of labor. Mazumdar notes no wage discrimination against the *badlis*, the purpose of the system being to develop an excess supply of *badlis* for selection as permanents. The jobber was still necessary well into the twentieth century, however, despite serious problems associated with him. The alternatives would have been more cumbersome and expensive and not necessarily satisfactory (even if they yielded more applicants at the factory gate). The following extract from the evidence of a mill owner to the Tariff Board of 1927 is instructive:

> Q. Don't you get any applicants at the millgate?
> A. Every morning we get them.
> Q. If that is so, could not the weaving master or spinning master take them on after considerations of their past records?
> Q. Taking a casual man like that at the millgate—you know nothing about him. Whereas if a jobber got a man, he knows him and the chances are that he will be a more skilled man.[10]

This review of employment policies in the Bombay textile industry has wider implications to which we will now turn.

Extensions of the Bombay Experience: Problems of Recruitment to Modern-Sector Agriculture in Sudan and Elsewhere

We are concerned here with two aspects of labor recruitment, the empirical and the analytical. With respect to the former our interest is in parallel experiences elsewhere in the developing world. The literature on early industrialization in Asia, Africa, and Europe provides quite a few instances of reliance on professional recruiters to assure adequate labor supplies for the growing factory system. Contemporary examples include recruitment to the Gezira-Managil complex in the Sudan, one of the world's largest modern-sector agricultural operations; construction in the Indian subcontinent; sugarcane cutting operations in India; modern-sector recruitment in Addis Ababa; and so forth.[11]

The Sudanese experience will be briefly summarized prior to a more detailed discussion of aspects of interest from a labor market point of view (ILO 1976b, esp. chap. 7). In the Gezira, for instance, a considerable number of laborers have been mobilized annually for modern-sector agriculture (mainly cotton, but also wheat, sorghum, sesame, and groundnuts). To harvest the cotton crop in 1973–74, it was estimated that the Gezira Board employed 542,000, of whom 336,000 (62 percent) were seasonally imported from outside the province. Harvesting and weeding were the most demanding activities in terms of labor requirements and time limits. There was also a smaller, but essential, requirement of labor for the cotton ginneries (8,000 to 9,000, or up to 75 percent of the total employed) for about six months out of the year. A vast and elaborate machinery of recruitment had been established, which included cash advances to prospective employees to insure adequate labor supplies for the following season. Yet by 1975 the Gezira Board was lending its powerful voice to the common refrain of seasonal labor shortages.

The overall national context was one of considerable interregional mobility. Roughly 1 million of an estimated 7 million in the labor force (or 14 percent) were estimated to be moving around nationally. Wages in the harvesting and weeding operations did not compare unfavorably with those prevailing in metropolitan Khartoum; this was certainly the case for the employees of the ginneries.[12] In 1971–72, of some 551,545 employed in cotton picking, family labor supplied 164,147 or about 30 percent; local labor was 65,416 (about 12 percent); and the rest, slightly over 58 percent, was imported. The labor was recuited by Gezira tenants, by picking labor committees operating in the different provinces, and by word of mouth. Although some 4 to 5 percent of the workers "recruited themselves" by simply appearing on the scene, for the most part the tenants and recruiters had to go to the villages and other sources

of labor supply. The tenants recruiting labor advanced the train or truck fare prior to the laborer's arrival; for the regions of the Darfur (which supplied about a fifth of the labor) this amount may equal about two weeks' earnings. The Gezira Board offered free transport rather than a cash advance. The Gezira tenants, who did the bulk of the hiring, also provided small advances on wages. The tenants, in turn, relied on advances from the Gezira Board and did their hiring primarily through the sheikhs and village headmen. The recruitment for the ginneries was done through labor contractors who in turn depended upon the commitment of the labor intermediaries to provide labor.

Somewhat the same picture of labor recruitment practices has been provided more recently (1979) for the New Halfa irrigation scheme, which is located near the Gezira and is one of its many competitors for the seasonally migrant labor supply.[13] Again, the most serious need for labor was in cotton cultivation (harvesting and weeding). A tenant with five *feddans* (a *feddan* being approximately 1.04 acres) would be paid FS 18 for the initial task of organizing labor prior to harvesting, and advances at three later stages: FS 58 after production operations, FS 2½ per quintal of cotton seed after picking, and FS 25 after clearing the *hawash* (*feddan* of five acres). Wages of 80 to 100 piasters per day (FS 1 = 100 piasters) compared favorably with prevailing alternatives at Khartoum, but labor was difficult to get.

In neither case are these types of project difficulties or "shortages" inconsistent with aggregate estimates of a labor surplus, when we take into account the choices and reservation prices of the particular suppliers of labor and of the employers as well. Variations in rainfall at the source of labor supply were independent of climatic variations at the point of demand. As one informant put it, a good rainfall would mean that the farmer can cultivate his sorghum or other crop, produce *marisa* (a brew made from the grain), and "live it up."[14] However, poor crops at the point of demand would affect the attractiveness of employment in modern-sector agriculture because the migrant was paid by the piece rate.

Undoubtedly, poor crops would mean a poor yield for the tenant farmer, but regulation by the Gezira or New Halfa Board would also imply some rigidity of tenant farmer responses. In addition, the work is demanding, for both the tenants and the farmers they hire. Both harvesting and weeding have to be done within rather strict time limits. The work is also heavy; cotton sacks weigh around 315 pounds and wheat and grain sacks 90 kilos each. At stages the weeding may become very strenuous and impossible to do on a purely manual basis. Careless or untrustworthy labor can be quite expensive, too: gunny sacks being torn by careless manipulation of the hooks; handsowing or fertilizing done in

an irregular or lumpy manner; workers selling the fertilizer or seeds illegally; and so forth.

Given all these constraints, the availability of labor for the modern-sector agricultural operations in Sudan depended ultimately on what the board and tenants were willing to pay. The ILO/UNDP Employment Mission of 1975, concerned with expanding employment, reacted skeptically to the notions of labor shortages, but conceded that needed labor supply would have to be secured "at somewhat higher wages and somewhat higher recruitment costs" (ILO 1976b, p. 90). The shortage was thus real at the prevailing real wage, which as noted was by no means low. But the fact that the population around New Halfa or Gezira-Managil prefer to enter the labor market in Khartoum or otherwise occupy themselves, while engaging hired labor for their farms, indicates that they consider the prevailing wages to be unattractive. The same thing was also true for seasonal workers, for whom a *stable* attachment with modern-sector agriculture at prevailing wages did not compare favorably with opportunities foregone in traditional employment or economic activity—hence, the elaborate machinery of recruitment and some of the resultant problems.

Construction has often been placed in the informal sector.[15] But there are special features of labor market organization, as noted by Lubell for Calcutta, K. N. Vaid for Delhi, and, more recently, S. R. Bose, who focused specifically on the recruitment of labor in a few major urban centers in Madhya Pradesh and Uttar Pradesh (Bose 1975). The author noted that a personal contact—a colleague, friend, or relative—was invariably involved in the process of recruitment.[16] Since recruitment was also focused on specific communities or localities, the assembled labor force was anything but a random drawing from the possible universe of manual labor in the regions. Good physique, reliability, and harmony in group effort were some of the attributes emphasized in construction work; thus, knowledge about the location or the origins of the workers would be important, although only a partial predictor. Wages (including cash advances and fringes) and further job search processes may be said to substitute for each other.

The need for special recruitment machinery is by no means confined to the modern large-scale units in the major metropolises or remote centers. Perhaps the most impressive documentation of this is a recent detailed report on seasonal workers—primarily unskilled, in some cases families working as a team—for sugarcane cutting, tying, and bundling for sugar factories in Bareilly, an intermediate urban area in India (Breman 1978). Advance planning is necessary, as are knowledgeable and effective intermediaries. Managements, as well as intermediaries, have to take risks and provide cash advances to secure workers. Only a relatively small

proportion of the risks turn out to be bad investments, because the decisions are made by persons with intimate knowledge of the village sources of supply and with support from social sanctions. The wages involved are pitifully low, but everyone concerned, one suspects, would be worse off without this labor market organization.

The last two are not necessarily enclave-sector examples, but they illustrate some common problems in the manual labor market, which assume special dimensions for this sector. Clearly, problems in assuring adequate labor supplies can arise even when we are dealing primarily with "unskilled" manual labor. The situations which give rise to this problem, and some examples of each, include:

1. unfamiliar work – e.g.,
   - shortage of toddy tappers in Ceylon, 1971 (ILO 1971a, p. 44)
   - lack of elephant trainers in the former Belgian Congo, necessitating the importing of *mahouts* from India
2. inadequate wages – e.g.,
   - shortage of meter readers, Ceylon (ILO 1971a, p. 45)
   - shortage of unskilled dredging and drainage staff, Colombo
   - shortage of sweepers, loaders, etc., at going minimum wage, Casablanca, 1978
   - shortage of unskilled and semiskilled workers at the Heavy Electrical Plant, Bhopal, India, 1962
3. interregional immobility; cultural and social barriers – e.g.,
   - Java (Arndt and Sundrum 1974)
   - Indonesia (Blake 1962)
   - Antigua (Rottenberg 1952)

Problems of unavailability of labor involve by definition the type of labor sought. The Casablanca situation, for instance, represented a deterioration over previous experience when comparable workers showed up daily at the allotted time for whatever chores they were assigned. The difficulties faced by management at the existing legal minimum wage constitute an apt illustration of "shortage at the going wage rate." This can be resolved either by raising the wage rate, putting up with the situation (while making concomitant adjustments), or hiring recruiters and investing in job search, or some combination of these measures. The novelty and rigors of factory organization and discipline raise problems not of absolute shortages but of irregular availability and fitful performance. These have been examined extensively in the literature on the labor commitment problem, of which there was a great deal in the sixties.[17]

Policies for Developing a "Permanent" Labor Force

Discussions of labor market behavior have focused on the following interrelated aspects: length of service, turnover, absenteeism, and on-the-job interruptions of work. The statistics are murky and the data open to conflicting interpretation. What is clear is that each of these represents a dimension of the quality of effort, which is generally given little consideration in the context of an established situation. These labor quality factors have implications for both labor supply and labor demand, and there are no absolutes in this matter apart from costs and returns.

Juxtaposing an inflexible, "traditional" way of life to which workers cling desperately against an equally unyielding set of requirements of "modern" industry is only one way of contrasting idealized extremes. However, this does not accurately describe the situation, even for the segment of the urban economy engaged in wage-earning employment. Even newly migrant rural workers accommodated to urban or industrial employment, showing (naturally) greater resistance where this was costly in terms of foregone alternatives, economic as well as noneconomic. Accommodation was practiced by modern employers also, although here, too, the scope for flexibility was limited in certain respects (e.g., shift hours). Since employers were differentiated in terms of class, language, race, and nationality, cultural factors were again involved. Adjustments took the form of changes in wages, work practices, and habits and attitudes.

To take an example, urban and factory employment meant both costs and benefits for the rural migrant. Since generally only adult males were employed, foregone output was foregone family output, unless only one member migrated. But this posed personal and social problems, including the migrant's contribution to the family and to rural property. Since there were additional problems in industrial employment—accidents, ill health, homesickness, and unemployment, apart from the ever-present issue of retirement—the rural connection continued to be important. Also, as long as these needs were more cheaply met in the countryside, this would be so regardless of the level of real compensation in new employment.

The employers also made a similar calculation of costs and benefits. They did not provide an urban idyll because it would not have been worth their while. Precisely the opposite consideration, the attractiveness of cheap labor in the developing world, was what prompted the initial investment in new factories and industries. However, some things in the bundle called labor quality were considered more important than others, and accordingly they developed personnel policies—a package of

wage and nonwage elements—which assured the existence of the labor supply of the quantity and quality that best suited their needs and could be justified economically.

It is difficult to generalize about employers as a class. Some undoubtedly were able to handle their production requirements despite a floating labor force, irregular attendance, loitering at work, and so forth. But for some employers these were difficult problems. One should include among these the three types of employers identified earlier as belonging to the enclave type. These employers emphasized stability, regular work schedules, and certain forms of discipline at work, and their preferences were reinforced by suitable incentives and sanctions, some of which were highly specific. Overall, the labor force was highly structured. The result was a complex wage package which placed the employers well above the rest of the urban labor market. To the extent that these requirements represented a departure from traditional ties and principles of work organization, the employers faced greater difficulties. This may partially explain the comparative success of highly ethnicized types of employment in small industry and commerce, as well as the differences in pay and practice between local and foreign employers.

As always, wage and selection policies complemented each other, and adjustments were made in the production process as desired goals for employee behavior were modified or abandoned as too expensive. As mentioned earlier, in their search for acceptable employees, Indian employers initially relied on jobbers. It also seems clear that they pursued wage policies which would assure them some degree of independence in this matter.[18] An important explanation of the relatively high earnings in the Bombay textile industry historically thus rests on the proposition that employers favored migrants accompanied by their families for their greater stability, despite the higher costs. Some payments such as attendance bonuses, transportation allowances, subsidized housing, and so on were geared to highly specific results. Such practices are common in the developing world.[19] The wage packet, including numerous supplements, could be substantial, making comparisons on the basis of wage rates hazardous.

These practices have also been accompanied by an elaborate grading system much like employment in the civil services; employees advance within and between grades at a steady pace involving annual increments subject to discrete efficiency bars. The different grades represent different levels of skill, which one could attain through experience or formal training. Increasingly, as industry develops, the latter becomes the more dominant criterion governing the "port of entry."

Today in the Sudan, primary-level schooling is a prerequisite for recruitment for the lowest-level jobs in the enclave sector. In India and

other Asian countries a high school certificate is commonly required. Of course, educational criteria have always tended to be more important for clerical, technical, and managerial/administrative positions. Two aspects of the rigidity related to education should now be noted. It is increasingly difficult for workers to move to the higher grades solely through experience. Much collective pressure is aimed at opening up this gate by emphasizing promotion through the ranks, but this has only strengthened the emphasis on educational or technical qualifications for recruitment to the higher grades.[20]

This highly telescoped version of the historical evolution of the wage and selection policies of the enclave sector rides roughshod over differences among the different categories within the sector. And there are important differences between private and governmental enterprises, between these and foreign enterprises, and between, say, American enterprises on the one hand and U.K. or Japanese enterprises on the other.[21] But our purpose here is to show the dominant characteristics which differentiated the enclave sector and set it off from the larger and ill-defined residual urban labor market, including a good deal that is currently labeled the "modern" sector. Perhaps two features stand out: the emphasis on permanent employment and the somewhat demanding criteria for entry.

Such factors as changes over time within the enclave sector, larger and more complex organizations greater differentiation in skills and jobs, and changes in production processes, along with growth in numbers educated, have probably increased the emphasis in hiring on formal schooling and internal development of skills.[22] Some enclave-sector jobs have also declined in relative attractiveness: in Bombay city, for instance, textile employment is no longer the *pièce de résistance* of urban jobs. But what is clear is that as hiring criteria become more universalistic and specific, effectively widening the span of the labor market, it is less valid to talk about such jobs as being the principal port of entry for the rural *surplus*. Movements occur along more defined grooves.

But what about the rest of the urban labor market? Is it completely open? Are formal criteria for entry and promotion absent or unimportant? Are the jobs mostly unskilled? The discussion in earlier chapters has cautioned against responding in terms of simple generalizations. For the most part, the best we can say now is that given the present state of our knowledge, we do not know. We have already argued against assuming that the urban nonmodern sector is homogeneous and operates at the simplest skill levels. A restrictive view of the urban enclave sector, which would push into the residual many units now labelled "modern," would only strengthen this point. It would also be of value in clarifying some confusing aspects of current research.[23]

Employment Typologies and Practices: Looking beyond the Enclave Sector

Since we start from an admittedly limited base of knowledge, we will not make a premature or presumptuous attempt to generalize, but will try to develop different typologies of urban labor market participation and concomitant processes.

To begin with there is the world of small-scale industry and commerce. This includes many units often reported as having average employment ranging from less than 5 to 25 or slightly more. Scattered bits of data suggest that they do not conform to the stereotypes of either the "informal" or "formal" sectors. Although there are exceptions, average earnings in these units are relatively low.[24] They are generally not unionized and are often exempted formally or in practice from minimum wage laws. Even if averages are low, we do not know if this is necessarily the case for comparable workers. They cannot all be neatly characterized as unskilled or, if "unskilled," as indistinguishable from other comparable groups in the labor force. We must also allow for variations in the practices of employers concerning labor force stability. Channels for acquiring skills may vary substantially and prevailing nomenclatures can be highly deceptive.[25] Overall it is probably safe to assume that employment in many of these units is more short-lived, and characterized by higher turnover rates and fewer years of service on average.[26] However, exceptions would certainly include a smaller corps of long-service individuals, who probably contribute to the growth and vitality of this sector as a whole. The general presumption is that formal schooling is not as much of a prerequisite for landing a job or for advancement, or may be substituted for by ascriptive attributes.

In India, for instance, a metal wire products factory located in an industrial estate in a major metropolis obtained its entire work force of some 20 workers from the rural villages around the entrepreneur's home town, housed them separately, and bused them daily to and from work. In Khartoum, young untrained boys were employed in bicycle and motor-bicycle repair shops. One of them did not even know how to read the instructions for mounting a bicycle chain guard, and his learning on the job was done at my expense: he simply dropped the bicycle chain, grease and all, on the sand. The boys' daily earnings were well short of the urban minimum wage, and their main motivation was the prospect of someday setting up an independent business. The Kumasi, Ghana, study brings out well both the importance of such informal apprenticeship schemes in learning a skill and their lucrativeness. Caste and tradition also seem to play a great deal of importance in defining access, as we can

see in examples from the artisan sector: leather crafts, pottery, basket weaving, carpentry, and the like.

Urban domestic employment as an important economic activity presumably dominated by ascriptive channels is particularly deserving of study here. Some of the most interesting information comes from Latin America, where a tradition of young unmarried girls and women migrating to the cities continues to be a factor in metropolitan growth.[27] The demand for and supply of domestic services are mutually reinforcing, demand being price- and income-elastic and supply being responsive to emerging opportunity. Domestic service is distinguished by the fact that it operates within a framework of trust. Rural-urban migration is encouraged precisely because migrant women will live with families rather than seeking their fortunes in an impersonal labor market. One writer even sees it as an avenue of upward mobility, the domestic servant career extending up to seven years, and characterized by the acquisition of skills and knowledge of modern ways of life unknown in rural areas.[28] Considerable variation in wage rates for workers within Lima, or between "provincial" cities such as Belo Horizonte and metropolises like Rio, Buenos Aires, or Sao Paulo (wages are three to five times higher in the latter), point to the potential for mobility. Most will probably quit domestic service to marry but many find it possible to combine both.

Much service-sector employment (and the boundary with small-scale industry is not always clear-cut) may be similarly dominated by ascriptive channels and a scarcity of formal skills. There are many examples comparable to the bicycle and repair shops mentioned above: barber shops, antique and curio shops, tourist marts, tailoring establishments, and so forth. In the absence of schools (and perhaps because of a shortage of automobiles on which to practice), one may observe young boys beside older male taxi drivers learning to operate a motor vehicle on the sly. This may be one reason that Delhi taxi drivers are predominantly Sikhs. In the relatively large hotel and restaurant sector of Bombay (as distinct from the large "international" hotels serving the tourist trade), the practice prevailed of recruiting young boys from remote areas in Udupi, on the security of cash advances to their parents, some food, and lodging on the premises. It has been noted that territories have been demarcated for beggars, bicyclists engaged in retail distribution or food carrying, shoeshine boys, hawkers, and vendors.

This naturally brings us to a discussion of the entrepreneurial element. This is an extremely diverse group. They are all entrepreneurs, the affluent patrons of establishments in the enclave sector as well as the hawkers whose capital assets probably amount to no more than one day's enclave-sector wages, and a whole host in between. It may be useful to disting-

uish two types, the primarily entrepreneurial and the "entrepreneurial/wage-earning" mixes.

There is considerable literature on the former, although it is qualitative and analytical rather than empirical. Our concern is with problems of entry. On the whole, entry does not appear to be easy, given the fragmented nature of capital markets, the uncertainties involved, and the circumscribed channels in the flow of information, technology, and know-how. This is one of the reasons why, although Keith Hart emphasized the numerous sources of "informal" earning opportunities, M. A. Bienefeld (1974), on the basis of his experiences in Tanzania, pointed out that informal-sector entrepreneurship is quite a different matter and not an easy proposition. This may explain the ethnic patterns of specialization which observers have noted around the world. The "Mammy" traders of West Africa who dominate roadside trade, the Chleuhs of Morocco who dominate the boutiques, and the Chettiyars of Malaysia who dominate moneylending and small-scale (sometimes also called "native") banking are examples. In many countries ethnic patterns are also important in the great produce and wholesale markets for grain, vegetables, hides, and so on. Some of the best establishments in import-export trade and jewelry, for example, are similarly dominated by particular ethnic groups. A study by Nafziger (1978) of Vishakapatnam, India, noted that government licensing and small-scale industrial policies encouraged entrepreneurial growth. But, although average incomes were not high relative to prevailing alternatives, the incentive and growth stimuli were diffused along ethnic lines. It appears that these patterns may be more important the smaller the scale of the enterprise, but they have also been noted in large-scale corporate capitalism. Of particular interest are the intermediate types of "group capitalism" or "group entrepreneurship," some of which may transcend ethnic boundaries without necessarily representing "free" entry (Leff 1978).

In discussing the second type of entrepreneur, it should be noted right away that wages are a part of every entrepreneurial income. In distinguishing a wage-earning entrepreneurial group, we focus on workers with defined, specialized skills whose current incomes appear to be dependent on an additional input of entrepreneurship. We referred earlier to the Chinese shoemakers in a major street in Calcutta before the 1962 Sino-Indian border conflict. What were their alternatives in private employment? Why did not Indian wage-earning shoemakers, of which there were a good many, start as entrepreneurs? Scooter drivers and others driving intermediate-type vehicles in Nigeria, Delhi, and so on constitute another category. It appears that these are remunerative occupations, but entry is not easy and requires capital and/or contacts. While graduate engineers in Madras turned to entrepreneurship, such risk taking is

not common.[29] Bienefeld observes that it would actually be *more* difficult for the educated Tanzanian to become an informal-sector entrepreneur than to become a wage-earning employee in the formal sector. Streefland's analysis of "street entrepreneurs" in Pakistan and Newcombe's study of food hawkers emphasize similar difficulties with entry, as well as the precarious nature of such enterprises as a result of such influences as changes in demand conditions or in the regulatory framework (Sinclair 1978, p. 99).

Any consideration of persons with formal education or specialized technical skills going into small-scale business on their own renders the modern-traditional dichotomy quite precarious. In our own earlier discussion of the urban service sector we referred mainly to the importance of traditional skills. Skills gained in the modern sector have also been used in enterprises which, in some classifications, may be assigned to a residual, "traditional" sector. Clignet, in discussing the Cameroons, referred to the army as a source of such "modern" skills for the "murky" sector. A recent study of Zambia (1979/80) gives some details which confirm earlier observations for Tanzania (Sabot 1974; Todd and Shaw 1980, pp. 24–26). Informal-sector businessmen tended to have low overall educational levels, but were literate and had more schooling than their age peers. Also, they had substantial urban formal-sector work experience in relatively well paid skilled and semiskilled manual jobs, and had saved enough to start their own business. Among the larger rural businessmen, 83 percent had saved all of the initial capital needed from their previous (mainly urban) wages. Clignet also notes the attractiveness of such self-employment as compared to working on dead-end jobs in the modern sector. More generally, in developing economies, trainees in modern technical training institutions have expressed similar aspirations, tempered by the need to acquire experience, contacts, and capital.

As we move away from specialized workers, the boundaries become more confused. Should the low-income farmer who comes to the city with a mobile shop and contents for sale purchased out of farm profits be seen as an impoverished member of the rural proletariat taking a desperate gamble or as an entrepreneur entering an alluring, but difficult and variable, road to success? At a more pedestrian level, how do we view the teenager who hawks plastic combs on the streets instead of taking on a steady job—say, as a helper in an artisan's shop or as a domestic servant? Although both are examples of the many possibilities for earning a livelihood, exit and entry are probably much easier for the latter, so that entrepreneurial returns may be considered to be close to zero.[30]

This takes us naturally to casual employment. The general impression

is that most urban areas include a large and floating population of "casual" employees. But at least some of these are "temporary-permanent" workers, hired and fired just a shade short of every six months.[31] Many of the porters and loaders in the *souk* cover a regular beat, although they are paid only when there is a job to be done. Among other casual workers, some have a little capital, a hand-pulled cart, donkey, or the like, but no steady employer or locale of work—a situation which is replicated in other metropolises of the developing world. Alongside the principal roads leading to New Delhi's major government and business offices, one can observe, squatting by the roadside, independent workers who will give first aid to bicycle riders for punctures, wobbly seats, bent spokes, loose pedals, and so forth. One may also observe young boys in attendance who will reinflate bicycle tires. In most cities there are also day laborers who go around from one shop to another (or even from house to house) to see if any cleaning needs to be done. There are cowherds and goatherds who, while plying their trade, will also herd cattle for other individuals on a regular or ad hoc basis. Some day laborers work in gangs, particularly when heavy manual labor is involved. Along the banks of the Nile, one could see manual workers loading clay (to be fired into bricks), for which they were paid by the basket weight at a rate well in excess of the daily minimum wage in the area. Also of interest are those who tend garbage dumps, and as a result have a high propensity for occupational disease, as in Cali, Colombia (Birbeck 1977, 1978). Another example is the manual rickshaw puller, whose "leasing" arrangement seems to place him somewhere between an independent entrepreneur and a wage earner. Earnings are based entirely on demand, which is highly variable, but there is some specialization and access to capital is a prerequisite. We may also mention the pavement and trottoir residents: some appear to exchange service as a regular nightwatch for a stairway shelter (Singh and de Souza 1980). Although such work is not as stable or secure as better-paying wage employment, the pressures work inevitably towards some regularization.

A final category that merits mention is low-level self-employment, where the capital involved may be negligible and entrepreneurial risk taking minimal, but certification or some recognized skill plays a critical role.[32] Thus one may observe the professional scribe around post offices and factory gates. One would also find graduates of trade schools run by the YWCA, YMCA, the convents, and religious organizations, as well as of the growing number of vocational schools. Examples include typists, seamstresses, tourist guides, electricians, and mechanics. The importance of certification is obvious from signs which feature the name of school, the level of schooling, even references to implicit failures ("matric appeared," "bar exams appeared," etc.). In 1971 in Colombo, Sri Lanka,

numerous institutions providing such training outside the recognized school system were listed in the city directory and were apparently successful.[33] Previous affiliation is also important, especially if it has prestigious overtones.

One can add to these classifications, but they merely emphasize the need for clarifying how urban labor markets function, as a basis for organizing the wealth of observable detail. We shall return to this later, but we need first to look at some of the structural aspects of the urban labor market. Both the poor and the employment exchanges seem to occupy a peripheral role in this structure, and we will examine some of the reasons for this state of affairs. Perhaps on the plus side, institutional and legal constraints on labor mobility and utilization are also surprisingly minimal. These will be examined briefly now.

Labor Market Infrastructure

The Limited Role of Employment Exchanges

The literature generally indicates that the development of employment exchanges is rather limited. Their role in some countries such as Sri Lanka, Sudan, Morocco, and Tunisia seems to be mainly cosmetic.[34] The employment exchanges in Pakistan and especially India seem to be more active, but there is little convincing evidence that they are effective (Joshi and Joshi 1976, pp. 133–34).

It is reasonably safe to assume that employment exchanges are quite unimportant in rural-urban migration, which takes place mostly through jobbers or the other ascriptive channels already mentioned. Also employment exchanges may not cover migrant manual or unskilled workers because of residence requirements or the practical difficulties of servicing persons away from metropolitan areas. As for educated and technical workers, direct contacts with employers appear to be the main means of obtaining employment, although the Indian data suggest that educated persons, not necessarily migrants, may be turning to employment exchanges in larger numbers. At this level, ethnicity may not be important, but evidence as to effectiveness of the exchanges remains limited, as neither public nor private employers seem to use their services to any significant extent.[35]

We have described earlier the reliance of private employers on jobbers and ascriptive contacts. There is an impression that hiring at the factory gate is common, but this is probably true only for ad hoc manual needs. In part it arises from a misunderstanding of practices such as the *badli* system (reported as casual labor). It would be more accurate to examine

how employees find jobs. Even in Ahmedabad, a developed and sizable industrial metropolis, the main means was "friends and relatives." The smaller private employers, as well as households hiring domestics, seem governed by informal private channels of recruitment (Papola 1977).

Governments have been major employers of skilled and technical personnel and people at various educational levels. They have long-standing and well-established machineries to handle recruitment and related personnel questions. Various public service commissions at national and regional levels advertise periodically, even for the less skilled positions. Recruitment procedures are rather cumbersome and delay in processing applications is common. Given lack of flexibility in wages and other terms of appointment, they have not been particularly effective, especially when there has been a significant growth of private industry. Thus, even in the context of reports of general unemployment, public employers like the Municipal Corporation of Colombo reported shortages, even for unskilled work. In Sri Lanka, the Local Self-Government Commission handled its own recruitment, advancement, and so on for subordinate positions related to local public works, However, according to the commissioners, the process was so formalized that they had little discretion in hiring or advancement (ILO 1971a).

These arrangements in public adminstration have also spilled over into parastatal industrial and commercial enterprises. Top-level managerial and administrative positions are filled by civil servants recruited by the parent ministry. Pay scales and terms of remuneration may be common to all forms of public employment, including railways (a major activity in most countries), airways, factories, and so forth. Public-sector enterprises may choose (or may be required) to follow the standardized procedures of the government. Their success would depend on market conditions and the flexibility employed. In the early sixties, an Indian public-sector plant reported a virtual failure in its efforts to recruit semiskilled workers through newspapers. Advertisements were placed nationwide, but remoteness (for many), inadequate wages, and the language employed (English) were probably limiting factors. Faced with these problems, some of the larger and more enterprising public-sector firms undertake their own recruiting and attempt to break away from the umbrella-like arrangements of the government. The railways have always been distinct enough and sufficiently important to set their own pace, but they have been challenged by other units of government (the Ministry of Labor in the Sudan) or reined in by a key ministry (finance, for example, in Morocco).

The larger private enterprises, both indigenous and foreign, employ more variable methods. They recruit over a wide market and are traditionally reputed as going after the "cream of the crop." These efforts are

more likely to be focused on persons with formal educational and technical qualifications, except where work is handed out to local contractors. Since there is an element of standardization in the qualifications sought, one might suppose that employment exchanges would be more active. However, there is little evidence that their services are used by these employers, who rely instead on trade channels, newspaper advertisements, and the like.

A large number of countries have developed their own vocational and technical training institutions, the more enterprising of which have established direct contacts with prospective employers. This innovation, as yet uncommon in the educational system, also bypasses the employment exchanges. The experience reported in a study of apprentice schemes in Delhi (Thakur 1975, 1979) that are regulated by government and include private and public training is probably typical. Of 253 apprentices, only 4.3 percent obtained job information from the employment exchanges; other sources were "personal contacts" (57.3 percent), "others" (28.9 percent), and "ads" (9.5 percent) (Thakur 1979, p. 353).

It seems clear that the exchanges themselves are poorly equipped to serve either job seekers or employers. Generally undermanned and underfinanced, staffed by personnel with few technical skills and lacking contacts with employers and school systems, there is not much that they can offer. They occasionally appear to be more successful in meeting an ad hoc demand for casual labor, not a high priority among those registering and reregistering in hopes of more secure enclave-sector jobs. Often individuals will register, as this would be a requirement, but will depend on their own efforts to secure a job. The exchanges may also "regularize" an appointment after an employer and worker have met and settled terms.

The marginal role played by public employment exchanges and the difficulties faced by authorities in broadening their scope are best understood by looking at the transactions in the labor market itself. Much of the labor market is concerned with trading in differentiated and particularized labor services. The organized employment exchanges deal with standardized information and requirements, and what they have to offer has barely perceptible economic value. Informal labor market channels are more important as indeed they are even in the United States, where labor quality components and flow of information are much more standardized.[36]

Institutional and Legal Constraints on Labor Mobility and Utilization

Although the urban labor market is not a perfect market, neither is it cartelized. Rather, it is a fragmented labor market subject to competitive

pressures. Above all, it is a market where information, transfer, and transaction costs are far from zero. Labor quality includes both standardizable components such as education and others more diverse. But barriers to entry are above all pluralistic and informal, and rarely centralized.[37] One cannot readily dismiss these components of employer and household behavior as "tastes" exogenous to the productive process, as psychic and pecuniary elements criss-cross in a manner not yet well understood.

The important thing is that there are a large number of transactors pursuing competitive goals of profit or income maximization within the limitations of the existing infrastructure and their knowledge. The operations of the enclave sector can be seen as a special and more limited case within this framework. This is, of course, the reason for rejecting the view, put forth on rather flimsy evidence, that the urban economy is a high-wage economy fueled by a combination of political and union pressures, and government and corporate largesse, leading to a swollen supply and (mass) unemployment. The Mazumdar explanation of high wages in Bombay textiles would challenge the assumption of restrictive practices even for the enclave sector.

In the previous chapter, we reviewed the scope of minimum wages, which can be set on either the high or low side. If high, the exemptions are numerous; and in any case the minimum wage is flexibly implemented to permit lower-paying employment. In practice, in city after city, the recorded experience shows varying levels of wages, even when the minimum wage has been set fairly low. It is thus not uncommon for employers to report difficulties in obtaining unskilled labor at the minimum wage, even while the wages paid in some occupations and establishments are lower. In Bombay, Casablanca, and Sao Paulo, to take three examples, this was the situation. This is what prompted Heather and Vijay Joshi to define the minimum wage as an average of earnings for workers of the relevant category (1976, pp. 97–98).[38] The below-average category in Casablanca included "sweated" workers such as leather tanners, bath attendants, basket weavers, and so on. Little is known about the choices open to job seekers. It is easier to understand, of course, if the workers are young boys or adolescents, or if the job at the higher minimum wage is more demanding.[39]

Somewhat the same picture of a conservative and selective impact emerges when we survey the evidence on unionization. Although unions seem powerful in the big cities and on occasion have been known to bring all activity to a standstill, stable membership is relatively limited. Unionization has had its strongest development in mass or large-scale employment such as cotton textiles, mining, and ports and docks, and in

economic enterprises run by the state, including railways, post offices, and telegraphs as well as industrial units. However, the percentage that is unionized seems relatively small. Thus, in the Bombay textile industry, taking all units together—despite favorable legislation and over a hundred years of industrial development—no union included a majority of the 200,000 employed; the "approved" union had barely the 15 percent required for this status (and there was some doubt that this qualification had actually been met); and in several individual mills, even this percentage was not realized (Myers 1958, Myers and Kannappan 1970). In Khartoum, Sudan, the most knowledgeable "guestimate," from a scholar who rated unions as "strong," considered unionization to be close to 0 percent in industrial establishments employing fewer than 30, and negligible in the size category 30 to 100 (Ali Taha 1970).[40] This leaves only a small number of wage-earners as potential candidates for union membership. In terms of urban economic sectors, unions are generally considered to be weak or nonexistent among wage-earners in services, trade, commerce, and virtually all employment in the informal sector. When one adds to this the self-employed, independent entrepreneurs, and unpaid family workers, it is clear that unions cover only a select minority of the urban labor force.

From our point of view, the item of critical importance is that employers, large or small, have the freedom to hire in the labor market and utilize labor on the best terms they can find. The most notorious exceptions, which employers complain about, pertain to the enclave rather than the modern sector, and relate to such specific issues as phased decasualization, controls on the pace of technological change, and changes in employment status pending the disposal of individual cases of indiscipline. Craft unions as such are unknown in the modern, and especially the enclave, sector. This contrasts, of course, with the multitude of ethnic associations or guilds in the traditional economy which are also represented, but in decentralized form, in the urban economy.

Much the same is true of employers' associations as well. There is some historical significance to the fact that some of the powerful associations such as the Bombay Millowners' Association antedated the emergence of unions. The Indian Jute Mills Association, also covering about 200,000 workers, is an important body as well. Historically, they seem to have been effective in developing coordinated responses to factory legislation, especially related to hours of work, safety, and similar concerns. However, their main role has been representational, while individual units have retained freedom of action, in terms of wage and hiring policies, within the limits of the law. Their main purpose is to enlarge this sphere of permitted action. Even where collective bargaining or industrial

adjudication prevails, individual employers will act on their own, th· maximum practical sanction open to the association being to withhold legal counsel.

The clear implication of all of this is that the Keynesian model of a labor-market-wide wage rigidity, when extended to an underdeveloped country-urban context, ill describes the actual situation. Institutions and regulations in force imply other rigidities and divisions common to both rural and urban society. However, this is not the same as a coordinated metropolitan impact. No one has the power or incentive to enforce an urban-wide, above-equilibrium wage. The wage structure and fragmentation of the labor market support this view. There is much variety in organization and in types of transactors and labor services rendered. There is also a spread of low-productivity employment, inequalities, and extremes at either end. The lower end of this distribution, the urban poor, is what we will look at now.

Viewing the Poor as a Noncompeting Group

Although the poor are at the bottom of the heap, one must go beyond identifying them as being at the tail end of an income distribution on the basis of a priori poverty delineations. A case can be made for looking at the poor as those who, because of some disabling individual or collective characteristics, are least likely to share in the "trickling-down" process. Such characteristics must be of an enduring nature and seriously limit mobility toward occupations, areas, or employments favored by economic growth. This definition would exclude from the "poor" those who are in this status only temporarily, or who have arrived here from an even worse status. It would move away from static conceptions of the poor, reflecting norms in vogue, to variable labor market potential. The poor are defined as the least fortunate in this respect. We would identify two categories of the poor: groups placed at the bottom of the heap by a rigid social structure, and individuals who are dropouts and discards of the system.

A classic illustration of the former are the *pariyahs* in India, who are literally outside the Indian caste system, perform the most degrading menial labor, and lack access to health services and education or other means of leverage to upgrade themselves. Even here some caution is needed: evidence on the *cheris* and *bustees* (comparable to the *bidonvilles* and *tugurios*) shows mixed economic standards; and some dwellers have a monopoly on the performance of certain services. Thus low-paid scavengers in Bombay who are well enough organized to strike for higher wages are comparable to the uppity barber in Mulk Raj Anand's *Barber's*

Trade Union (1944) who successfully withheld his services until the villagers acquiesced in his demand for the right to wear a turban, the symbol of social esteem. Research in this area is difficult because of data limitations, local sensitivities, and so forth. But in virtually every country there are such noncompeting groups at the lowest ranks of the labor market as well as incipient or irregular efforts to break through. Sudan has its low-income "Nigerians" living in the *fellatas* and Cairo its Zabaline Christians. Precisely because Indian social divisions and stratifications encompass a motley mixture of races, linguistic and religious groups, and generic caste categories, it is important to note that the *pariyahs* constitute a specific and select category of the particularly unfortunate. Other low-income castes may have additional opportunities for more successful participation in the urban labor market.

The other "recruits" to the poverty category, if we may call them that, are the rejects of the system. Casual empiricism suggests that the following may be prime candidates: single women, the widowed, the divorced, or those otherwise uprooted without the props of family or immediate relatives. Having children to support of course makes it harder to do well in the labor market. Prostitution, polyandric relationships with several employed males, food vending on primitive portable stoves in markets appear to be some of the options open to them, apart from seeking alms, of course. The urban poor beside the Central Mosque in greater Khartoum constitute a distinct type in this category. Maimed, disabled, and with running sores, they are effectively shut out of the labor market with no services to offer. Their location makes it likely that the alms givers may enjoy some psychic return, as described by Scoville for India, but their severe physical limitations probably rule out their exercising any choice in the labor market.

The disability is less severe, but no less relevant, for other categories of the poor. These include older workers who are physically unable to maintain their earlier pace of work—for example, manual rickshaw pullers, load carriers, and others who maintain a grueling pace and whose work span in years is not estimated to be great. Another category is those with occupational injuries and illnesses. Generally, few urban workers (only those in the enclave sector and larger firms in the modern sector) are covered by workmen's compensation or rehabilitation programs, and even these are limited in scope. The 40,000 Zabaline Christian families in Cairo specialize in making "money out of trash," but pay a heavy price: infant mortality is estimated at 60 percent (*Pasitam Design Notes* No. 13, 1979). Young children and adolescents who have been abandoned or forcibly wrenched away from their families may fit this category. A particularly horrendous story asserts that some of them are sold and their limbs mutilated or some other equally crippling operation

is performed, so that they can serve as authentic bait for compassionate alms giving. More common is their employment as apprentice thieves and pickpockets, or errand boys, in circumstances which provide little possibility of amelioration over the years. In some of these cases, as in the case of the poor women, an unidentified proportion may be runaways or other rebels against the system.

A major point to note is that the low productivity of the poor is due to the virtual absence or irrelevance of endowments which sustain other humans at work and in their labor market aspirations. They score low on labor quality aspects, are devoid of both physical and animal capital, and lack the "net worth" components deriving from home, school, or employment. While it may be that not all slum dwellers are poor, more of the poor are likely to be slum dwellers, served poorly by schools, transport, and so on. They have no effective access to information channels which are restrictive and particularlized. They lack credentials, testimonials, and contacts (whose importance is discussed later). Further, if they are ill or disabled, there is no fallback provision in terms of institutional- or state-supported health care. They have few if any family and relatives, who constitute an important substitute in the absence of the usual social infrastructure. Although some poor groups (such as scavengers) may employ collective economic sanctions, and even enjoy some political power, this is quite remote from the experience of the discards of the system. In some ways, this situation probably applies to the urban poor in developed countries, too. The major difference is that the "transfers," infrastructure, and constraints which help the poor and limit employment-induced poverty are much weaker in the less-developed countries.

In terms of the literature on the urban poor in developing nations, a sophisticated early analysis deserves mention, not only for its careful qualification of the limited value of income or physical quality measures, but because it attempts to identify the characteristics of the urban poor which may make them noncompetitive: large families combined with large dependency ratios, high fertility rates, low standards of education of household heads, residential location away from the central city, poor nutrition and health, and lack of political leverage. This is useful and complements the points stressed above (Beier et al. 1975, pp. 17–18, 39–42). However, cause and effect sequences may be intertwined, and this set of attributes may be equally applicable to predicting general income differences.

Another approach keyed to the labor market is the recent study of the poor in Bogota (Mohan and Hartline, 1979) which attempts to identify characteristics which may be helpful in predicting poverty. The bottom 30 percent provided the focus. Among the findings were that the poor

tend to have a larger dependency ratio; sex makes no difference; 60 to 65 percent have primary or less education; since these have a flat earnings profile, a good number are the working rather than the unemployed poor: migrants are no poorer than the natives, and may be slightly better off; unemployment rates are higher and participation rates are lower among the poor. The incidence of the last two is particularly severe among secondary earners, mostly women. They conclude: "Employment generation is therefore only partly the answer. Many of the poor are probably unemployable" (p. 20). The latter parts of the study also emphasize social and spatial segmentation *within* the metropolitan area.

The figure of 30 percent is probably too large for the type of poverty we have in mind, and certainly much too large an estimate of the "unemployable."[41] It illustrates the difficulties involved in working "backwards" from an income distribution measure of poverty. Our own figure is likely to be closer to 5 percent, but the actual number is anybody's guess.

Employment and Labor Quality Aspects

Employability implies specific job requirements and employer preferences in hiring which in practice would have to adjust to prevailing labor supply and qualitative constraints. When compared to the economies of developed nations, developing economies reveal considerable differences in these respects, including greater heterogeneity.

Let us deal first with some of the variable aspects of labor quality. Migrant and urban labor force characteristics indicate that literacy and schooling are important components of labor quality. But variable returns to educational attainment also suggest the importance of other personal and social variables, which we discussed in the previous chapter. Ascriptive channels, discussed earlier in this chapter, may well be significant in generating the supply of some "skill" or "experience" attributes. These would have variable supply elasticities and, depending upon demand, different potential relative premia. There has been a tendency to ignore this aspect, because of the feeling that formal schooling is functional but other attributes are not.

One example is linguistic competence, a function in multilingual metropolises of "ethnicity." In many metropolises, there are many who have some command of a foreign (generally European) language. The job markets may be differentiated according to the languages traditionally spoken, but there may be neither discrimination nor inelasticity of labor supply. This may explain why Chinese entrepreneurs in Singapore or Tamil hotelkeepers in Madras city employ Chinese and Tamils, respectively, but pay them no premia for this preference. Although ethnicity

governs access to employment and is a determinant of how skills are acquired, it commands no premium, for supply is elastic.

But the situation may be different for traditional skills, even though it is somewhat difficult to think of supply and demand in independent terms because family, caste, or tribal traditions may or may not be responding primarily to external market demand conditions. Scoville, in his analysis of urban demand for traditional skills (1976b), emphasizes the importance of the relatively small component of urban demand, which means that urban users of the relevant skills would be price takers, paying whatever premia (or lack of them) the traditional economy decrees. Also important are variations in the supply elasticity of such traditional skills. Ascriptive associations may be important in developing tastes and talents for some kind of work. Unless formal training completely displaces these channels of skill acquisition, one must expect that even in the long run supply will not be uniformly elastic and may even be highly inelastic in specific cases (governed by a high degree of distaste or restriction) (Rees 1973, chap. 11).

Little research has been done on this subject and we must leave it to discuss another equally intractable and pervasive aspect, namely, labor requirements for effective functioning in a less developed metropolitan economy. These are only partly covered by standardized attributes. One reason for this is the highly diversified, dynamic, and adaptive nature of the metropolises of developing nations.[42] Even some of the well-established cities have doubled their labor force in 10 years or so.[43] The polyglot, multiethnic city represents novel work relationships for many. Business relationships are often oral or implicit rather than written or contractual. They may also require the extensive use of intermediaries, given the slow and difficult means of communication.

Communications networks such as letters or telephones would still be important, but not adequate. Registered letters, hand-delivered communications with receipts acknowledged on ledgers, delivery boys, pick-up boys, and a whole variety of intermediary services would be indispensable. At a minimum, literacy is a prerequisite for many of these jobs. Literacy and higher standards of educational attainment are, of course, more important the more complex the jobs to be performed and the greater the financial stakes involved. Small and medium-sized operations thus face numerous daily chores which require knowledge of the operations, the bureaucracy, and the laws, as well as discretion. Examples drawn at random include applications for licenses to operate, rice or ration permits, and electricity hook-up; payments effected through the Treasury pay offices (required for some of the most trivial things); clearance through customs; shipments by parcel or rail post, and so on. Many small and medium-size businesses shun these transactions: thus small

shops will not undertake orders requiring the last two steps. Independent entrepreneurs almost invariably need deputies who can handle these diverse tasks. The relatively undeveloped infrastructure of communications, distribution, and mechanical recording or duplication may thus actually increase the need for functional literacy and education. The impact of an undeveloped infrastructure on productivity (negative) and employment (positive) in services and distribution is nothing new. Here we note only that it affects the cost structure and manpower needs of all types of economic activity and may require greater literacy and education than is commonly assumed.[44]

But this is still an incomplete specification. The other and perhaps more important set of characteristics includes such traits as reliability, trustworthiness, and so on. There is often a need for recall, corroboration, testimony, and confrontation. Ups and downs, crises, and new developments or opportunities involve trusted lieutenants rather than professionals such as accountants and lawyers. Details may be "kept in the head" rather than in formal records, or the latter may not be terribly systematic or easily retrieved. The reputation of the person carrying the message may be as important as the message itself. In such contexts, even small firms may emphasize seniority in the enterprise as a condition of effectiveness, at least for a core of key employees. Experience specific to the employer or firm may thus command value in many an evolving and fluid situation.[45]

This may provide a partial explanation of the relative importance of the written testimonial and the disinclination of employers to hire or entrust responsibility to others without either such testimonial or some satisfactory substitute. Testimonials are also important, of course, in industrially developed societies; but distinctive aspects of their use in developing economies need mention. There is first the need for *attestation as to facts* which are more easily verifiable in developed nations with developed means of communication. Thus it is not uncommon for such a document to be used in support of one's age, family background, place of origin, employment history, and so forth, or to authenticate primary documents that are difficult to obtain. Then there is its role as a *character reference.* This may be linked to the difficulty of establishing trust except through a few familiar reference points. And it may explain why individuals go to established citizens they have never known for such references and why the latter oblige.[46] Although the credibility of such testimonials is flawed through indiscriminate issue, they are an important part of any successful patron-client relationship. Finally, such testimonials may provide information *about an individual's work or scholastic record,* attitudes towards colleagues, superiors, and so on. Certificates issued by employers are likely to be of decisive importance,

not merely because the scope for challenging inaccuracies is negligible but because considerable weight is placed on appraisals by previous employers. And in practice many procedures are quite forbidding in their insistence upon testimonials, certificates, and the like, as well as some evidence of release by the previous employer. Applications for jobs (even for semiskilled jobs) could be refused or eligibility for qualifying examinations denied simply on the ground that existing employers had not indicated their assent. And in employment exchanges, unskilled manual labor without supporting testimony from prior employment may be unceremoniously shunted aside.[47] It is precisely because testimonials serve so many functions that they are rarely bare records of work history.

Also important in this context are variations in employer and entrepreneurial "quality." One possible implication of labor market dualism is a considerable homogeneity in the approaches of employers, the major differences being between the two sectors. One may also observe differences within the sectors, however.

One may begin with the enclave sector, more restrictive than Clignet's and others' definitions of the "modern" sector. Perhaps the most striking characteristic of firms in the enclave sector is their longevity. As noted earlier, they generally pay the best wages and have the most exacting recruiting standards. Although these are lumped together, they work in different ways. High wages will encourage an overflow of applicants, while stringent hiring standards will cut down the size of the queue. The presence of high wages without adequate stringency in hiring standards implies the existence of either some "reserve" criteria which can be verified only at the hiring stage or a discriminatory purpose. The *badli* system was thus designed to encourage an oversupply at the factory gate. It followed rather than antedated reliance on jobber recruitment in the villages. Even now enclave-sector employers who emphasize formal training and education also appear to offer relatively high wages for entry-level jobs.

Employers develop their own distinctive strategies and trusted predictors, and the combinations of wage and hiring costs which will best satisfy their price-quality needs. Recruiting strategies range from putting up signs at the factory gate to relying on professional recruiters. Selection policies will combine standardized and ascriptive elements, or will defer choice in favor of "trying out" the potential employee. Prior selection will become necessary if prior commitment is necessary or implied (through migration costs, retrenchment penalties, etc.). These are not either/or propositions and one may conceive of various permutations.

Employer responses are a function of available choices, which take into account the legal or other constraints they face. Entrepreneurial or managerial styles also matter, even within the enclave sector. Koji Taira

and Chirayu Isarangkan thus contrast Thai, Japanese, American, and British managements in Bangkok (Isarangkun and Taira 1977). U.S. firms emphasized variable progression and incentives. This was less marked among British firms, and the Japanese system of organization and incentives favored greater commitment and collective improvements.

We will now look at Clignet's typologies of the "modern private sector" (as noted earlier, a somewhat broader category than "enclave sector"). His observations permitted him to distinguish between public- and private-sector employers. Cameroonian firms were varied in terms of organizational complexity (including the proportion of Europeans in executive, and Africans in nonmanual, positions), technology employed, what he calls the "marginality" of enterprise, age of the firm, type of economic activity ("older" plantations and "advanced" secondary- or tertiary-type enterprises), location, legal status, and the like. The difficulty of generalization is suggested by puzzling elements in his own analysis. Age reflects "sociological time," but its meaning is "ambiguous" and the findings suggest no "cumulative" effects (Clignet 1976, pp. 136 ff., 168). But it is also pointed out that the older firms have a higher proportion of older, unskilled workers and a low level of technology. However, technology itself emerges as an uncertain variable. Witness this description of contrasts in the construction sector.

> At one end of the continuum, the large-scale public works enterprises are characterized by a high degree of technological development.... Firms of this sort... are few in number and use a small, usually unskilled, African labor force. At the other end of the continuum, many construction firms take advantage of the ever-increasing demand for urban housing, retain a diversified organizational profile, and rely on a relatively numerous African labor force spread out among the various rungs of the hierarchy.... This first group does not follow high wage policies. (Clignet 1976, p. 44)

Although a European presence inhibits upward mobility, it also encourages recruitment of Africans for nonmanual positions and generally higher wages. The larger firms tended to be less openly discriminatory, but this is always important and other factors supervene. The more complex an organization, the greater the emphasis on stability.

Public-sector employers have been in the forefront in this respect from the earliest periods for which we have any record. The employees of Indian municipal corporations, for instance, were among the most stabilized of wage-earning employees in the nineteenth century. Governments also indicate their preferences for stabilized labor through policies favoring seniority and job security, and a schedule of steadily increasing pay and emoluments contingent upon success in the initial probationary period and later tests of efficiency. The main thing to note is that access to the initial rungs of each of the principal categories in the job hier-

archies is governed by demanding, fairly specific, and increasingly universalistic criteria. Modifications, responding to trade union or populist pressure and providing for internal promotion to the next higher category, apply to only a small proportion and may also be contingent upon educational qualifications. Higher-level hirings invariably require such qualifications.

But, along with formal qualifications, other preferences may also come into play. Thus the Sudan Railway management in Atbara had traditionally given preference to employees' children (and perhaps relatives), other things being equal, and in 1975 opposed a proposal by the Sudanese Ministry of Labor and Employment to have all recruitment open and processed by the employment exchanges. The railway practice rested on a more pervasive foundation. Atbara, which provided the bulk of railway employment, had been built as a model township. This included housing, welfare facilities, schooling, technical training, and *a railway tradition*. The opposition to the Sudanese Manpower Act was based on the perceived need to defend this tradition. Such practices are common in many national railways, even where there are no formal labor agreements or codes.

Private employers in the enclave sector, foreign as well as domestic, adopt comparable policies aimed at developing a stable labor force and company tradition, although job security and subsequent progression of earnings may be less defined and more variable. A host of labor welfare measures, including company housing, medical care, and transport allowance, signal the importance attached to stability. Around the turn of the century the Bombay Millowners' Association actually sponsored schools to promote literacy among employees' children, which prompted charges that it was merely interested in a cheap source of labor.

Foreign firms with imported traditions and unfamiliarity with the local language are known to emphasize universalistic criteria. But they may also favor particularistic practices. Clignet notes a tendency among the "old hands" in the Cameroons to freely bestow complimentary or pejorative adjectives on the work potential of different ethnic categories while the newer foreign arrivals were ignorant of such distinctions. Foreign firms may also become more dependent on local intermediaries and their predilections, sometimes with disastrous consequences (Useem 1952). Reliance on local, educated, nonmanual ranks may be one distinguishing characteristic. Foreign parochialisms may also be imported, American-trained host-country nationals being favored by American firms, the British-trained by British firms, and so on. But this tendency would also be related to the potential for later use in the firm. Thus an American head of an Indian subsidiary, despite his aversion to American-trained Indians (the only good reason he could give was that they did not chew

betel nuts and leaves), was nevertheless hiring them in response to government pressure and company policy to "Indianize" high-level positions. Given a large number of foreign and domestic workers with comparable qualifications, and not facing such pressure, French firms in Morocco seem to have followed a different policy, employing Moroccans only in subordinate positions at lower pay.

A significant common denominator among enclave- and larger modern-sector firms is the absence of traditional craftsmen. There is little evidence that such firms employ them, or even that they recruit from the smaller or "murky" sector firms for any of their needs, particularly in the semiskilled and skilled categories.[48] Even where "prior experience" was favored, as in Bombay textiles, the reference was to comparable factory experience. More often and more likely, it is enclave-sector experience which is traded to the rest of the urban economy.

Not much is known about the practices of the small entrepreneurs, wholesale and retail establishments, private partnerships, family businesses, and so on. But it appears likely that stabilization is practiced on a more selective basis for key employees. Some of these, like the Indian managing agency houses, have been the nerve centers of large industrial and commercial empires, even though legally distinct. Others may be only an import-export business, a tourist agency, a restaurant, a catering unit, a sweetmeat stall, and so forth. It is not at all uncommon for the owner to leave the day-to-day operations partly or completely in charge of a paid employee who has been groomed carefully over the years. Thus, even in small shops in low-income areas, one may find hired assistants in charge.

Formal training as such appears less important than experience on the job and the degree of trust between employer and employee. Fringes and perquisities are variable and the employer-employee relationship is expected to cover special events such as death and marriage. It is not uncommon for the same employer or businessman to have a personal relationship with employees in his unincorporated or family business and a more impersonal, formalized relationship with employees in other units under his direction. Literacy and formal skill barriers to entry would be lower, but would rarely be entirely discounted. For key positions the employer would also rely on ascriptive criteria. Although some of the medium-sized and smaller employers may have a stable work force, turnover rates are generally higher than for the enclave-sector firms.

Such employers may not only pay lower wages but may have more variable rates of progression corresponding to the increases in productivity registered by their employees. This may in part reflect more flexible institutional arrangements: selection based on "trying out" workers,

less costly training, ability to shift part of the training costs to the employees, and so forth. As noted often, the smallest may also enjoy immunity from regulatory pressures and greater freedom than the larger firms from formal conditions governing employment, trade union pressure, and so forth.

Given their diverse characteristics and particularized styles of management, stable employees in these small enterprises develop highly specific skills, of which an indispensable ingredient is trust. In contrast to the general value attached to many of the skills acquired in enclave-sector employment, it is not clear how this affects mobility or the pattern of remuneration. A certain range of indeterminancy must be assumed, depending upon the relative bargaining power of the entrepreneur and employees. Recognizing an increase in productivity may also be easier when there has been no substantial outlay on training.[49]

As for the large number of household enterprises, unpaid family workers, and so on, there is not much we can say. Particularistic approaches and varying combinations of stability and reward systems will naturally be very important.

Before concluding this discussion of employer practices, it is necessary to emphasize that we are not for the most part dealing with discrimination as it exists in the United States, a largely dual white-black situation. There are many more social divisions, which means that competition from nondiscriminatory employers is a real possibility that discriminatory employers must contend with (Rees 1973, pp. 183–84). The alignment of employer preferences and segmentation attributes may also be such that the latter do not necessarily imply a wage advantage for most workers, although there may be several advantaged and disadvantaged groups as well. Given the choices open to employers, many ascriptive practices may be rational, and not merely feudal indulgences or whimsies such as those of public utilities which are supposed to prefer pulchritude to efficiency (Kessel and Alchian 1962). Thus the employer referred to earlier, who recruited his workers on an ascriptive basis and bussed them to the industrial estate, was partially duplicating a traditional framework to protect his investment. Comparable practices may be seen among many small and intermediate employers as well as among those who employ domestics.

Further comment may be appropriate on why firms which pay high wages do not publicize even more stringent criteria, which would lower the costs of selection. Lethargic decision making is a possibility.[50] Or firms and employers may have "hidden" criteria which it would be impolitic to publicize. But more defensible reasons may also exist. Very little may be known about workers to be hired, especially where formal credentials are nonexistent or considered not reliable or relevant. Existing

policies make sense when there is adequate information on the going wage rate and it is easier to narrow the labor quality aspects of choice at the time of selection. As Albert Rees notes, this is like buying a used car (of whatever vintage): average prices are easily determined, but it would pay to search at the margin for variations in quality.

One relevant example is hiring for demanding physical work where productivity factors may emerge or be verified more effectively in a personal encounter. The efficiency theory of high wages asserts that employers pay high wages because it promotes workers' health and nutrition, which in turn contribute to higher productivity. A problem with this formulation is that the resultant accumulation of human capital may have value for other employers or activities as well; in addition, the higher wages may be used to feed the workers' family or relatives, all of which limit the return to the employer. A preferable alternative is for the employer to personally verify the physique and stamina of the employee, a procedure which seems to have been adopted by the Indian steel industry in hiring unskilled *kalassis* for manual work in the blast furnaces (Kannappan 1966). Above-market wages would facilitate this process by encouraging an overflow. Such a practice is also effective if recruitment can be deferred.

Subjective appraisals are also important with respect to willingness to assume risks. These arise if hiring is "irreversible," work effort is interdependent, or the employer plans to invest in the employee. Considering personality and family or social background would reduce the risks, but some would remain, especially the risks of turnover in an expanding economy. Enclave-sector employers indicate that they provide additional training for new recruits, whether they are raw labor or semiskilled and technical workers. The conventional distinction between "general" and "specific" skills may be less important, as firms may have limited choices in a newly industrializing area and the "specific" skills may soon command general value. High public-sector wages, even for low-ranking labor, might thus be indicative of initial skills or experience which acquires general value. Quite a range of civilian jobs—semiskilled, skilled, professional—are open to those who have served in the army: night watchman, gang supervisor, mechanic, inspector, personnel officer, and so forth. In such cases, high wages and personnel (including paternalistic) policies which tend to stabilize the labor force may be the only (although expensive) solution. The failure to adopt such a policy has apparently led to significant losses by the army (as reported by Clignet for the Cameroons) and public-sector employers (Turkey, India, etc.). This would explain the observed practice of not allowing employees to apply for other jobs except through the present employer. However, this can be a futile policy, as noted earlier. The Indian ordnance enterprises,

which were the most unyielding in their insistence upon this practice in the sixties, enjoyed one of the highest rates of defection!

Concluding Remarks

This chapter has focused on the labor market infrastructure, institutions, and practices. It does not support the idea that autonomous demand decisions or supply rigidities are urban-wide in scope. This conclusion complements those from the earlier chapters reviewing information on employment breakdowns and the wage structure.

The government is only one among many influences on the demand side. The enclave sector stands on its own in terms of wage and hiring practices, but it is doubtful that these are determined without reference to productivity. There is much variety elsewhere in the "modern" sector, in independent entrepreneurship, self-employment, and so forth, of which our knowledge is limited. On the supply side, there is simply no network or organization which can engineer a "spillover" effect that raises or even maintains wage levels throughout the urban area independent of economic conditions.

Models of urban dualism that emphasize an exclusive focus on modern-sector openings, job probabilities related to the general employment rate, and progression from nonmodern to modern employment find little support in observed behavior. Job channels are characterized by specific grooves and criteria, some rather closely tied to sources of labor supply. Sometimes they appear to operate almost entirely on a separate track: an example is the labor contractor in the construction industry in Calcutta, whose employees come into the city for the job but return when it is over. Much migration involving small and medium enterprises, independent entrepreneurship, and domestic employment is direct between point of origin and urban employment. The employment exchanges, probably about the only urban institutions which ration job opportunities in an orderly manner on a "first come, first served" basis, are almost entirely irrelevant to the rural inflow. They may register the unemployment build-up (where registration is required) of those looking for the better modern-sector jobs, but their placement record is poor. Overall, they are of marginal importance in most countries. It also appears that hiring at factory gates is not common. Finally, at least the better-paying modern-sector firms seem rarely, if ever, to recruit from other firms in the "murky" sector.

Recruitment, selection, stabilization of the work force, and advancement (including upgrading) involve a mixture of particularistic and universalistic practices. The former are circumscribed by such factors as

family, kinship ties, and place of origin, broadly subsumed under the label of "ethnicity" in this discussion, while the latter refer to education, formal training, employment exchanges, and the like. Employers generally use both types of practices, which coexist rather than being opposed to each other. Modern-sector employers, for instance, value family status or certain sources for their favorable impact on stability, but literacy and education are also considered valuable in the urban labor market.

Our review of labor market practices indicates the strong and continuing influence of traditional institutions and ties, which cut across the dualistic sectoral divisions.

Particularistic criteria emerge as important in hiring and in governing entry into various urban economic activities. To some extent this is true even of the enclave sector, despite its emphasis on formal education. Traditional channels are important in recruitment, because many skills are a function of ethnicity and are independent of the school system. Ethnicity may also be important in gaining personal contacts and acceptance in the adaptive urban environment where more than mere manual effort is required. Elementary or functional literacy appears to be important even for many apparently low-level occupations, and for small employers as well. Factors like trustworthiness and reliability assume more general significance, given the uncertainties of the urban environment. Requirements are more stringent when long-term hiring is involved. Not much is known about how small employers and independent entrepreneurs handle these aspects, but it must be supposed that traditional ties and ascriptive practices help them to minimize the risks involved.

The question arises as to how "efficient" this labor market is. How speedily does it resolve disequilibria, whether these take the form of unemployment, underemployment, or nonequalizing differentials? On the whole, our knowledge is much too limited to provide detailed answers. On a broad scale, when we look at something like rural-urban migration or differentials, it is clear that movements are in the right direction and are of an equilibrating kind. The adjustments may even be rapid, as shown by the relatively short waiting periods for migrants to greater Khartoum. Urban-wide disequilibrium pivoting around a key wage rate is also not the problem. But almost all other indications point to low standards of efficiency.

Overall, there is a severe dearth of labor market intelligence, the infrastructure is thin, and general instruments such as newspaper ads and radio announcements are of negligible importance. The possibility certainly arises of much needless gross movement between rural and urban areas and within the urban labor market. Labor skills and quality elements are standardized to a limited degree. Information about them is

traded through various particularlized channels reflecting traditional ties. These channels establish and perpetuate "differential corridors" (to borrow the terminology from Joshi and Joshi's Bombay study) governing skill acquisition, migration, job search, experience, and advancement. Formal schooling and training are important, but access to these must be unequal (an aspect this study did not cover). The employment exchange is of limited value to a select component of the modern sector, and is irrelevant to the bulk of labor market transactions. All these fctors add up to a labor market in which many labor quality adjustments would be sluggish and differential productivities would be chronic.

But there is another side to this, which focuses on the difficulties of establishing a more efficient r equitable framework, and the strengths of the present.[51] Family and kinship ties are conducive to rational patterns of rural-urban migration. They provide points of entry into the urban labor market in the form of self-employment and independent entrepreneurship, and access to job information and employment. They are also "schools" in one sense, generating the acquisition of skills outside the formal educational or training framework. They substitute for the limited development of social security institutions as well. Family pressures may well encourage speedier adjustments towards equilibrium, for families may not necessarily be more indulgent in supporting job search or migration in the context of unemployment than institutions administering unemployment or welfare benefits.

Our review also indicates that the "unskilled" labor market is differentiated to a greater degree than is commonly realized. Even spatially frictionless markets, as Richard Webb pointed out with respect to manual labor in Sao Paulo, may show variation in earnings. Also, we have limited knowledge about the considerations affecting the internal generation of skills, the impact of turnover or of the nature of the enterprise, and the principles governing the distribution of such opportunity or the sharing of relevant costs. Particularly important is the need to identify channels of growth in self- and small-scale employment. The ILO Kenya mission reported a picture of vibrant informal-sector entrepreneurs held back only by government regulation. A somewhat similar picture was given in the study of Abidjan, in the Ivory Coast. Others have been less sanguine. A study of the squatter community in Manila identified enterprising behavior leading to jobs created by "personal service ventures." However, they were confined to the local poor (ILO 1974, p. 185). We have noted Bienefield's argument concerning the difficulty of entry into the informal sector in Tanzania. Since self-employment attracts large numbers of people with varying abilities, further knowledge is essential.[52]

We also need to rethink our notions about what constitutes a skill. These ideas have tended to emphasize knowledge derived from schools

or training institutes which yield certifications of general currency. But many product and service markets are limited in scope and particularistic in organization, and there is no reason why universalistic criteria should necessarily command a greater premium. It is not even clear which is more "rational." Both the particularism of family enterprises (some of which are rather large) and the universalism of governments have been condemned, the former for their ascriptive values and practices and the latter for their mechanistic and impersonal procedures such as examinations for recruitment. Here we run into an important analytical problem.

Simply stated, a skill is not merely the ability to turn a screw, read and write, or wave a certificate; it is any attribute for which the market indicates a premium. Thus, it may be a traditional craft like weaving or pottery, or it may be an intangible quality such as trust or reliability.[53] Employers may infer the presence or absence of such a skill as much from place of origin or family background as from one's educational attainment or previous experience. A market premium accrues whenever there is a shortage of the relevant attribute at the going wage.[54] There is a basis today for believing that ascriptive factors generate differential productivities in the labor market. This seems to derive from the comparative advantage of many traditional channels and institutions in meeting the emerging requirements of the labor market. Such channels are viable whenever they are less expensive relative to the benefits. These circumstances exist when variability in quality is considerable but poorly understood and less formal channels improve knowledge or reduce risks – that is, once we specify any kind of a desirable attribute in hiring and assume nonzero transaction costs. Thus we saw that even in India, recruitment of unskilled labor was not a costless process and was favored by traditional channels. This was also the case in the Sudan railways and in domestic employment in Lima. Informal and traditional channels also seem to be less costly ways of acquiring certain skills and valuable market knowledge. Some skills may be acquired only in informal settings. Personal contacts or access to capital is important in small enterprise, petty commerce, and self-employment.

This raises the important policy issue of the scope for effective government intervention, given the needs of equity and efficiency. The various ascriptive channels now widely employed may well be optimal under given conditions, and there may be no easy or effective way of substituting universal procedures, as we can see from inchoate public policy initiatives to promote such things as employment exchanges.[55] But the reliance on ascriptive criteria may also be inequitable, as has been recognized in the literature. The important thing is to determine if they have a systematically adverse impact on some groups or segments of society or whether they are of an offsetting nature. The former may well be true of

the urban poor, who are bypassed by all these channels, formal and informal. Improved schooling and employment services will, of course, help in a more general way, but they may be expensive and may not have much impact on the numerous ascriptive channels governing self-employment. At the very least, public services and goods should not be reinforcing these patterns.

Notes

1. See also Vaurs (1978).
2. The Soussi network of urban boutiques in Morocco is apparently sustained by such "revolving" family participation.
3. One criterion seems to be whether they used French accounting methods.
4. See UN (1975), pp. 220–35, for related discussion of the importance of choices open to the educated unemployed in Kerala, India.
5. Thus, in India in the late fifties this group of employers unanimously endorsed a Labor Ministry proposal for a need-based minimum wage. Their own pay scales were probably higher, but the Finance Ministry repudiated the proposal of the Indian Labour Conference.
6. Similar problems of "structuring" a labor force in newly industrializing contexts are apparently present in contemporary USSR (the Fiat experience) and mainland China.
7. For a different perspective, see Morris (1965). See also Mazumdar (1973), who directs attention to the desired quality as an explanation of the "shortage."
8. This is "conservative" because it excludes the value of fringe benefits, of the decline in hours of work, and of the fewer number (due to increasing stabilization) sharing a given total wage bill. The basic source for real wage data is Mukerji (1959).
9. For discussion of the issues, see Myers (1958). James (1957) is one of the best statements of how a labor market is insulated from the more general urban labor market.
10. *Report of the Indian Tariff Board* (1927), *Evidence*, II, p. 347, as quoted in Mazumdar (1973), p. 493.
11. The Addis Ababa experience of reliance on middlemen is similar to the Bombay situation and was described in 1975 to the author by Dr. Teshome Mulat, now chairman of the Department of Economics at Addis Ababa University.
12. The legal minimum wage in greater Khartoum was FS 16.50 per month or 63 piasters per day, but this did not apply to the large number of wage-earners outside the high-wage modern sector. Gezira cotton labor, for example, could earn FS 2.5 to 3 per week or as much as FS 10 to 12 per month. In the ginneries, contractors paid 50 piasters to FS 1 or even more per day.
13. Details were obtained from Jeffrey W. Ball of the World Bank, May 1979.

14. Details were provided in April 1979 by Dr. Abder Rahman Ali Taha of the World Bank and formerly of the University of Khartoum in the Sudan.
15. See, for example, Schaefer and Spindel (1976), p. 67. This footnote was prompted by a surprised response to the above sentence from my friend, Professor W. Paul Strassman, a leading specialist on the construction sector in development.
16. Amplification in personal conversation, April 1979.
17. For an analysis of the issues, see Kannappan (1966).
18. Thus, over time the jobber's economic power was undermined in the labor market. For an interesting discussion of a comparable economic phenomenon in the Sudan, see ILO (1976b), pp. 99–100. Direct recruitment and elimination of middlemen profits in India were also facilitated by the growth of the infrastructure and increased knowledge of each other among sellers and buyers of labor services.
19. For some details on the Sudan and Singapore, see Kannappan (1976b) and Pang Eng Fong (1977), pp. 90–91, 138–39.
20. See Pang Eng Fong (1977), p. 139, for the "universalism" and "credentialism" in government employment.
21. These also constitute different managerial optimizing strategies. See Taira (1976a, 1976b).
22. Although it may appear so, it is not clear that enclave employers invest more in the internal development of skills than other employers. But their share of costs and risks may be greater due to the greater divergence of interests between the enterprise and the employees.
23. For instance, Mazumdar's "protected" sector is closer to the restrictive "enclave" sector concept employed here than to the broad definitions adopted in some current empirical investigations. This may be a partial explanation of the weak showing of Rakesh Mohan's (1978) "protected" manufacturing sector in Bogota, Colombia.
24. Sometimes large differentials of as much as four to one are reported in favor of large-scale units; others report a break favoring the middle-sized categories. See, for example, ILO (1974), chap. 5.
25. Part of the problem is due to the imprecise boundaries and varied activities undertaken. A broad definition leads the Philippines Mission to note a complex range of activities in the "services" sector rather than "a simple safety-valve for the under-employed." Medium and small-scale industry, however, are said to require the same type of skilled and supervisory workers as other industry, while engineers are not formally trained (ILO 1974, chap. 5, and Special Paper no. 9).
26. The Bombay textile industry, for instance, showed an inverse relationship between size and turnover rates, but there has been no clear explanation for this. We again face the puzzle of the type of skill generated internally and who pays for it.
27. This paragraph depends mainly on Jelin (1977).
28. This is the argument of Margo Smith, quoted in Jelin (1977), based on her observations in Lima, Peru. Smith argues that there is a distinct pattern in the

typical servant's career: apprenticeship with a lower-middle-class family, low salary and few fringe benefits, on-the-job training, and subsequent upward mobility "within the broad spectrum of the lower class."

29. See, for instance, the reported bias of engineering education in the Philippines towards large-scale industry (ILO 1974, pp. 543-44).
30. A prosaic explanation of retail trade as a choice is offered by Dannhaeuser (1977). The difficulties and low returns are due to the character of demand and ease of entry, while choice is due to poor alternatives.
31. The distinction between truly casual and temporary or quasi-permanent workers is often overlooked.
32. It should be noted that wage employment is a close substitute for this category of self-employment. The enclave sector certainly takes in some of the better trained in steady employment or on some kind of lien, but not all. The workings of the labor market in this respect remain to be explored.
33. The numerous and successful tutorial schools run on a profit-making basis in India are also relevant.
34. On the limited role of employment exchanges see, among others, ILO (1976b), chap. 8, and Technical Paper No. 12 on the Sudan; and ILO (1971a), vol. I, pp. 126-27, on Ceylon.
35. Thus both Calcutta (Lubell 1974) and Kerala (UN 1975) report that large numbers of the educated register with the employment exchanges, but information about placement is limited. See also Edgren (1976), who reports an active exchange in Kenya and makes some recommendations for improvement.
36. "Informal channels are by far the most important for unskilled and semi-skilled blue-collar occupations" (Rees 1973, p. 100).
37. These include administrative restrictions on transfers, etc., affecting specific service categories. The "nationalistic" restrictions in India against migrants from other states are also mostly informal and do not have an urban-wide impact. Also, as has been noted in the Punjab and Haryana, the interstate mobility in response to emerging opportunities is vigorous.
38. The minimum itself was set invariably for different occupations and trades.
39. See also Lim (1978).
40. Information supplemented during interviews.
41. I am indebted to Mark Leisserson for contributing to the clarification of this point.
42. "Adaptive" is used in the sense popularized by Elton Mayo. See also Lewis (1957), pp. 90 ff., who says that working for wages for strangers requires a "mental revolution." See also Webb (1977a) who stresses the other side of the coin: the rewards for entrepreneurship and innovation.
43. Madras, India, with over 4 million people, is one such city with rapid growth which has not been well studied.
44. Dannahaeuser (1977), pp. 494-95, stresses another aspect, the retail traders' critical need for manpower and dependence on family sources.
45. Differences in these respects with enclave-sector firms may center around the

propositions involved and practices governing sharing of costs of training. The stronger the traditional ties, the fewer risks of turnover the firm faces.

46. For a critical reference to this practice in Sri Lanka, see ILO (1971a), vol. 1, p. 125, and chap. 10.

47. Testimonials may thus be viewed as restrictive practices or as hiring preferences, and one should also expect conflicts between sectional and larger interests. Permanent employment and employer investment in workers would provide one explanation of observed practice. The latter aspects are more important, however, given the variable needs of employers and labor "quality" concerns of workers. In India, the restrictive aspects of public-sector release practices broke down under favorable demand conditions.

48. Mazumdar (1979) reports a slight graduation from unorganized to organized employment, on the basis of generous assumptions about the origin of migrant factory workers reporting job shifts (pp. 32–34). He adds that this is not the dominant pattern of entry into the factory (let alone enclave) sector.

49. Cf. Blaug (1976) on the importance of "costless" training.

50. Thus one could observe in the United States a scene that is commonplace in India. In September 1980, 24,000 people were likely candidates for 75 entry-level jobs in the Social Security Administration. More flexible than their Indian counterparts, the U.S. agency decided to allot jobs on a lottery basis ("24,000 Flock to Fill 75 Jobs," *Lansing State Journal*, September 19, 1980).

51. See Papola (1977), pp. 153–55. About two-thirds of all recruitment involves personal contacts. Papola says that this process is probably efficient but has made the metropolitan labor market "a de facto closed shop," and therefore inequitable. See also Papola and Subrahmanian (1973a).

52. See also Sinclair (1978), pp. 105–7, for a discussion of the dynamic and static aspects of the informal sector.

53. See the classic and still enduring analysis of skill by Bezanson (1922).

54. It would not hurt to reemphasize the central lessons of the Bombay experience for they recur again and again. The history of the development of the Bombay textile labor force is a chronicle not of locating the sources of raw manual labor, but of developing a labor force suited to the special requirements of that industry. Questions of numbers, stability, and skills were inseparably mingled.

55. See Cliguet (1977), p. 745, who correctly postulates the challenge as one of understanding both the formal and informal mechanisms of the labor market. The pressure for more drastic measures reflects a high level of frustration rather than effective remedies. Faced with a systematic bypassing of the employment exchanges, the government of Sudan decided to make recruitment through the exchanges compulsory, but there was little possibility that this would materially alter the situation. The Ahmedabad study similarly seeks compulsory registration of job seekers and a ban on recruitment from other sources (Papola and Subrahmanian 1975). See also comments by Johri (1977), p. 101.

6

Conclusions

As we have seen in earlier chapters, the twin characteristics of persistent above-equilibrium wages and concomitant chronic mass unemployment are not typical of urban areas. Even where wage rigidities are present, they do not necessarily produce this result because of diverse and specific job probabilities and hiring criteria. Also, disaggregation of the wage structure emphasizes equalizing differences and movements. Economic growth affects the demand for labor in more complex and promising ways than envisaged in the dualist literature. There are problems, too, in terms of unequal access due to varying supply-side characteristics, including traditional elements of the social structure. On the whole our knowledge about how this interplay works is limited, but it is clear that the institutionalized categories which now dominate provide few insights. A statement of necessary new perspectives will emphasize some aspects of this interplay which have received insufficient attention. A research agenda directs attention to issues which merit concern and are important for public policy.

Appraising the Functioning of Labor Markets and the State of the Art

Gaps in Our Theoretical Heritage

Research reflects prevailing concerns that overurbanization and its manifestations are serious and emphasize the absence of self-corrective mechanisms. In earlier debates economists affirmed the rationality of urban-ward migration, given the income differences and growth of urban areas (Schultz 1971, Herrick 1971). But persistent feelings of disquiet, if not alarm, derived from assessments of population and political pressures, coupled with reports of high levels of unemployment (at a

time when the state of the art in this respect was poor),[1] posed a more difficult challenge for the economist. A view that gained ascendancy and inspired a good deal of the literature of the seventies attributed the high unemployment rates to a relatively high and rigid urban (modern-sector) wage rate which encouraged a rural-urban overflow.

The literature reviewed here has also offered other insights. A parallel (and less theoretically structured) literature, including much descriptive work, has approached the study of the urban labor market in less a priori terms, reflecting both its diversity and the varied elements of labor quality and job search. Even those studies and reviews which adopted a two-sector urban framework make it increasingly clear that the urban economy and labor market are diversified and engage a rural population which is by no means homogeneous. Formal analysis has also moved in the direction of recognizing greater variety in urban labor markets and rural-urban mobility than the simplified stereotypes which the two-sector models encourage.

These are welcome trends. The requirement is not only for more intra-urban detail, but for a more comprehensive view of labor mobility in the process of economic growth, one which implies promise as well as problems. The evidence and data for LDCs are skimpy and will remain so for a long time to come. But available information provides at least as much support for the proposition that what we see in developing economies are predictable, even encouraging, responses to economic growth and transformation rather than aberrant outcomes. This would include both the low rates of urbanization and the growth of myriad patterns of economic activity which mock our a priori classifications.[2] Rather than advocating complacency, we are cautioning against expecting the elimination of urban wage rigidity to provide a magic cure, for this is not an important part of the problem.

The prevailing literature has not seriously come to terms with the urban labor market. It rests on two foundations, demographic and political. Excessive movement toward the cities is attributed to population pressures and policy failures, including interventions in the labor market (dualism being basically a political model). However, prevailing policies may also discourage migration by limiting urban employment generation; the Todaro effect focuses rather on the swell of unemployment associated with any given urban modern employment. Enough has been said in the last several chapters to indicate the existence of a complex urban economic structure; diverse job search, recruitment, and information channels; a spectrum of wages and skills; and selective patterns of migration, employment, unemployment, and access to opportunity. The literature implies limited use or explanation of these phenomena and has thus not adequately analyzed the implications of the disturbances to

equilibrium inherent in urban growth in LDCs today. The labor market emerges as an afterthought, with a narrow focus on labor market failure sparked by reports of massive and increasing unemployment.

An aspect of this weakness is in the theorizing on the demand for labor and the scope for viable activity in urban areas and their implications for diverse combinations of skills, contacts, entrepreneurship, and capital. For the most part, we have to be satisfied with treating urban demand as an autonomous policy variable. We have no really satisfactory explanation, in terms of "demand," of the growth of the urban nonmodern labor force. The dual labor market theorists rely on urban wage distortions. Others focus on the rural surplus. The failure to specify even a reservation price makes entry entirely supply-determined. Some see this as providing mainly petty services. Or the emphasis is on "old" services, with a recognition that a small part of the demand is for "new" services. In any case, conventional supply-demand analysis is inherently difficult to apply to self-employment. The problem is made worse by ex ante classifications of products and inputs which obscure our vision of how markets and opportunities expand.[3]

Labor heterogeneity is the other major casualty of the two-sector models, also a consequence of the narrow perspectives of urban employment. The models are more relevant in explaining urban migration in the context of unemployment than urbanization per se, which is more properly a function of economic growth. It is the latter which merits attention. Our concern is less with mass urban unemployment and its fallout than with the variations in productivity and idleness in the entire urban economy.

The Evidence on Urban Labor Markets

Our review of the literature and the associated evidence showed that it will be difficult to consistently categorize urban economies into modern and traditional sectors. What little we know of the urban wage and labor force suggests emerging, diversified structures, with expanding opportunities not limited to the modern sector. There are also considerable variations in employment organization, patterns of input use, and levels and forms of remuneration.

There is no pervasive evidence that the organization of the urban labor market is such that employer largesse or union pressures or minimum wages blanket the city with a high-wage level which simultaneously sets the urban floor and provides the ceiling of aspirations for prospective entrants. The segment of the urban labor market thus covered could refer only to a well-defined minority. Neither unions nor governments acting in concert provide the kind of interdependent and synchronized urban-wide wage pressures that the dualists have postulated.

Available information also suggests that the urban labor market works in expected ways. Movements occur in conventional directions, from low-productivity to high-productivity employment. It seems that broad segments of the rural labor force – not just the impoverished peasantry – participate in such movement. Migrants are not necessarily the poor, nor those most likely to remain unemployed. The self-employed or those in tertiary employment do not emerge uniformly as the lower-paid segments of the urban labor force. The fears that migrants continually fuel urban tensions due to a swollen inflow of the poor, the unemployed, and drifting youngsters have little basis in reality.

Systematic unemployment data are not available for many countries, and the data that are available are limited in depth. However, close scrutiny does not support the impression of either mass or chronic unemployment as a pervasive feature of the metropolises of the developing world. Much unemployment is specific to such groups as the young, females, older workers above their forties, and so forth. The idea that migrants are more likely to be unemployed is not borne out by breakdowns comparing migrant/native unemployment experience. They return to their homes or adjust their sights toward available employment. Some of the data showed average waiting periods to be relatively short (e.g., greater Khartoum).

Wage data provide a somewhat similar picture. Rural-urban earnings differentials are high, but there is little basis for asserting that they get worse over time. Finer comparisons, instead of broad rural-urban averages, also emphasize the importance of equalizing factors and movements. There is support for the conventional expectation that equilibrium is reached when rural-urban earnings are equal. The Bombay study, which provides some of the most detailed comparable information on this point, concluded that urban "unorganized"-sector earnings were slightly higher than their rural counterpart, and they were very close when breakdowns could be obtained for specific rural areas (Joshi and Joshi 1976, chap. 5).

Other aspects of the urban wage data are also important for the doubts they cast on the assumption of a wage structure that is rigid and unresponsive to changing economic conditions. There is no consistent basis for equating modern with high-wage and traditional with low-wage employment for comparable workers. It is not even clear that these necessarily correspond to high and low earning sectors. There is much overlap between the so-called formal and informal sectors, and there are low-income recipients in the former and some, especially those in traditional skills, who do quite well in the latter. There is much employment both above and below the minimum wage, and both are relevant to the migrant.

The dynamics of the wage structure also suggest that there is much flexibility in the labor market as economic conditions change. In Brazil, for instance, the gap between unskilled wages outside of regulated employment and the minimum wage was narrowed during phases of rapid economic growth. Other studies, including intercountry comparisons, reveal a pattern of coordinated, equilibrating movements rather than the kind of interlocking rigidity which models or politicized wage determination have advanced.

Finally, our knowledge of the urban labor markets suggests that the processes at work are varied, but on the whole rational. There are considerable elements of differentiation and sophistication among buyers and sellers of labor services. Hiring criteria, for instance, indicate a subtle mixture of traditional and modern and of universalistic and particularistic components. Both formal and informal channels play an important role in guiding employers and job seekers towards each other in a market characterized by much variation in employment and labor quality. Traditional and kinship ties are important in these respects, whether we are talking of rural-urban migration or intraurban movements. As Joshi and Joshi point out, there are differential "migration corridors" and "clan contacts," and quite a number have jobs "fixed up" for them prior to migration (Joshi and Joshi 1976, chap. 5). These findings indicate a relatively high probability of urban employment rather than aimless urban-ward drifts. At the least one should be thinking in terms of several, including noncompeting, channels, each with its own probability factor. By way of contrast, employment exchanges run by public authorities, whose "first come, first served" rule may provide an institutional underpinning for the Todaro model, are of negligible importance in urban labor markets.

It should not be concluded, however, that the urban labor market is an efficient allocative mechanism. There are many problems we are already aware of and many issues we understand only poorly. These add up to a substantial research agenda which we will elaborate upon later. But first, it is necessary to set aside the received tradition of poor theory.

Weaknesses of the Dualist Approach

The dual labor market models are weak because the dichotomy bears no systematic relationship to labor quality elements, patterns of work organization, the wage structure, or job search and hiring practices. The institutional/organizational proxies are a poor substitute for whatever they are supposed to represent. Dualism is basically a model of how political pressures cumulate in urban wage determination in developing countries. It may have had some validity for East Africa in the sixties,

but its empirical base is too shallow to allow it to be extended to all developing economies.

The assumption of labor homogeneity also flies in the face of available information. It is a poor predictor of urban employment probabilities. Nor can aspirations and horizons governing the migratory process be compressed within a narrow straitjacket of a quest for modern-sector jobs. Labor heterogeneity is relevant to both the migratory process and behavior in the urban labor market. Migrants represent varying positions in the social hierarchy, and their aspirations are equally diverse. This is true even of manual workers. Some stay for years as "visitors" in low-income jobs or give up, and others move straight into jobs which pay better than the legal minimum. Migration should be seen in terms of lateral moves within the divisions of a socioeconomic hierarchy: the unskilled manual worker; the domestic servant; the construction worker; the self-employed tradesman; the civil servant transferee; and the educated youth seeking his first appointment. There is no necessary reason for their probabilities to be similar.

The Todaro version of the urban queue also functions much like the queue at the gas pump. Neither the queue nor the man at the gas pump has any discriminating function to perform. This is a mechanical view of the labor market, which seems unlikely for any economy. The value of the urban waiting or employment experience prior to entering the modern sector is not dependent upon the productivity of this experience. The progression of earnings as a function of urban experience is sometimes cited as supporting a Todaro process. This would be true of most labor markets, even those without a queue, but for reasons other than getting closer to the gas pump. Attempts to resurrect the queue theory by relying on the value of urban nonmodern (or neighboring town) employment experience for modern-sector jobs must either show why such experience is not as relevant when it comes from rural employment or abandon the stance that the urban nonmodern sector is just an urban village—or both.

An alternative, and a more dynamic and plausible version of the labor market, would have migrants and other entrants seeking the best job they know of without any necessary preconception that this will be a modern-sector job. Success, as well as failure, would have more variable dimensions. Both inherited advantages and work experience will influence outcomes. Such a view is much more acceptable in terms of the continual dynamics of economic change and labor mobility—laterally as well as vertically. It is also more consistent with a view of the labor market process as one of trial and error, change and growth, and failure as well. An important reason for advancing will be that workers learn by experience on the job, including by means of formal training. Those with

a better foundation—for instance, literacy, educational attainment, risk-taking ability, or family connections—will do even better with the passage of time. But once we recognize the potential range of these outcomes, we are no longer talking of a simple queue theory with its limited focus. We are talking of what happens in most labor markets, where upper and lower limits are not bounded by public authorities.[4] There are those who will never make it to the modern sector, those who do not even want to try, others for whom it will be only a stepping stone, and still others for whom it will be irrelevant even as a gateway to better opportunity.

Once we introduce the importance of a more varied range of outcomes we have also taken the first step towards more sophisticated and relevant research. The weaknesses of the Todaro-type approaches derive from premature model construction and insufficient development of theory. Even in the data-rich United States, and in the relatively developed field of macroeconomic modeling, this can pose serious problems.[5] In an underdeveloped context, where our knowledge of crucial aspects of the functioning of the labor market is seriously limited and where there is much need for clarification of analytical constructs, including concepts already in vogue in the development literature, the Todaro-type abstractions involve a dubious degree of "leap-frogging." Such leap-frogging has included neglect of prior and related studies bearing on the sweeping and simplifying political, social, and cultural assumptions which are inherent in and important to this theory. The focus was also narrow in terms of the issues and geographical experiences covered.[6] Subsequent refinements and testing naturally stayed within this restrictive framework. Much work thus remains to be done to build sound theory and to focus on pressing problems of concern. We will elaborate on these briefly.

Persistent Problems and Neglected Aspects

Although our main problem may not be with a Todaro-type urban-wide intervention, the metropolitan area is not the economist's dream of perfectly competitive factor and product markets. The Todaro-type wage rigidity is also important, but more likely applies to specific categories of the educated labor market and/or covered employment, generally much smaller than prevalent conceptions of modern-sector employment.[7] It is clear also that we have a welter of other problems in urban employment. The labor markets are fragmented and segmented, serving many little worlds of product and service markets. The infrastructure is weak: information, mobility, recruitment, and opportunities for skill acquisition or advancement flow along numerous, not well understood, parochial channels. These "informal" channels are efficient in their own

way, but they also imply much that is not equitable and a high level of wasted human resources when measured against an alternative standard of economic organization and human resource utilization. This is underemployment in its truly awful and awesome dimensions. It poses a serious challenge to our capacities for analysis and for evolving workable policies.

Economic growth creates opportunities, and urban and rural transformation are complementary.[8] But to the extent that labor markets function in this suboptimal sense, their fruits will be unevenly distributed. There is no lack of evidence that people are responsive, adaptive, and enterprising. But the equalization process of the market must be slow and highly uneven. We know that kinship ties and social segmentation influence migration, work experience, and skill acquisition. They are also significant in channeling information flows and in defining labor quality elements. There are limits to what the manual worker can do, however diligent he may be, to improve his prospects. Low-income artisans and the self-employed face similar handicaps of lack of capital or contacts and know-how. The problem is most severe for the urban poor, whom we have defined as those least capable of participating in the "trickling-down" process.

Even where these aspects do not complicate the picture, we know little about the efficacy of the labor market and adjustment processes. Our information about and analyses of the urban-ward movement derive from net migration figures, and the migratory process may well be overly cautious or failure-prone.[9] It would be surprising if at the prevailing level of labor market intelligence and dissemination, we do not see both much wasteful movement and sluggish adjustments towards equilibrium. The meager information on return migration needs further attention to determine how much of this represents failure and if there is potential for reducing the gross-net migration ratios. Labor market processes also appear to be inefficient in many key areas. Costs of search must be presumed to be fairly high relative to the gains for many categories of manual labor, and this may explain the coexistence both of reports of unavailability of unskilled labor at the employment exchanges and employment at less than the legal minimum wage. Needless wait may also be imposed on job seekers at the employment exchanges and in government services. Available information indicates much scope for improvement in such matters as registration, recruitment procedures, the processing of applications, and so forth.

On the whole, there are few studies relating costs of job search to expected benefits. As Mazumdar (1979) has shown, the Todaro formulation suffers from ignoring the costs of long waits. Rakesh Mohan's analysis of the Bogotan data implies that benefits may well exceed costs

for the urban poor (not necessarily migrants) who face information, residential, and transport barriers (Mohan 1978, Mohan and Hartline 1979). Richard Sabot has analyzed the Tanzanian experience and unemployment breakdowns for the young, females, and the educated in terms of costs and benefits (Sabot 1979). The urban migration and subsequent labor market behavior of female domestic workers in Latin America may be similarly analyzed. But there is a clear need to go beyond such post hoc efforts and to clarify our use of the relevant concepts. The assumption that wait is costless because of widespread underemployment may not necessarily follow, given the reciprocity expected in intrafamily transfer mechanisms. Family support for the young or educated or female workers while on job search does not imply low opportunity cost. This is mistaking the availability of subsistence support with opportunity cost, which may be substantially different. The relatively well-to-do may permit this indulgence; this seems to be the case for higher-paid educated employment. On the other hand, many youngsters and teenagers, even children, work in low-paying jobs. Cultural norms which provide respectable nonmarket alternatives pertain mainly to females, and even then to those with some education. Their reservation prices will also be different, but it is not clear that these subtle differences can be handled with available unemployment data.

Any such detailed consideration brings to the fore both the limits of our understanding of the LDC experience and the need for refinements or modifications of our theoretical apparatus.

The analysis of the benefits from modern-sector employment goes beyond moment-of-time comparisons and naturally emphasizes such things as status, job security, and prospects of advancement. But self-employment may also provide a comparable attraction, particularly for the well-connected. Such prospects may expand even more rapidly than modern-sector wage employment in a growing national and urban economy. Real enclave-sector earnings may also increase at a variable rate because of market forces, rather than the orderly progression envisaged in the salary or wage scale (or *grille* in the French-speaking countries). Self-employment and small-scale enterprise as viable alternatives have not been adequately explored. The empirical basis for estimating a time stream of incomes is notably lacking. This may be of particular importance to the extent that some differentials are based on ethnic or comparable attributes which may be fairly persistent. Thus the urban traditional sector may include occupations and activities characterized by low and varying rather than infinite long-run supply elasticities.

It is important to note the immobilities and "tastes" of specific groups (including migrant labor) for such reasons as aversion to a single life in the city or for certain types of work, unfamiliarity with the work to be

performed, "preference for a job rather than a work," and so on. Christopher Fry argues that migration to urban areas is not typically permanent. Debate on the Indian situation seems foreclosed, as if the rational thing to do is to move to the cities, despite T. Scarlett Epstein's powerful reminder of the strength (and rationality) of rural ties (1973, pp. 250–51). Elkan (1976) wonders whether a proletariat has emerged in Nairobi.[2] Such tastes and immobilities may have relevance for observed paradoxes, but they remain unexplored despite their central role in the classical labor market concept of "compensating" advantages. Thus, we have labor "shortages" in a sea of plenty and many instances when employment exchanges, modern-sector employers, and others have expressed difficulties in recruiting at the modern-sector unskilled wage, at the same time that one can find many of the employed earning less. It is also relevant in analyzing the wide intercountry variations in rural-urban wage differentials (Taira 1973).

An issue of some fundamental significance is what constitutes a relevant measure of human capital. Ascriptive criteria are important to an unusual degree in the labor market processes and indicate elements of both strength and weakness. But the tendency is to emphasize universalistic criteria such as years of training or, as Mazumdar did for Kuala Lumpur, "measurable" characteristics such as experience. However, such distinctions may be illusory, as traditional ties may be the gateway to universalistic characteristics and may be important in their own right in generating valued skills. Mazumdar (1979) has rightly emphasized the stability of migrants accompanied by their families as a factor in determining the supply price of labor in the Bombay urban market. It also promises to be a better predictor than the Todaro-type institutional wage rigidity in explaining hiring.

In broader terms we know little about why stability is emphasized and how this works in a labor market characterized by surpluses.[10] It is not clear what the "costs of learning" are in contexts where family and social traditions rather than formal schooling or training programs are so pervasive and circumscribe the range of relevant benefits. Mark Blaug, whose trenchant and "jaundiced" view of human capital theory nevertheless upholds it (as "the only theory we have"), focuses on the labor market imperfections and "costless" learning situations which limit the value of the theory (Blaug 1976). Clignet's analysis is the most detailed of available studies on the ethnic aspects, but he does not analyze whether they have any functional value, and dismisses them as discriminatory. Papola sees them as efficient, but inequitable. We have argued that these components of labor market differentiation – language, place of origin, family traditions – constitute "skills" and are a necessary part of the important and informal labor market channels of the economy. There is

no simple case for viewing them as discriminatory in effect if there are elements of competition on the product and factor markets and potential for the entry of nondiscriminating employers. Nor will it be easy, at least at this stage in the development of these economies, to develop substitutes for the skills or information channels being developed within the ethnic framework. There is an obvious case for improving the equity and universality of the process, but this may have to be a selective effort based on more detailed knowledge than we now have.

Ignoring these aspects, the dualists focus on modern-sector wage rigidity and its "structural" consequences in terms of massive unemployment. However, the sluggishness of the labor market may be much more general in the urban economy, the probabilities much less clear, and the contrast among choices to be made much less extreme. Further, the relevant information may not be in the public domain and the "informal" channels of the market processes may be circumscribed by particularistic features. Since most moves involve some economic betterment, these frictions in the employment market add greatly to the underemployment of human resources by impeding moves within and between the modern and traditional sectors. And in their cumulative impact the loss from such "frictional" unemployment may greatly exceed the unemployment-underemployment loss from modern-sector wage rigidity.

The shortcomings of existing approaches are thus more than trivial omissions or minor lapses in empirical measurements or theoretical formulations. They constitute rather major omissions deriving from a one-sided concern with excess supply paradigms. Instead of viewing economic growth as providing a spectrum of opportunities, and differentiations on the supply side as qualifying the extent to which these are exploited, the emphasis has been on the homogenizing influences of population pressures and underdeveloped governments. The complexity of the process of the growth of the urban labor force has been subordinated to a more limited vision of increases in regulated employment. Since such limited scenarios have dominated research in this area, our understanding of urban employment growth and its components as an aspect of economic transformation is seriously limited.

Necessary New Perspectives and Directions for Research

The observations in this section derive from the need to go beyond previous work. Economic growth leads to urbanization and many new opportunities which need to be studied in a disaggregated manner. The effects of economic growth are pervasive and there are varied responses to the emerging opportunities, which can be analyzed only by differ-

entiations of the affected rural and urban populations. The outlines of an alternative approach are presented below in the form of certain major themes.

It should be stressed that our approach reflects—in its totality—a sharply different view of the urban labor market. First, we stress only marginally the institutional characteristics which have provided the basis for the formal/informal-type dichotomies and studies of segmentation of the urban labor market. More important are the limitations of the labor market infrastructure and differentiations on the supply side. Second, the underlying view of the labor market is inherently more dynamic and universal. Instead of seeing the urban labor market, and indeed urban growth, as a unidirectional pursuit of modern-sector jobs at modern-sector wages, and other labor market activities as subsidiary to this main process, the quest for the modern-sector unskilled job is seen as one subset of a much broader, *and unbounded*, process of labor migration and mobility in response to the opportunities created by economic growth. Three interrelated themes will develop this alternative perspective.

The Role of the Urban Labor Market in the Growth Process

First, there is the view that urban development and growth are much more than merely the transference of an undifferentiated and unskilled rural labor force into unskilled work in the capitalistic sector in the cities. They are part and parcel of a broad process of economic transformation involving a differentiated rural sector seeking its best alternatives in a heterogeneous and complex urban economy. The level and variability of urban incomes are of course greater but transformation is an interactive process significantly affected by received endowments of privilege and skills. Related to this is the need to make a more expansive, less stereotyped analysis of the opportunities which arise in the process of economic growth. These opportunities cover traditional and modern skills and varied combinations of both, and provide elements of dynamism in the urban economy.

A second theme focuses on labor supply characteristics and complexities. An important aspect is provided by spatial and residential segmentation; another refers to unequal endowments, whether among migrants or natives, of attributes which command value in the labor market. Personal and human capital variables emerge as important but not in well-understood ways, since kinship affiliations appear important in skill formation as well as in governing access to schooling and employment experience. The urban poor emerge, then, as a hard-core, noncompeting category of groups or individuals who barely participate in the benefits which "trickle down" as the economy grows.

A last, but not necessarily separate, theme focuses on the urban labor market structure and processes and the scope for improvements therein. We will elaborate on these now.

Economic transformation leads to many of these new activities. This transformation creates a framework of emerging economic opportunities in the metropolitan areas, which is the principal stimulus to their growth.[11] Such opportunities arise in manufacturing, small-scale industrial activity, a variety of old and new services [Sabolo 1975], trade, commerce, public and municipal administration, construction, manual laboring, and so on.[12] These incorporate wide variations in productive techniques and entrepreneurial and employment organization. The attempts to identify additional "new" demand in the urban tertiary sector are welcome but the breakdown of skills and other inputs into "traditional" or "modern" stands in the way of recognizing the creative and dynamic combinations which a growing economy encourages. Modern skills may be combined with traditional inputs, and traditional skills with modern inputs, increasing the choices for producers and consumers that the technologically modern, capital-intensive sector cannot competitively provide.

Human resources create as well as respond to these opportunities in the labor market (broadly defined). Rural-urban and urban-urban migration has played a large role in net additions to the urban labor force, whose rates of growth often exceed general and urban population growth. The responses come from the broad spectrum of the rural and urban populations who try, within the framework of their aspirations and means, to maximize their incomes and satisfactions. For many, a job in the enclave sector is the coveted goal. But this is neither the only nor the final destination, as emerging opportunities are likely to be more varied and labor market dynamics to be a continuing rather than a finite process.[13] Jobs requiring formal educational attainments may be outside the feasible range for many. But they may also spur migration to the extent that good schools and technical training opportunities are concentrated in the city. Seasonal workers may seek only seasonal involvement, as in construction labor. Even those seeking stable urban jobs may retain rural links of both an economic and a noneconomic nature, as the literature on labor commitment has brought out. Urban wage employment would also include adolescents in the service sector, female domestics, casual labor in the markets, and so on. An equal variety may be found in self-employment, ranging from "marginal" workers in hawking and vending to successful shopkeepers, artisans, hoteliers, brokers, merchants, traders, and so forth.

One of the important insights to emerge from recent research is the potential of urban wage employment to lead to independent self-employment. It suggests a different view of a little-understood phenomenon

which has been reported mostly in pessimistic tones—namely, return migration. Interesting data come from Taiwan, and corroborating information is available for other areas. Spears (1974) found that three out of four migrants returned, and that the return migrants were primarily slightly less educated. He concluded that even the educated had difficulties in obtaining urban jobs. However, Ho (1979) reports a striking pattern of rural development and decentralized industrialization in Taiwan, which may provide part of the explanation. Fieldwork conducted in 1979–1980 by Bernard and Rita Gallin, anthropologist and sociologist, respectively, at Michigan State University, enables us to trace the importance of the modern-sector connection in ways not envisaged by the two-sector models. The fieldwork was done in Chang-Hua County, a fairly sizeable area with much small-scale enterprise involving machinery and mechanical processes. Many of the entrepreneurs return to the same rural areas after a stint in a modern factory or enterprise in Taipei or some other big city. But they usually go from factory to factory, intent on learning the "full scope of the business." The metropolitan experience provides contacts as well as savings for the business venture. Almost always their subsequent enterprise involves ingenious combinations of traditional and modern inputs and forms of organization. This accords with the Zambian (Todd and Shaw n.d.), Peruvian (Webb 1977a), and Brazilian (Schmitz and Camargo 1977) experiences. The last-named discusses several cases of workers' aspirations to self-enterprise as a means of escaping formal-sector wage employment. Clignet (1976) identifies a similar phenomenon for the Cameroons.

Self-employment and wage employment are not close substitutes except for unskilled, ad hoc efforts in the casual labor market.[14] Requirements are already more stringent, even when we are talking only about temporary workers in factories, *badli* labor in the Bombay textiles, or seasonal help in modern-sector agriculture (Sudan) or cane crushing (India)—examples discussed earlier. Nor is it to be supposed that entry into many of the trades and occupations in the so-called informal sector is easy. There are islands of high productivity in self-employment, as in the so-called modern sector (the segment we have identified as the enclave sector). Entry is difficult, being conditioned by such things as education, experience, contacts, capital, acculturation, and so forth.

This takes us naturally to the second theme concerning differentiating elements in labor supply. A corollary of the above discussion is that the structure of the urban labor force and income distribution is influenced by prevailing conditions in rural areas to a much larger extent than is commonly supposed. True, upper-urban and lower-rural earnings provide contrasts of an extreme nature, and the better-paid wage earners are in the metropolitan areas. Urban money and real incomes would still be

higher (keeping in mind all the previously noted qualifications related to the difficulties of rural-urban comparisons). But rural-urban migration is more than a flood of subsistence-level migrants into the lowest ranks of the urban poor. Thus, Richard Webb has emphasized the importance of the rural socio-income distribution in governing access to urban opportunity in Peru (1973, 1975). Empirical support for this proposition comes also from Rakesh Mohan's analysis of the Bogotan data. The cross-section of the migrant population is not significantly different from that of the resident, nor is their economic status significantly worse. Liedholm and Chuta (1980) have recently provided impressive detail about the differentiated and sophisticated economic structure of the rural economy. While this may represent a case of "modern" skills in the countryside, the neglected factor is the scope for traditional skills in the urban economy. Scoville's analysis and my earlier arguments concerning differential supply elasticities for the skills in urban demand are especially relevant.

The case for spatial and residential segmentation of labor markets is relatively straightforward. Household distribution characteristics and the weak infrastructure of transport and communications within the big metropolitan areas restrict mobility and access to opportunities. This would also affect the distribution of incomes and poverty. Values and contacts depend on schools attended and the neighbors one socializes with.

The human capital variable is difficult to handle in the context of developing nations. Literacy, education or formal training, health, and life and working spans are important, as we can see from studies on the economic returns on relevant investments. But so are particularistic and nonformal channels of learning and job search—perhaps far more so. This brings us to the issue of what cause and effect relationships we can infer.

The major point with respect to the human capital variable is the implication that social segmentation based on birth (not the dualistic, institutional segmentation), and its implication for human development and job access, are important. Social stratification, which includes family and kinship ties, may influence private decisions and govern the distribution of the benefits of public expenditures in such vital areas as skill formation, health, nutrition, education, housing, transport, labor market services, and so forth. Such segmentation is pervasively important throughout the urban labor market and in its relationship with rural areas, and not just as a reflection of overcrowding in the modern sector. It would affect both perceptions of, and access to, opportunities.

There are two opposite but not necessarily incompatible ways of looking at these phenomena. The family, caste, tribe, or broader groupings, and friendships and neighborhood associations, may be seen as

efficient and "costless" means of socialization and transmission of skills and information. If the social structure is pluralistic, and offsetting competitive elements in product and factor markets are potentially strong, the market may function extremely well, reconciling diverse tastes and preferences. Also, the state, given limited resources and limited returns, may not want to accord a high priority to developing substitutes for these ties.

But there may well be scope for improving these conditions and reducing some of the imperfections in the labor market. The social structure may be not pluralistic but polarized. In addition, the pattern of public expenditures and public goods may favor certain groups, and at a minimum may perpetuate existing unequal endowments. This is particularly important in such areas as schooling and urban public services. Since many less-developed economies enter the industrial and commercial field by providing capital, technical know-how, and licensing, these can also be components of an inequitable policy. The parochial processes of the labor market may well be efficient but may conceal underlying conditions which are inequitable. It is also possible that they are both inefficient and inequitable.[15]

This takes us to the urban poor. Defining the poor as the bottom rung of wage-earners and income recipients who are insulated from the "trickle-down" benefits of the labor market is a useful approach for several reasons. We would focus on two disabling characteristics, social and personal. A good deal has been written about social ostracism, but little of this has been integrated into labor market analysis. Less is known about disabling individual characteristics and perverse personality traits, although these are clearly important. The sex of household heads also deserves examination.

We would thus go beyond a static measure aimed only at identifying the poor as anyone below a particular decile in the income distribution. The emphasis would be on cohort measures of improvement in the labor market or on identifying severe handicaps and disabiling characteristics which limit the same. We focus then on the "permanent" poor rather than the "transitory" poor. This is compatible with both the "queue" theories and other, less bounded views of the labor market, which envisage some upward movement from the ranks of the poor and the need, at least for some, of starting at the bottom. This view is also compatible with the classical conception of "noncompeting" groups and of the poor who, for internal as well as external reasons, are unable to better their economic circumstances. These are persons whose ability and mobility are limited, which may account for the high proportion of the poor who are native-born. Competitive elements of an offsetting nature would not apply to these groups, which consist of social outcasts or rejects. Their bargaining

power is also not such as to alter the distribution of public expenditures or collective goods in their favor. Such approaches would be more specific and of greater use in determining the effectiveness of the labor market than classifications based on norms which have placed 40, 50, or even higher percentages of the urban labor force in the poor category. The approach recommended here would rest on labor market theory and behavior and would point to specific ameliorative measures.

A Statement of Research Priorities and Needs

Our research priorities derive from the role of labor markets in facilitating economic transformation. It is the emerging opportunities in the urban areas which stimulate labor force participation, whether by migrants or residents. Where opportunities are limited, urban growth will tend to decelerate or even cease. Research in this area is concerned with how well the urban labor market functions with respect to both migrants and nonmigrants on such matters as skill formation, wage determination, and labor mobility. These issues concern the efficiency and equity of the processes involved, and are part of the pathology of underdevelopment which affects both rural and urban areas. A serious attempt to understand its urban dimensions must be based on more detailed and disaggregated analyses than have been common so far.

First among the major priorities is the need to develop basic, raw economic data, which is currently scattered in disparate sources. The deficiencies in available information are particularly serious with respect to earnings differentials due to such factors as age, education, sex, ethnic and migratory status, experience, the structure of wage rates and earnings outside of the modern sector, and trends in these respects. Also weak is our knowledge of the spatial impact of "interventionist" and organizational variables: the scope of unionization; size or other organizational characteristics and their relationship to earnings; the location (and coverage) of the minimum wage in terms of the urban earnings structure; the universe covered by adjudication, tribunals, or pay comissions; and so forth. In the absence of systematic information, economists have proceeded with simplifying assumptions on one or more of these crucial items. What we know warrants both skepticism about such shortcuts and the promise of adding to our understanding by casting our nets more widely.

Efforts to add to our knowledge should include not only analysis of survey data but attempts to mobilize available but often unused information. Reports dealing with specific segments of the labor force or working population, industry or trade association publications, theses on labor or social welfare, and even company data for some categories of employers

are all relevant to this effort. One cannot indicate in an a priori manner how far one should go in pursuing these sources of information but there may be greater rewards in doing this than in refining formal models built on weak foundations. At a minimum they should be checked to verify the plausibility of some important assumptions. They could, for instance, be useful sources of information on *actual* wages paid and trends, data which are not commonly available for developing nations. Even without statistical analysis, they may also shed some light on popular assumptions about the applicability of the minimum wage and its bellwether role in signaling changes throughout the economy. The valuable Bombay study could have been effectively supplemented by others which focus on trade unionism and the textile labor force, including that by Mazumdar (1973). Such efforts are indispensable when we are dealing with poorly understood phenomena, such as the beggars in India (Scoville 1976b) or the garbage pickers of Cali (Birkbeck 1977, 1978).

The mobilization of useful information on the urban poor deserves separate emphasis. One by one, the earlier simplifications have been shed: that the migrants, the slum dwellers, and the informal-sector participants are necessarily poor. There is some value in income distribution or physical quality norms, but not much if they merely tell us that a large percentage of the relevant population is poor. The emphasis must rather be on pinpointing those least likely to benefit from the "trickling-down" process of economic growth so that we have a better grasp of the durable, hard-core components of urban poverty. It must proceed from a foundation of labor market theory and identify personal and segmentation variables which impede successful participation in the labor market. We have suggested two categories of people so affected: victims of social segmentation and those with crippling health or family handicaps (orphans, divorcees, widows, runaways, etc.).

Much of the above is essential benchmark information which can be assembled in a standardized or quantitative form. But there are other types of information which are no less important for analysis, even if they are difficult to standardize or quantify. Foremost among these are those which relate to the structure and processes of the labor market.

The metropolitan labor markets consist only partly of wage-earners. In many developing countries, the self-employment alternative is too large and diverse to be accorded a cavalier treatment in analysis or a dependent function in fact. Self-employment has both a primary and a secondary role in the urban labor market; it is also the refuge of last resort, for segments of it are characterized by great ease of entry and overlap with the ranks of the lowest-paid wage labor. Top among the priorities for investigation are the conditions governing entry into different wage and self-employment alternatives, and the role played by

education, traditional skills, ascriptive contacts, residence or urban location, parental income and wealth, and similar factors. These determine the opportunities facing migrants as well as nonmigrants, the poor as well as the nonpoor. Public agencies, including the employment exchanges, have an unequal impact on these governing conditions through a variety of policy and administrative measures. They also sharply affect the subjective perception of probabilities and the dynamics of job search and adjustments in reservation prices. All of these are in a rudimentary state of development in the literature. Progress demands not only a recognition of the importance of these issues, but an awareness of the dependence on contributions from the sister social sciences of sociology and anthropology. The labor market on the supply side reflects strong kinship influences. Rural-urban links influence migratory behavior and expectations, but we have been content with the simplest and not always reconcilable a priori beliefs (Fry 1979, p. 356).[16]

The analyses of the structure and processes of the labor market would naturally incorporate related questions covering recruitment, skill acquisition and upgrading, information channels, certification, and so on. The importance of ascriptive and kinship ties, the variety in the recruitment process or hiring criteria, and their implications for the urban wage structure have been discussed earlier. Of particular importance here is a better understanding of the "skills" for which the labor market generates a demand. A tendency to equate skills with formal education or literacy or to dismiss labor market premia for other attributes as nonfunctional or dysfunctional is particularly inappropriate in the context of developing economies—as weak as the automatic assumption that education or literacy is purely a rationing device.

Kinship ties and informal channels and their role in skill acquisition and labor mobility pose a particularly difficult analytical issue. The issue is whether elements of competitiveness in product and factor markets are such that ethnicity is a matter of systematic advantage or disadvantage for any particular group. Also important is the determination of the scope for substitution by publicly produced services or subsidies. Only a combination of economic analysis and specific local knowledge can produce the relevant answers and help separate their harmful from their benign aspects. This would provide a better foundation for public expenditures in such fields as education and training, manpower planning, and the provision of labor market services. As far as I know, this has not been attempted by any of the existing studies.

The need is for greater focus on the behavior of microunits in the labor market. Even existing studies in the tradition of microeconomic analysis, which involves concepts of utility or welfare maximization, are at too high a level of aggregation to produce worthwhile results. Most rural-

urban comparisons, as we saw earlier, do not get close enough to identifying the specific opportunity costs and benefits involved in migration. The job search and probability models are related to the urban unemployment rate, which is too gross a probability measure. Between the tedious accumulation of individual case studies of households and employers and the facile generalizations derived from urban-wide and even nationwide aggregates, there is surely some intermediate level. But this does not necessarily fall in the middle.[17] The emphasis should be on the labor market categories of interest, the "representative" characteristic of the units of study, and the problems that merit attention. Such planned studies—focusing, for example, on certain wage differentials of interest or employer decisions in the context of different input costs and qualities—will enable us to do more than just "explain" in an ad hoc or ex post manner the correlations, associations, or deviations in data generated with only an incidental relevance to the labor market.

Enough is known about urban labor markets to favor a greater differentiation than has been customary. If one cannot get away from institutional classifications, it would be better to isolate the enclave sector from the others rather than lumping a variety of secondary-sector activities into a composite modern sector. The educated labor market, particularly at the higher levels, probably operates in a homogeneous setting of its own, straddling both the "formal" and "informal" sectors as well as wage and self-employment. The upper and intermediate levels of the informal sector should be distinguished in terms of entrepreneurial and capital inputs.

Studies by Scoville, Webb, Udall, Mazumdar, and others emphasize the need to distinguish segments of the urban economy which indicate some dynamism and flexible technologies.[18] The nonurban and urban demand for traditional skills, the differential elasticities of the same, and small-scale entrepreneurship among those with modern skills, including those acquired in modern- or enclave-sector employment, suggest the potential for productive employment in the urban residual economy about which little is known. This may span the secondary and tertiary sectors. These are not the street entrepreneurs chased away by the police, about which much has been written, but entities representative of a viable, and in some cases a large, part of the urban economy. Little is known about their employment and wage practices. Particularly important would be some attempts to distinguish the product markets they serve; the price and income elasticities of demand; cost functions; and employee and entrepreneurial earnings. Such analyses of traditional skills and small-scale activity would be more rewarding than attempts to shuffle the informal-/formal-sector boundaries so as to determine where to place them.

Such microeconomic analyses are indispensable if we are to have a grasp of the dynamics of the labor market. The mechanics and processes of adjustment involve labor flows, wages, expectations, and errors. They may be more or less rigid, creating tensions and pressures as surpluses and shortages are registered. Almost all our migratory data are based on net inflows, leaving us in the dark about the efficiency of the labor market. Migrant types and motivations are heterogeneous, and they enter the different parts of the urban economy with varying expectations and time horizons. We know that ascriptive ties and informal channels are rational, but we must doubt their universality or ability to avoid painful mistakes. Despite these limitations in available information, wide-ranging inferences have been made concerning the initial point of entry and the subsequent sequence of progressions. But essentially what we have is only a set of static initial assumptions and little knowledge about how the urban labor market experience itself influences subsequent behavior or productivity. At best, we can draw some tame conclusions that migrants are not risk-prone (Squire 1979, p. 58). The Todaro and related models involve such extreme assumptions as zero job search activity while in rural residence (Berry and Sabot 1978, p. 1218). On the other hand, assigning job search success exclusively to the effectiveness of prior contacts gives us a probability of obtaining an "organized"-sector job of either zero or one (Joshi and Joshi 1976, p. 166).

The mathematically more sophisticated modifications of job probability (as a function of time or vacancies in the urban labor market) are also mechanistic and weak. This results, to a very large extent, from the almost total neglect of the processes of wage determination. Net migration and unemployment carry the entire burden of producing equilibrium with given initial urban and rural wage conditions (changes in the former being exogenous or politically inspired). Support may be found by comparing the wage rate schedule of a public- or modern-sector employer with the legal minimum wage, or from income distribution data. Such an approach contributes almost nothing to an explanation of the dynamics of the labor market as economic conditions change. It ignores entirely the significance of intraurban variations in wages or earnings. Such data as changing wage rates at the margin, transaction rather than list prices, and cohort movements of earnings will give us a better understanding of the link between the wage structure, labor mobility, and economic change. Instead of previously conceived finite upper and lower limits which set the boundaries for human aspirations and behavior, we will have a more expansive, and less bounded, vision of the impact of economic growth. This will include successes as well as failures.

Focusing on the wage structure and processes of wage determination will give us a better idea not only of observed labor mobility within

urban labor markets, but of the choices open to migrants aspiring to modern-sector jobs as well. The responses of migrants faced with such difficulties would reflect changes in expectations as well as modified behavior. Some may accept a less-than-preferred job, some may elect further schooling or training or jobs which provide comparable potential, and some may give up. The latter may include unsuccessful migrants who return home as well as discouraged job seekers (mainly secondary earners) who drop out of the labor force but stay on in urban areas. There will also be the openly unemployed. But almost no insight into any of this can be obtained without some detailed knowledge about wage structures, variations and changes in them, and how people adjust to them. Such knowledge would have to be obtained from employers as well as households.

We may recall our earlier reference to the potential for collaboration with other social scientists. This is important, given the limitations in the information base which economists commonly rely upon. Mostly these consist of census figures or survey data supplied by state bureaus or statistical agencies. These are seriously incomplete, particularly on labor market processes and behavior patterns of the smaller firms and households. It is extremely unlikely that the operations of the so-called informal or "murky" sector can be understood without a solid supplementary foundation of field interviews as well. This is particularly true of household decision making and labor force participation patterns. For example, although the migrant's household is geographically split, it remains a decision-making unit, with some reassignment of responsibilities and codes governing reciprocal obligations. The assumption of a zero rural marginal product of labor has served to limit curiosity about this subject. However, recent studies have raised the possibility that rural women make up much of the necessary agricultural work. If this is the case, the household is also a continuing link in the process of diffusion of the benefits of growth. Such practices as rural remittances and visits insure the optimal use of resources and skills.[19]

There are also interesting issues related to patterns of household aggregations and multiple participation in the different segments of the urban economy and the pooling of incomes. Individuals and households may combine wage and self-employment incomes. Even casual, direct observation is of value: for instance, to determine wage rates paid for urban common labor and their effectiveness as transaction rates, to check assumptions about trends, and so on.[20] In short, every relevant technique in the book should be used, given the serious gaps in available information and the heroic assumptions being made. These should include theses, reports, "key" interviews, direct observation, supplementary studies as indicated earlier (including sociological or anthropological

contributions), and earlier literature.[21] A few solid case studies, conducted in depth, would add to the realism of economic analysis of how the urban labor market functions.

Prevailing Moods and the Task of Encouraging Good Research Choices

We quoted earlier from Mr. George Ball, a statesman reputed for his mature judgment, a gloomy view of urban growth. Such views are fairly common in the community of development and aid-giving officials. International organizations such as the ILO and the World Bank have also echoed such anxiety. The Second Development Decade of the United Nations was inspired by a similar concern. Paradoxically, urbanization, a symbol of growth, has in many eyes become an index of stagnation and potential upheaval.

Social scientists cannot but reflect the prevailing mood, even when their appraisals are couched in cautious scientific language. In much of their writing, they have echoed the feeling that mobility is excessive, that urban areas are overcrowded, and that the migrant stream, mostly of the lowest-income strata, keeps pouring in without regard to the absorbable capacity of the urban areas; and all of this will lead, sooner or later, to an explosion. Many have implicitly or explicitly equated all this movement with population growth despite evidence of other, often more dominant, forces at work. Behind all of this is a widespread belief that natural impulses toward rationality are weak. Households, employers, and others are not seen as acting in their self-interest within the framework of choices open to them. Others see the framework as irrational expressions of political folly in the developing world. It is taken for granted that the facts support this view. Even dissenting opinions are dismally similar, disagreeing only on whom to blame. Powers of analysis seem bent on explaining not what is underdeveloped but what appears bizarre.

Coming closer to the world of urban labor market studies, the Turnham and Jaeger survey (1971) crystallized the concern with urban unemployment as a major problem in the developing world. The two-sector urban labor market models explained the "paradox" of continuing migration as being due to modern-sector wage practices with the heavy hand of government in wage determination. They also envisaged a widening disparity in favor of the modern sector and nationwide applications of the minimum wage. Public policies emerged as devoid of any semblance of rationality or restraint.

It is interesting to reflect on some of the factors which encouraged these trends in scientific thinking and the experiences sustaining this concern. Ironically, the same foundation and institutional support which in preceding decades had encouraged studies envisaging a growth role for

the modern sector were now directed to its shortcomings. Much of the new literature was also the product of the late sixties and seventies, and had its inspiration in the historically and spatially limited African experience at that point. The East African experience, as described by a succession of scholars associated with Yale, appears to have been particularly influential. The earlier literature of the fifties and sixties, and the contrasting experiences in Asia and Latin America, seem to have played but a limited role in the growth of professional opinion. Even the excellent Bombay study, with less justification than most, ignored relevant earlier literature and opted for the restrictive East African straitjacket.

We see here the costs of tying research efforts too closely to prevailing moods and experiences which generate interest. A certain degree of professional parochialism is also involved, as research antennas are selectively focused. A World Bank report surveying research on labor markets states:

> Labor heterogeneity has not received sufficient attention in formal modelling but is well documented in the descriptive literature. The implications of heterogeneity are devastating. (Squire 1979, p. 43)

The "descriptive literature" referred to is the collection of labor market essays which I edited and to which several leading labor market scholars contributed. One should also note their active efforts, through the Task Force on Urban Labor Markets sponsored by the Mid-West Universities Consortium of International Affairs (MUCIA) and the conferences sponsored by the International Institute for Labour Studies and the World Congress of Industrial Relations, to promote awareness of the complexities of urban labor markets and of research in this area. Although these scholars have published widely on the labor market structure and processes, they are not mentioned in the Berry-Sabot bibliography (1978) which seems much stronger on the African experience and on general economic studies than on those dealing with specific urban labor markets and processes.[22] The metropolitan studies reviewed here are conspicuously absent. One should hasten to add that this is a competent survey of the state of the art; the problems result from omission rather than commission.

Nevertheless, the important thing to keep in mind is that research must bring to bear whatever is necessary and appropriate to the problem at hand. In John T. Dunlop's oft-quoted words, the key should be "relevance with rigor," not "rigor regardless of relevance." We have lost much ground and time by needlessly compartmentalizing efforts and insufficiently matching results. Significant theory derives from significant experience, and analysis and description are not mutually exclusive endeavors. In the area of urban labor market studies, it is unlikely that

we will make much headway in understanding the heterogeneous outcomes, including the phenomenon of the urban poor, unless we develop newer and more specific tools aimed at capturing the prevailing diversity. Effective analysis and policies depend upon such innovation. In reviewing some of the earlier analyses, especially those at a high level of aggregation, what is astonishing is the extent of generalization deriving from questionable or simplifying assumptions and flimsy empirical bases. In some cases, work of this type has proceeded despite serious reservations about the data at hand, the analyst having developed a commitment to his model or exercise much like the legendary mailman who vows to deliver the mail at all costs. Fortunately, there has been a welcome professional reaction.[3] As new contributions highlight the weaknesses of dualism (Bertrand and Squire 1980) and prevailing approaches have not been very fruitful, there have been strong expressions of disillusionment (Stark 1982). Whether these will lead to genuine new advances depends upon a realization of the unprecedented nature of the transformation underway and of the inadequacy of the conventional methods of analysis and research.

Research needs to focus in more differentiated terms on how the demand for labor is affected by economic growth and transformation. It must take into account the diversity of the urban economy, including the wide range of goods and services and conditions of production or organization. Most important is the role of social structure and true supply-side variables, both traditional and modern, in continuing access to emerging opportunities. The main problems of the labor market are not those which the dualists emphasize, but these more enduring aspects, which cut across institutional boundaries (however defined).

They also cut across the disciplinary boundaries, classificatory categories, and data aggregations which provide today the main props for investigation and analysis. We have already indicated the weakness of the modern/traditional dichotomy in analyzing significant aspects of labor market behavior. Thus we have the spectacle and paradox of the so-called modern sector in India, politically and industrially in the vanguard among developing nations, deliberately ethnicizing ("traditionalizing" if you will) the modern sector (Wiener and Katzenstein 1981). This "parent" weakness casts its shadow on almost all other classifications in vogue: formal/informal; the international classificatory system of ISIC and ISOC; rural/urban; migrant/nonmigrant; and so forth. Again, as India's tensions in Assam demonstrate, it is difficult to exclude people as nonmigrants when kinship ties cut across established political frontiers and perhaps even given them an edge over "natives." In a stimulating recent analysis, Koji Taira (1981) has shown the weak predictive power of these constructs singly or in combination. The Brazilian debate has

shown conclusively the limitations of intercensus data for any inference concerning the labor market (Pfeffermann and Webb 1979).

The answer is not necessarily to abandon these props, but to be more respectful of their limitations. At a high level of aggregation, they necessarily obscure many differences among the labor market participants. These subordinate our entire perception of a variety of new, little understood urban "cauldrons" to a preconceived, standardized perspective.[24] The omissions become serious if our interests focus on disaggregated, distributive, or emerging outcomes. They may perhaps be even more significant when they systematically deemphasize the diverse combinations of inputs and outputs which underlie maximizing behavior. Received economic theory is solid in this respect, but research has tended to take convenient short cuts. Our knowledge of labor market behavior has been but little advanced by international and national regression analyses or other country studies which have ignored this theory.

Any new start must thus be predicated on more sustained efforts to build on the maximizing behavior of the micro-units in the labor market. It also requires appreciation of the unprecedented change in the developing world, particularly in the urban economies. Much self-employment and small enterprise typify entrepreneurship, which by definition involves risk taking and innovation across the modern-traditional spectrum. Wage employment or other economic activity thus necessarily requires risk taking and continual adjustments to the dynamics of change. There is a genuine need here for relevant quantities, as opposed to mere mathematical manipulations of limited data (see Bauer [1981] for an able statement of the contrasting pay-offs). The qualitative and variable aspects of the urban economy and labor market outcomes also need sophisticated handling. There is thus need for both flexibility in method and innovation in theory, as has been stated brilliantly by Richard Webb (1977a, pp. 1–2):

> Our current picture of the urban labor market has been built up from a combination of static or cross-section data . . . . [We] would need to rely to a greater extent on more feeble empirical tools, such as case studies, and on the fuzzy analytics of behavior under uncertainty, and in disequilibrium . . . .
>
> . . . the labor market is like a jar of honey which is continually being rotated, at different rates and angles. The position and shape of the honey will depend crucially on its fluidity, or stickiness, and on the movement of the jar . . . . In the urban labor market, there is a similar relationship between a continually changing environment, and a continually adjusting supply of labor.[25]

His skepticism about "equilibrium" analysis may be overstating the case, but it is clear we need the foundations of theoretically solid, well-developed "case" studies in order to generalize.

Such studies should also aim at integrating relevant aspects of the

social structure. The "new" economics of the family and anthropological analysis would appear to be of great value. Studies of the urban labor market (and perhaps of the development process as well) have suffered from treating traditional elements as if they were extraneous or marginal to the growth process. Family, kinship, and ethnic ties are significant aspects of the urban labor market. They are important in rural-urban migration, skill formation, and employment channels. They are determinants of aptitudes and interests as well as aspirations and behavior. They affect consumption expenditures and investment flows, particularly between rural and urban economies. They also influence patterns of work and economic organization. The traditional factors vary in importance and impact, of course, but currently fashionable preconceived categories do not provide a reliable basis for analysis or generalization. There is thus a need for in-depth analysis of firms and households of different types. Coverage should illuminate the details of the social structure and the range of inputs and outputs which differentiate economic activity. Case studies with generalizable potential would effectively complement surveys focused on supply-side characteristics and family and kinship variables.

A feasible strategy would be to concentrate on a few areas where extant studies provide a promising base for further investigation. Several of the metropolitan areas covered in this study provide scope for penetrating analysis as outlined here. Since the objective should be to go beyond ad hoc general surveys, it would be helpful to predicate efforts on a continuing research commitment, preferably involving scholars from both developing and developed nations.

The perennial refrain that the data are limited misses the point. More important are the biases that predetermine the uses of data. Established labor market theory is helpful in stressing the important questions.

Notes

1. A complimentary copy of the *Swiss Review of World Affairs* which I received in 1973, and which claimed to present only substantiated information, reported about 90 million persons as unemployed in India. Correspondence which I initiated to get these figures substantiated went unanswered.
2. A good example is Prial (1980). In one of the world's largest graveyards for ships, barefoot workmen with blowtorches use primitive labor-intensive methods as well as primitive machines. They earn two to three times the earnings of a city-based worker in what is called "a true cottage industry." What sector do they belong to?
3. Thus the *kwikia-kwikia*, informal-sector transport workers in Lagos who use *motorized* vehicles, are estimated to provide in the aggregate more transport than the entire organized transport system.

4. There is some confusion here in the literature. Todaro talks in terms of the urban real wage rate. An emphasis on the disequilibrating aspects of the urban wage rate in effect makes it the ceiling in terms of migrant aspirations. At times, this ceiling may be the legal minimum, as in greater Khartoum where it applied only to a small number in modern-sector employment. Todaro himself is not clear on this point, and the literature is also not very consistent in indicating whether the legal minimum represents a ceiling of aspirations or a floor. Todaro's initial formulations (1969, 1971), treating all the excess as unemployed, avoided the problem. See also Nelson (1979), p. 404, note 23.

5. See Zarnowitz (1980), who explains the uncertain results from macro-modeling in the United States as deriving from data limitations and as-yet weak theoretical foundations.

6. These reflect continuing traits and tendencies. They are commented upon in more detail later in the chapter, following our discussion of research priorities.

7. As Scoville (1976a) points out, LDC governments do "funny" things in these respects, as indeed all governments do. We merely deny their assuming grotesque and suicidal proportions.

8. Contrast this with Lipton (1977). Policies to limit urban growth will not find support from the functioning of urban labor markets; they may also hurt rural areas by restricting migration and interplay. For a comparable, positive appraisal of how individuals and labor market processes adapt in the course of economic growth, see Taira (1970a).

9. Not necessarily in terms of unemployment or failure to obtain a modern-sector job, but in terms of imperfect knowledge about best alternatives, return migration, etc.

10. See Kannappan (1966) for an analysis of variable requirements for stable labor. This is one aspect of employer behavior in developing economies which always puzzles economists. Perhaps the answer lies in Taira's (1977) emphasis on the need for a necessary, optimal development of an internal labor market.

11. For empirical support of the growth vs. the rationing hypothesis, see Falaris (1979), esp. pp. 338–41.

12. Perhaps the most forceful statement along these lines may be found in Webb (1977a, pp. 3–4). He points to the introduction of "new goods, materials and technologies. Between 1950 and 1965, for instance, the city of Lima doubled in population but the number of registered vehicles grew from 20,000 to 150,000, and TV's from none to over 100,000; in general, there was a vast expansion in . . . retailing, repair and service jobs. The introduction of plastic and synthetic materials . . . has also changed the market prospects and skill requirements for craftsmen working with traditional materials."

13. Thus, in India factory workers were queried about their expectations. "To that almost all workers said that there was no end to man's expectation . . . 'you begin with certain expectations and once these are fulfilled, your expectations are heightened'" (Sengupta 1975, p. 8).

14. See Chiswick (1976), pp. 67–68. At higher levels, education provides a systematic advantage.

15. For an appraisal of its negative value, where markets are divided along racial lines, see Mehmet (1972).

16. Fry states, "This paper adopts the point of view that urban wage employment is rarely seen by a migrant as the most desirable way of spending his entire adult working life." It contrasts with almost diametrically opposed views of respectability in the literature. See, for instance, Joshi and Joshi (1976), p. 135, and Morris (1965). See also Epstein (1973) and Kannappan (1966).

17. See comparable comments by Sinclair (1978), p. 104, disagreeing with the penchant for a new, "intermediate" sector. See the related discussions on the problem of research categories in Mulat (1976).

18. This was also the intent of the Kenya report (ILO 1972a), which distinguished the dynamic and entrepreneurial components from the rest of the urban informal sector. But such distinctions were lost in the all-encompassing dualism which prevailed.

19. See the pioneering analysis by Collier and Lal (1979).

20. We need not look to Isaac Newton and the falling apple, or the displaced bathwater which inspired the famous "Eureka!" A contemporary example will do. Usher's (1968) pathbreaking analysis of the limitations of national income data was in part inspired by wondering why the Ethiopian pedestrian outside did not wither away as his per-capita income statistics indicated he should.

21. The tendency to ignore the earlier literature is astonishing, and may be explained by the fact that many contemporary analysts are not labor economists. As Paul Strassman noted in his review of Jolly et al. (1973), it is as if sunlight suddenly emerged on the "Road to Mandalay."

22. Incidentally, their support for the Todaro approach comes from two studies, one by Todaro himself (1976) and the other by Berry and Sabot (1978) on urban Tanzania.

23. There is a parallel here with the American debate over "structural" versus "demand deficiency" unemployment. The relevant arguments of the structuralists were always presented and expressed clearly, but were ignored because of the immediate interest in solutions with more easily identifiable (or manipulatable) macro variables. Structuralism gained ground only when problems persisted despite repeated demand deficiency prescriptions (Killingsworth 1978).

24. I am indebted to Mike Cohen of the World Bank for this apt phrase.

25. Webb draws attention to a similar imagery in Herbert Simon, "Theories of Decision-making in Economics and Behavioral Science," in *Survey of Economic Theory*, vol. 3 (New York: St. Martin's Press, 1966), pp. 2–3. It should be noted that, unlike most prevalent models, Webb's is pointing to lagging adjustments in supply.

Journals and Abbreviations

Agency for International Development	AID
Agenda (publication of U.S AID)	
American Anthropologist	AA
American Economic Review	AER
American Journal of Economics and Sociology	AJES
Artha Vignana (publication of the Gokhale School of Economics, India)	
British Journal of Industrial Relations	BJIR
Bulletin of the International Institute for Labor Studies, Geneva	BIILS
Canadian Journal of African Studies	CIAS
Civilizations	
Eastern African Economic Review	EAER
Econometrica	
Economic and Political Weekly	E&PW
Economic Development and Cultural Change	EDCC
Economic Geography	EG
Economic History Review	EHR
Economic Journal	EJ
Economica	
Foreign Affairs	FA
Indian Journal of Industrial Relations	IJIR
Industrial and Labor Relations Review	ILRR
Industrial Relations	IR
Industrial Relations Research Association, Proceedings	IRRA
Inter-American Economic Affairs	IAEA
International Affairs	IA
International Institute for Labour Studies	IILS
International Labour Office	ILO
International Labour Review	ILR
International Migration Review	IMR
Journal of Developing Areas	JDA
Journal of Development Economics	JDE
Journal of Development Studies	JDS
Journal of Economic Literature	JEL
Journal of Modern African Studies	JMAS
Journal of Public Economics	JPE
Labour and Society	L&S
Land Economics	LE
Malayan Economic Review	MER
Manchester School of Economic and Social Studies	MSESS
Nebraska Journal of Economics and Business	NJEB
Organization for Economic Cooperation and Development	OECD
Oxford Bulletin of Economics and Statistics	OBES
Oxford Economic Papers	OEP
Pakistan Development Review	PDR
Pakistan Economic and Social Review	PESR
Philippine Economic Journal	PEJ
Quarterly Journal of Economics	QJE
Review of Economic Studies	
Review of Economics and Statistics	
Sociology	
World Bank	WB
World Development	WD
World Employment Programme	WEP (ILO)
World Politics	WP
World Today	WT
Yale Economic Essays	YEE

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