Labor markets, urban systems, and the urbanization process in Southeast Asian countries

Terence G. McGee

OCT 29 1982

Agency for International Development
Room 105 SA-18
Washington, D.C. 20523
PAPERS OF THE EAST-WEST POPULATION INSTITUTE, published about eight times a year, facilitate early dissemination of research findings and state-of-the-art essays on the demography of Asia, the Pacific, and the United States. Annual subscription rate, $12.

NOTE TO CONTRIBUTORS: The Population Institute considers unsolicited as well as commissioned manuscripts for the Paper Series. Appropriate topics are population estimation and analysis, causes and consequences of demographic behavior, urbanization and population distribution, and population policies and programs. All manuscripts are reviewed. In selecting manuscripts for publication, the Institute considers quality of scholarship and usefulness to public officials and other professionals in the field of population; it also seeks contributions reflecting diverse cultural and disciplinary perspectives on population. The series can accommodate articles not necessarily suited for journals because of unusual length or treatment of subject. All copy must be typed double-spaced. For additional information on manuscript preparation, write to the Publications Officer, East-West Population Institute.

OTHER SERIAL PUBLICATIONS OF THE EAST-WEST POPULATION INSTITUTE:

Working Papers are circulated for comment and to inform interested colleagues about work in progress at the East-West Population Institute. They are intended to complement evidence of completed work as reflected in Papers of the East-West Population Institute and the Reprint Series. $1 per copy.

Reprint Series brings selected articles originating from Institute research but published elsewhere to the attention of population specialists who might not otherwise see them. Single copies available upon request.

Asian and Pacific Census Forum is a quarterly periodical reporting on census, vital registration, and population survey activities in Asia and the Pacific. The Forum contains technical articles on a range of topics related to demographic measurement, and reviews of new publications in the field. Issued in August, November, February, and May. Annual subscription rate, $5.

Serial publications except Working Papers are available without charge to libraries serving population specialists and to professionals and scholars in the field of population. Requests describing the nature of the research or program and the intended use of the publications should be addressed to the Publications Office of the Institute.

East-West Population Institute
East-West Center
1777 East-West Road
Honolulu, Hawaii 96848

Director Lee-Joy Cho
Publications Officer Sandra E. Ward
Editor Robert L. Hearn
Production Specialist Lois M. Bender
Labor markets, urban systems, and the urbanization process in Southeast Asian countries

Terence G. McGee

Number 81 • July 1982

PAPERS OF THE EAST-WEST POPULATION INSTITUTE
TERENCE G. McGEE is Director of the Institute of Asian Research, University of British Columbia.
CONTENTS

Preface v

Abstract 1

New approaches to the study of the urbanization process

Toward a classificatory model of the labor force in urban systems of Southeast Asia 8

Capitalist expansion, fragmented labor markets, and the urban systems 16

Implications for policy-directed research 18

References 21
PREFACE

An earlier draft of this paper was presented at the Workshop on Intermediate Cities in Asia, held at the East-West Population Institute in July 1980. Its subsequent revision has benefited from the stimulating discussions that took place at the meeting. In particular I would like to record the input of Dr. Kamal Salih, Dr. Graeme Hugo, and Dr. Robert Hackenberg. They would be the first to agree with me that the paper is not intended as a definitive empirical study but to be speculative and to spark research in the field of labor mobility in Southeast Asia. I would also like to thank Sandra Ward of the Population Institute for her patient editing of an unruly manuscript.
ABSTRACT... paper presents an overview of the urbanization process in Southeast Asia, examining the role of labor mobility in urban systems with particular attention to secondary or intermediate cities. There are four main sections. The first reviews the various approaches that academics and policy makers have adopted in studying the urbanization process in Southeast Asia and concludes that the new approaches of the 1970s, which rely upon a larger body of empirical data, have greatly enhanced understanding of the process and helped policy formation. The second deals more specifically with the role of labor mobility in the urban systems of the Southeast Asian countries, arguing that labor mobility is increasingly responsive to the highly uneven pattern of capitalist expansion in both urban and rural areas. This section is followed by a discussion of the relationship of capitalist expansion and labor mobility to the urban hierarchy, which suggests that these processes are often neglected by researchers and should be the focus of more study. Finally, the paper outlines the implications for policy research of a greater understanding of the processes of labor mobility and capitalist expansion. It argues that good policy research must rest upon the clarification of conceptual priorities and upon research designs that emphasize microlevel and longitudinal studies. The concluding section lists suggested policy-oriented research topics in the field of labor mobility and urbanization.

Governmental concern over the role and function of secondary cities in the urban systems of Asian countries is hardly a new phenomenon. Anyone who has studied the history of urbanization in Southeast Asia has found ample evidence of this concern. (See, for instance, the first two chapters of McGee, 1969.) It was a major focus of the activities of the Southeast Asia Development Advisory Group (SEADAG), which met frequently in the late 1960s and early 1970s. This group was responsible for funding a major study (Osborn, 1974) of intermediate cities in Malaysia. The reports of the SEADAG seminars focused repeatedly on the problems of secondary cities in Southeast Asia (see, e.g., Kenneth Young, 1969). Various studies have been done of secondary cities in other parts of the Third World (Rivkin, 1976). Bearing this work in mind makes it possible to avoid repeating old arguments.

It might be useful to review some of the assumptions and positions
that were characteristic of a decade ago, as a prelud. to the consideration of new ideas and facts. Ten years ago, there was considerable debate on the nature of the urbanization process in Southeast Asia and its relationship to development. One group of writers, including myself, emphasized the differences between the demographic, economic, and social features of the urbanization process in Southeast Asia and those of the urbanization process in the West, suggesting that Southeast Asian countries would not experience urban transformation in the same manner as the West. We maintained that slow economic growth in Southeast Asia, coupled with an inability to create sufficient viable employment opportunities in the cities, would lead to a need for rural restructuring and labor absorption. This theory was given the broad title of "pseudo-urbanization" (McGee, 1967). Our position was criticized at several SEADAG meetings by researchers such as Dotson, who argued that there was ample evidence that urbanization and development were related, and that increasing evidence from many Southeast Asian countries indicated that "... urbanization yields national development" (Dotson, 1972:5).

A subsidiary but significant part of this debate concerned the role of the urban system in the development process. It focused in particular on the overwhelming primacy of many Southeast Asian urban systems and the deleterious or supporting effect that primacy had on economic growth. One group of writers portrayed primacy as being essentially negative, reflecting the manner in which the majority of Southeast Asian nations were incorporated into the international economic system. According to this interpretation, the concentration of national activities in the large primate city was unhealthful and conducive to an increase in urban-rural tensions. A second group of writers took the position that the existence of large primate cities was advantageous because these cities offered their countries the infrastructure and markets that acted as take-off points for economic growth. From a policy standpoint, the first group’s assessment suggested intervention designed to redirect economic activity away from the primate cities, whereas the analysis of the second group led to non-intervention, or even encouragement of investment in the large cities, on the assumption that their growth would lead to faster economic development.

Underlying the considerable differences of opinion of the two groups may be more agreement concerning the assumed features of
the secondary cities than was superficially apparent. It is useful to
identify these assumptions, for they still prevail even though empirical
research has yet to validate many of them:
1. Secondary cities are less “modern” than primate cities.
2. Secondary cities have closer links with rural areas than primate
cities.
3. Secondary cities have a less developed infrastructure than primate
cities.
4. Secondary cities have proportionally higher service activity than
primate cities.
5. Secondary cities exist in rural areas in which there is a pool of
surplus workers seeking employment who would rather work in
secondary cities than in primate cities.

The purpose of this paper, however, is not to test these assumptions
but rather to provoke a rethinking of research agendas for the investi­
gation of the processes of urbanization and labor mobility in South­
east Asia.

Before discussing the new approaches to the study of urbanization,
it is necessary to discuss the considerable problem of defining “second­
ary,” or intermediate, cities. The simple definition, based upon size,
or any city other than the largest metropolitan complex, relegates
such cities as Bombay and Delhi to the role of intermediate cities.
There are also intriguing examples of cities that appear to be subordi­
nate to the large metropolitan centers yet exert significant national
influence, such as Medan in Indonesia or Cebu in the Philippines. It is
important to understand the role of regional elites who use the urban
base of these cities in their relationships with national elites. In my
view, some form of multi-variable classification of urban places must
be developed. Withington (1975) has made a beginning at such classifi­
cation, but more research is needed.

NEW APPROACHES TO THE STUDY OF THE URBANIZATION
PROCESS

The consideration of long-held assumptions concerning the urbaniza­
tion process in Southeast Asia raises the question of what is new in the
study of the urbanization process that would orient research in direc­
tions where it can be utilized by policy makers. In my view there have
been four theoretical perspectives that have enhanced our understand­
ing of the urbanization process in the Third World and Southeast Asia.
First is the emergence of the "world political economy" approach to the study of urbanization as represented by the work of Frank (1967), Amin (1974), Wallerstein (1974), Walton (1976a, 1976b), and many others, which raises questions about the manner in which urban systems and urban centers in Third World countries are a reflection of the role that the national states play in the international economic system. Although the major writers from this perspective have shared an ideological distaste for capitalism, a sharp difference of opinion has emerged between such writers as the late Bill Warren, and Frank and Amin. Frank and Amin focus upon the role of Third World cities as the institutional structures that permit the accumulation of capital in Third World countries and its siphoning off to the metropolitan centers of the developed countries. According to this perception, Third World cities play a crucial role in the underdevelopment of the Third World. Warren (1973, 1978), on the other hand, argues that this integration of Third World countries has created the conditions for rapid independent capitalist development and has set in motion a definite process of industrialization that focuses on the major urban places. His arguments have been further advanced in the work of Roberts (1978) on Latin America. The significance of this debate is that it indicates how developments in the international economic system have ramifications on the urban systems of Third World countries, and suggests they be taken into account in research proposals.

One further aspect of this political economy approach is to focus upon the role of international urban hierarchies in the process of developing regional systems. Thus, in considering questions of urban development in the Association of Southeast Asian Nations (ASEAN) region, it is useful to evaluate the role of Singapore as a regional center. The internationalization of the world economy has increased the importance of such regional centers.

From a policy point of view this approach to the political economy of Third World urbanization is rather discouraging, for it suggests that national governments can do little to intervene in urban systems and indeed are actively encouraging, through state support for industrialization, the growth of large urban centers. I shall explore this issue in the section on labor markets.

A second major theoretical and empirical contribution to an understanding of the urbanization process in Southeast Asia has been made by demographers, geographers, and anthropologists who have begun to
look critically at the processes of population movement between rural and urban areas. Research by Hugo (1975), Goldstein (1978), and Pryor (1979) utilizing censuses and survey data have contributed to a much more sophisticated picture of the process of population mobility to and from urban centers. This research has drawn needed attention to the persistence of circulatory migration. It has also provided a careful analysis of urban residence, revealing the weakness of distinction between rural and urban residence. These important contributions should enable a much more sophisticated analysis of the 1980–81 round of census data than would otherwise be possible, which will be of great assistance to policy makers concerned with rates of urban growth and the characteristics of rural-urban migration.

A third theoretical development, which has emerged from a broad body of development theory but has important implications for policy aimed at smaller urban centers, has been the growing concern about the persistent poverty of sizable proportions of the Third World populations (most of them located in rural areas) and the need for some program of income redistribution that can deliver basic needs to these deprived populations. Although there has been much debate on the best manner for this to be done and its effect upon economic growth (summarized by Ajit Singh, 1979), it is widely accepted that an efficient urban system plays a major role in delivering these basic needs. At least one writer, Michael Lipton (1977), has argued that most national policies in developing countries are biased in favor of the larger urban areas despite a rhetoric that emphasizes the role of smaller urban centers and rural development. Other writers, notably Lo et al. (1978), have grappled with this problem of urban bias by advocating policies that would combine certain elements of selective regional closure with rural development. These policies would enable small towns to provide more services and, it is hoped, employment, which would lead to the wider provision of basic needs. The policies' major contributions are the emphasis on integrated development and a clear understanding of the function of the urban system in a nation's economy.

The final theoretical development relates to the concept of the informal sector (see McGee, 1971, 1973, 1974, 1976; McGee and Yeung, 1977). The idea of the informal sector has emerged from the tradition of dualistic models of the structure of Third World economies put forward by such writers as Boeke (1953) and Lewis (1954). The specific circumstance that gave rise to the growing interest in the informal
sector was the concern over the inability of many Third World countries to generate sufficient wage-earning opportunities during the 1960s and the realization that many people were employed in what were essentially family or small-scale activities. These activities involved production (agriculture and manufacturing), distribution (e.g., vending), and construction (squatter housing). Conventional economic attitudes toward these activities had been unfavorable. It was argued that the low incomes and low productivity of the informal sector were a drag upon economic development. But a series of studies during the 1970s, notably by the International Labour Office (1972) and Hart (1973), have questioned this pejorative view. Increased concern with income redistribution and meeting basic needs has buttressed arguments that policy makers should adopt policies that would encourage entrepreneurial activity and capital accumulation in the informal sector. Supporters of policies favorable to the informal sector are attempting to persuade policy makers that the persistence of the informal sector is a consequence of a rapidly growing labor force and the wage sector's inability to create sufficient jobs. Some writers (e.g., Squire, 1979, and Roberts, 1978) have argued that many Third World countries have done much better at creating jobs in the wage sector than had been thought possible earlier. For instance, Squire has calculated that between 1960 and 1970 industrial employment in the less developed countries grew at twice the rate experienced by developed countries between 1900 and 1920. But fast growth of the population and the labor force has retarded the transformation of the industrial structure of the less developed countries' labor force (Squire, 1979: table 6).

In the last few years several researchers have criticized the concept of the informal sector. They have argued that for theoretical purposes the concept is too descriptive and leads to a tendency to ignore the relationships between the formal sector and the informal sector. They also argue that it is profitable for the formal sector and the state to allow the persistence of the informal sector. (See Gerry, 1974; Bromley and Gerry, 1979; and McGee, 1978a, 1978b, 1979a, 1979b, for a summary of these arguments.) This may seem to be a contradictory position, for they have also argued that the state has adopted policies designed to eliminate activities of the informal sector. In fact, the wide variety and complexity of activities in the informal sector often cause the state to adopt contradictory policies. For instance, the
state may carry out clearance operations against cooked-food vendors while enacting price subsidy policies on rice that enable vendors to purchase rice and sell it at low prices.

Other critics have drawn attention to the difficulty of applying the concept of the informal sector to the Third World, arguing that there is persistent confusion over whether it is the unit of economic organization or the form of employment that is being used to define the informal and wage sectors (Mosley, 1977). Yet other critics (e.g., Santos, 1979) have drawn attention to the lack of dynamism in the dualistic model, suggesting that it would be more accurate to conceptualize the economic structure of Third World cities as different circuits of economic activity that are in a constant state of flux and interaction. While Santos conceptualizes these circuits as a lower and upper circuit, it is not difficult to perceive them as one circuit of activity as, for instance, with transport and retailing. Finally, the informal-formal sector dualism has been criticized particularly as it applies to the labor markets by writers such as Breman (1976), who argue that it oversimplifies the “fragmented” labor markets that characterize many of the Third World countries.

These conceptual advances of the 1970s have enhanced our understanding of urbanization processes and as a consequence have implications for both research programs and policy options. To reiterate, these advances have, first of all, placed increased emphasis on the understanding of national urban systems as being, in part, a reflection of the manner and incorporation of developing countries into the international economic system. This process of incorporation has important effects on the urban hierarchy such as primacy, the functional characteristics of the urban system, and the labor force structure and distribution. Second, the conceptual advances have placed increased emphasis upon the mobility of populations both within rural and urban areas and between them. This new understanding of the mobility of population enables more accurate analysis of the pace of urban

---

1 My former colleagues at the Department of Human Geography at Australian National University and I have attempted to do this in a study of food distribution and retailing in the urban areas of the New Hebrides. Although we make no claims for the thoroughness of our research methods, we managed to arrive at some estimates of the value of sales for various commodities through different types of outlets. This enabled us to arrive at some policy prescriptions designed to encourage the marketing and sale of indigenous foodstuffs. (See McGee et al., 1980.)
transformation, the relative importance of different-size centers in the urban hierarchy, and the relative importance of rural and urban linkages. Third, the revised concepts of the 1970s have placed increased emphasis upon the study of the processes that create both spatial and structural inequalities in countries, and have led to a consideration of the manner in which the state may intervene in these processes so as to reduce such inequalities. Finally, they have led to increased emphasis upon a critical evaluation of the models that are used to conceptualize the economic structure of Third World cities, and in particular upon the need for more detailed studies (e.g., micro-level) of economic activity in order to build more sophisticated models.

TOWARD A CLASSIFICATORY MODEL OF THE LABOR FORCE IN URBAN SYSTEMS OF SOUTHEAST ASIA

If one discards the dualistic model of labor force participation as suggested in the preceding section, with what model can it be replaced and how can the new model be related to the distribution of labor between various cities in the urban system and rural areas? In an earlier paper (McGee, 1979b) I discussed this problem as it affected the investigation of the forms of labor mobility, such as seasonal labor and circulatory labor migration in Southeast Asia, and suggested that the most satisfactory solution was to categorize the labor force as shown in the Table.

The Table presents a fourfold classification of the labor force derived from one developed by Gerry (1977). The classification scheme relates sectors of the labor force to the mode of labor-power reproduction, the function that the laborer performs for the capitalist mode of production, and the main type of labor mobility that occurs as a result of these relationships. The Table is based upon a conceptual model of Southeast Asian market economies that divides the social formation into two forms of production. The dominant capitalist mode, consisting of both national and transnational capital, is characterized by economic activities in which wage labor is the main form of employment. The other, precapitalist, mode of production consists of smaller peasant-family or petty-craft enterprises in which labor is often recruited by social means and wages are seldom paid.

This conceptualization is not meant to be limited to national boundaries, for worldwide demands for labor reach down to the
TABLE Classification of labor force sector and relationship to reproduction of labor power, sector capitalist mode of production, and type of labor mobility

<table>
<thead>
<tr>
<th>Fraction of labor force</th>
<th>Mode of reproduction of labor power</th>
<th>Functional status vis-a-vis capitalist mode of production</th>
<th>Type of labor mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Workers in capitalist mode, &quot;formal&quot; sector, and state and quasi-state employment</td>
<td>Repetitious sale of labor power</td>
<td>Labor directly functional in capitalist production and accumulation</td>
<td>Permanent</td>
</tr>
<tr>
<td>B. Casual workers in capitalist mode of production</td>
<td>Intermittent sale of labor power plus some petty commodity production of services</td>
<td>Alternating membership of capitalist labor force and functional surplus population, according to cycles of capitalist accumulation</td>
<td>Seasonal, circulatory</td>
</tr>
<tr>
<td>C. Workers exercising skills within a coexisting mode of production subordinated to the capitalist mode of production, &quot;informal&quot; sector</td>
<td>Petty commodity production (including some apprentice exploitation) and services</td>
<td>Simultaneously functional in both direct and indirect senses</td>
<td>Permanent, circulatory, seasonal</td>
</tr>
<tr>
<td>D. Unsuccessful sellers of labor power, the &quot;unemployed&quot;</td>
<td>Combined elements of B and C, but also possibly begging, extortion, political &quot;employment,&quot; family parasitism, illegal transfer</td>
<td>Occasionally functional (politics rather than economics), but more typically disfunctional (disruptive, costly) or possibly nonfunctional</td>
<td>Circulatory</td>
</tr>
</tbody>
</table>

SOURCE: Derived from Gerry (1977:12).

smallest Southeast Asian village, recruiting labor under categories A and B. Thus, the movement of Kelantese contract labor to Singapore, or Philippine workers to the Middle East, would be included in this classification. When the scheme is applied at the regional level, however, it is clear that Singapore is the best example of a labor force in which the B and C labor sectors declined dramatically during the 1970s. In contrast, areas of dense population, such as Java, would appear to be experiencing an increase of the fraction of the labor force in sectors B, C, and D.
Labor Markets, Urban Systems, and the Urbanization Process

As for the spatial distribution of these fractions of the labor force in the urban system, the number of workers in A and B appears to be more highly concentrated in the large metropolitan centers and dynamic secondary centers. As one moves down the urban hierarchy, one would expect the workers in sector C to constitute a larger proportion of the labor force, although this increase could be affected by the persistence of agricultural processing activity and government employment in smaller urban areas closely linked to the countryside. Census data on occupations and industries are of no great help in verifying such assertions, for in general they are reported only for such spatial units as census districts. There is also great difficulty in gaining access to longitudinal data, which would enable some assessment of the changing characteristics of the labor force in smaller urban places. Finally, the considerable fluidity of workers in labor sectors B and C makes it exceptionally difficult to investigate changes in the labor force throughout the entire urban hierarchy. Even such comprehensive studies as those by Golde (1972), Heng Kow Lim (1978), Pryor (1979), and Pernia (1977) contain little treatment of labor force data and their relationship to migration and urbanization.

With respect to lower-order urban places, one is thus forced to rely upon urban surveys that may not have focused upon the labor force features of those urban areas. Breese (1973), for instance, lists several studies. In addition, Jones (1965), Neville (1962), Jones and Supraptilah (1975, 1976), Ulack (1972), Jackson (1974), McTaggart (1976), and Hackenberg (no date) are valuable studies. These studies provide diverse pictures of the labor force characteristics of smaller urban areas from country to country and from region to region. However, the ubiquitous function of the intermediate cities as marketing and retailing centers is reflected in the quite high proportions of population engaged in some part of the commodity distribution system, and the number of persons per retail establishment is low compared with that in the larger urban areas and the developed countries (see Dannhaeuser, 1977).

So far I have described a static picture of the spatial distribution of the labor force, but from a policy viewpoint what is needed is to identify the processes that are changing the labor force structure. It may be argued that the increasing displacement of labor from the pre-capitalist modes, such as peasant agriculture and the C sector, and its incorporation into wage-earning employment is the central process.
The problem is that this process of incorporation is a complex process that proceeds unevenly in spatial and sectoral terms. Conventional wisdom portrays the process in the Third World as one in which capital-intensive industrialization in urban areas is combined with long established colonial export trade patterns and the displacement of rural labor in the countryside. The extension of agribusiness has created a rapidly growing marginalized labor force in sector C that flows toward the larger urban centers, leading to a decline of smaller urban centers and rural population.

As applied to the nonsocialist countries of Southeast Asia, this description of how the labor force structure is changing would appear to be an overgeneralization. In rural areas there are at least three aspects of capital intensification that are having important repercussions on the labor force.

The first is the introduction of biological and chemical technologies in rice cultivation, sometimes loosely described as the Green Revolution, which has been the subject of much debate over its labor-displacing characteristics. Writing about Java, White (1979:95–96) has stated:

A perusal of available case studies of agrarian and other social-economic developments in rural Java would point out the following changes in recent years: unequal distribution of the direct and indirect benefits of new biological and chemical technologies in rice production; new technologies in cultivation, weeding, harvesting and processing which cut costs for the larger farmer but reduce the employment and income opportunities of labourers; more frequent harvest failures resulting from the new varieties' vulnerability to drought, flood and particularly to pests, which have affected the income of small farmers more seriously than those of large farmers; declining real agricultural wages, unequal access to agricultural and other forms of subsidized government credit, while informal interest rates remain high for small farmers and the landless; unequal access to other government services; differential impact of inflation on large farmers compared to small farmers/labourers; shifts in the market system with larger traders taking over the role of small traders in the bulking process of rural produce; increasing landlessness and an acceleration in the purchase of agricultural land by wealthy villagers and the urban elites; decline of many traditional labour-intensive handicrafts and home industries in competition with more capital-intensive substitute products.

These developments seem to be having a severely dislocative effect on rural labor, forcing poorer people from the land into B-type activities, or into C-type activities that are not agricultural. Hugo (1975), Forbes (1978), and Jellinek (1978) have detailed the features of this movement into nonagricultural C activities relating particularly to circulatory
migration and seasonal migration. Studies from other Asian countries and regions affected by the Green Revolution, however, do not indicate such severe labor dislocation in urban areas. For instance, there does not seem to have been much labor displacement in the Muda Agricultural Development Authority in Kedah (see Mei Ling Young, 1978), and this has also been argued to be the case in the Punjab.

A second aspect of capitalist intensification involves increasing production of cash crops for both industrial and urban demand. For instance, Malaysia has been attempting to diversify its agricultural base by increased production of small-holder oil palm. Efforts to diversify production have included the introduction of such crops as sugar and tobacco into relatively heavily populated regions like Kelantan. Little research has been done on the effects on the labor force of the introduction of new cash crops into rural areas or the role of small urban centers. A related aspect of this process involves state-sponsored land-development schemes, of which the most successful have been carried out in Malaysia (see Bahrin, 1971).

The third aspect of capitalist intensification is the growth of agribusiness in the form of plantations, which have been ubiquitous in Southeast Asia. Recently these agribusiness activities have become more diversified, producing tropical foods for temperate zones in such areas as Davao and Sumatra. Historically, agribusiness has tended to recruit its labor force internationally, or outside the region of its activities, according to some observers in order to control a pliable labor force rather than because of the resistance of local labor to employment (see Breman, 1978, and Alatas, 1977).

In urban areas capitalist expansion affects the structure of the labor force in many ways. The first is the creation of labor opportunities within the governmental sector. This recruitment of labor into various parts of government (such as the armed forces and the civilian police) is an important means of upward mobility for people and, because of the greater degree of involvement by Asian governments in the management and control of their nations today than by Western governments during their periods of rapid economic development, should not be underestimated. Elsewhere I have discussed how government recruitment of rural inhabitants into defense forces tends to loosen villagers' traditional ties and how those people have chosen to remain in urban areas after demobilization (McGee, 1969, 1978b). Government employment can be a major source of income for the smaller administrative centers.
Capitalist expansion also has a considerable effect on the distributive and service sectors. Rimmer et al. (1978) have documented how capitalist expansion in the transport sector (sometimes directly fostered by the local government) and in the retailing system, for example, has led to the displacement of workers in small-scale activities. Unfortunately, there is insufficient information on the multiplier effects of increased incomes earned in this expansion of capitalist activity. For instance, does expansion of capitalist activity create more city income, and does more city income in turn create more job activity in the small-scale petty sectors of the city economy? Hackenberg (no date) has shown how the population of Davao, Philippines, reacted to an inflationary situation by withdrawing people of families from schools to be employed in the distributive sector. Much of the recent research relating to the effects of capitalist expansion has been concerned with the manner in which capital is extracted from the small-scale operators of this sector. At least three major studies in Asia and the Pacific have been carried out that have advanced our knowledge of this extraction process (see Johnstone, 1979; Forbes, 1979; Britton, 1979). Unfortunately, they do not contain much information on the changing characteristics of the labor force reacting to the process of capitalist expansion.

Finally, there are the processes of capitalist expansion in the industrial sector. They are the subject of much disagreement and are among the least investigated aspects of capitalist expansion. In most of the ASEAN countries manufacturing has expanded rapidly. Data presented in the Economic Bulletin for Asia and the Pacific, published by the Economic and Social Commission for Asia and the Pacific (ESCAP), indicate that between 1965 and 1975 the contribution of manufacturing to the Gross Domestic Product increased from 15.3 to 21.5 percent in Singapore, from 10.4 to 14.3 percent in Malaysia, from 15.5 to 20.1 percent in Thailand, from 17.5 to 20.9 percent in the Philippines, and from 8.4 to 10.5 percent in Indonesia. The initial efforts to encourage import substitution, particularly in the production of consumer durables, have now been expanded to the production of exports.

Several facets of this industrialization process have important implications for the labor force. First, it would appear that those in charge of the import-substitution industrialization process took advantage of the existence of accessible markets and located their industries
primarily in the major cities. Malaysia and the Philippines actively encouraged this development in the late 1950s and the 1960s. Second, the import-substitution process of industrialization, although it has been responsible for increased labor employment, has had high capital-labor ratios, which have not led to rapid labor absorption. Third, this growth of import substitution has been dominated by large-scale operations often owned by foreign investors.

In the 1970s there was substantial growth of export-oriented industries, especially in Singapore and Malaysia. The development of a product cycle in which the more labor-intensive phase of production in, for instance, the electronics or clothing industry can be moved from developed countries to countries in which labor is cheaper has created many opportunities for labor in Southeast Asian countries. (See Sharpston [1975] and Nayyar [1978] for a discussion of the economic details of this phenomenon.) The growth of this form of industrialization has been facilitated by the creation of export-processing zones, of which there were some 40 in Asia by the end of 1979. Critics of the export-processing zones have charged that these activities develop few linkages with other parts of national economies and that there are only a few products that can be assembled in this fashion.

The growth of these activities and their effect on the labor force should not be underestimated, however, because they can be located away from the major cities in intermediate cities if the appropriate transportation and energy infrastructure is available. Thus, seven of the nine free trade zones in Malaysia were located outside the metropolitan region of Kuala Lumpur by the end of 1978. The growth of this form of export, together with the increase of other manufactured exports, has led to increased employment in manufacturing, particularly in Singapore and Malaysia, where jobs in manufacturing increased by approximately 100,000 in each country between 1970 and 1975. (See ESCAP, 1977:44, table 32.) Considerable evidence, which the decadal round of censuses is likely to substantiate, indicates that much of the employment generated in this activity is made up of female workers. For instance, the road between Georgetown and the Bayan Lepas export-processing zone in Malaysia is full of buses carrying neatly dressed women to and from work. I can verify this phenomenon from experience with squatter areas in Kuala Lumpur, which in the 1960s when I did fieldwork had very low female participation.
rate; but in 1979 when I returned had many female workers and, I assume, a large increase in household income.

The major part of this industrial growth appears to have been dominated by large-scale units of operation. Thus, data I have collected from a variety of sources suggest that Thailand, Malaysia, and Singapore have more than 60 percent of their labor force in manufacturing establishments employing over 50 people (see Saeng et al., 1978; Chee Peng Lim et al., 1979). Figures cited by Viloria (1979) for the Philippines indicate a much lower proportion, but this may be the result of the inclusion of a larger number of small industrial establishments in the Philippine surveys. The largest firms are highly concentrated in the major urban areas. For example, in Thailand more than one-third of the factories employing more than 100 people are located in Bangkok and in the Philippines the proportion of large employers in the Greater Manila area is 66 percent (Miranda, 1978). Such a high concentration creates an enclave form of industrialization. Scattered information suggests that smaller industries are less concentrated, and although they are more numerous, they have lower productivity and in many cases form part of the informal sector. In a perceptive analysis, Mahinder Santok Singh (1979) has attributed this concentration of large industries in Kuala Lumpur to the high degree of foreign ownership of Malaysian industry, as well as the type of products being produced.

The effect of the growth of industrialization dominated by large-scale employing units on small-scale industrialization has received little attention. There are indications from studies in Salih et al. (1978) that small-scale industry is declining in competition with the large-scale firms, except where it has government support. Nevertheless, there appears to be increased employment in nonagricultural occupations in some parts of Southeast Asia, such as rural Java. It is not clear, however, whether this constitutes wage employment or a thickening-up of informal-sector industrial activity, in the sense of a growing proliferation of small-scale enterprises.

Improved transportation allows the movement of commodities from larger urban centers so that large firms can compete with small-scale industry in the countryside. If this competition occurs, it is merely a continuation of the phenomenon of "agrarianization," which is characterized by an increase in the proportion of the labor force employed in agriculture in certain regions.
Despite this rather general description, it can be seen that the processes of capitalist expansion are diverse and have uneven spatial and structural effects. Their effect on the structure of the labor force must be related to the rate of labor force increase, to differences in human capital (such as educational levels), and to other cultural and social characteristics of the labor force (such as ethnicity) which are unevenly distributed spatially and structurally.

**CAPITALIST EXPANSION, FRAGMENTED LABOR MARKETS, AND THE URBAN SYSTEMS**

It is difficult to relate this process of capitalist expansion and the creation of a wage-earning labor force to its distribution among various sizes of cities in the urban system, but one can at least hypothesize that labor force characteristics of a particular urban place will be greatly affected by the role that the urban place plays in the process of capitalist expansion. For the lower-order centers (i.e., those that are not major provincial centers or metropolises), this hypothesis is supported by Smith's (1977) concept of the type of marketing system that integrates rural people into broader regional and national markets. Using the conceptual framework of central place theory and the results of her fieldwork in Guatemala, Smith describes four types of marketing systems that are characterized by different patterns of urban settlements in different regions of the country. The first, found in the export-oriented plantation zones, is a classic primate system of urban places consisting of one large urban place and 12 smaller places. Other marketing systems have a more complex interlocking urban pattern approximating the classic central place pattern but with a higher degree of regional autonomy. The dendritic pattern characterizes a region of peasant production of commodities for outside the region in which smaller urban places act as bulking points for commodities that are moved to a market outside the region. Finally, there is a system comprising a large number of intermediate centers. The region in Guatemala is a somewhat special case, because it is dominated by craft production rather than peasant agricultural production. This leads to a much higher concentration of the region's population in intermediate centers. Even though certain facets of these four settlement patterns are probably unique to Guatemala, the analysis suggests the complexity of labor force distributions and urban systems
that one may expect to find in other countries, and I would argue that Smith's approach could be applied to studies of smaller urban places in Southeast Asia.

One can certainly find these regional systems of urban places Juplicated in Southeast Asia. For instance, the primate systems were characteristic of the plantation areas of Malaysia prior to the Emergency. Dendritic patterns were common in regions where small-holder cultivation became increasingly important as in Negri Sembilan, and the interlocking systems characterize such regions as Kelantan or Trengannu. In the interlocking systems one could expect to find the labor force in C to be of great significance, whereas in the primate systems the A labor force is of most importance (see Table).

I believe that Smith's work has important policy implications for the study of lower-order settlements and the features of the labor force. For instance, the land development schemes in the Pahang Tenggara region of Malaysia were formulated on the assumption that some form of interlocking settlement hierarchy should be created. But apparently the settlers have been bypassing these middle-order settlements and using cheap transport to travel to higher-order settlements to purchase many products and services (personal correspondence from Tunku Shamsul Bahrin). The marketing system that is evolving would appear to be much more dendritic than interlocking.

An important question is, What effect does the introduction of new crops have on these marketing systems? Research by Missen and Logan (1977) in Kelantan suggests that the introduction of new crops such as sugar and tobacco has led to a monopoly of the purchase and marketing of these products by merchants from the large urban center and any increase in income has had little effect on the lower-order urban places. The relationship of the Green Revolution to existing urban systems has been little investigated, although work by Raza and Kundu (1979) in the Indian Punjab has indicated that in districts of greater progress the upper-order settlements have experienced the most population increase.

The point that needs to be emphasized is that it is necessary to investigate the relationship between the activities of lower-order urban settlements and the role those settlements play in a country's regional and national economy if one is to gain information on likely labor force changes that might have policy relevance.
IMPLICATIONS FOR POLICY-DIRECTED RESEARCH

The most persuasive generalization concerning labor force change in conjunction with economic development is that there is a unilinear shift from agriculture to nonagricultural activities as the process of economic development occurs. But there appear to be at least as many exceptions as examples supporting that generalization in Southeast Asia. Except in Singapore, which has a special city-state status, rates of labor force formation in Southeast Asian countries remain high; the process of creating a wage-earning labor force is uneven temporally, spatially, and sectorally; and as a consequence there is a persistence of the labor force in C-type activities in both the countryside and the city.

Our knowledge of these processes at present is based largely upon national censuses and labor force surveys, which are ill-equipped to cope with the complexity of the changing features of the labor force. Use of existing national census and labor force data may even lead to the inference of specious trends. I would therefore argue that research on the labor force in these countries is in need of the following priorities.

A. Conceptual priorities

1. The development of classificatory systems that can cope with the fluidity of the labor force—e.g., circulatory migration.

2. The development of research that can cope with the temporal problems of rapid changes in labor force composition—e.g., movement of peasants into agricultural labor.

3. The development of research that can cope with the effects of process on the labor force—e.g., the displacement of hawkers who lose out in competition with larger retailing units.

It may be argued that conceptual questions are of little interest to policy makers, who are generally characterized by a desire for facts. Facts, however, are generally collected in research that is organized by a conceptual framework. For this reason conceptual questions must come first.

2 I am not generally convinced that the macrodata cited by Hackenberg (1979) on the distribution of the labor force between various industrial sectors, which suggest declines in agriculture, should be accepted uncritically. The fluidity of the labor force in many Southeast Asian countries makes these figures unreliable.

3 Useful ideas on this topic are found in Halpenny (1972), Harriss (1977), Hauser (1971, 1972), and Weeks (1971).
B. Research designs

1. Micro to macro

In view of the complexity of the labor force features, I would argue that research should move from the microlevel to the macrolevel. Household surveys done in villages were largely responsible for the uncovering of the "invisible" phenomenon of circulatory migration. This type of research can be carried out in other settlement units such as small urban places.

This stress on microlevel research is not very well received by policy makers, who justifiably wonder about the generality of data collected from a single town or village. But until a research design is developed that can handle the conceptual problems attending national-level enquiry, I would argue that the focus of most research should proceed from micro to macro.

There is one qualification to this assertion. It may be possible to gather data on the changing character of the labor force by focusing upon particular industries or occupations—for instance, in studies of marketing activity.

2. Longitudinal before the ad hoc

A second characteristic of the research design should be a concentration upon longitudinal studies rather than on ad hoc studies designed to give one-time solutions. It must be clear from preceding discussion that the processes of change in the labor force can be effectively explained only by longitudinal studies done in the same area, industry, or unit of investigation and using the same data-collection frame over time. Ad hoc studies may be needed in particular circumstances requiring an immediate policy response, but longitudinal studies are necessary for long-term policy making.

The problem is that policy makers often do not have the time to wait for longitudinal studies and consequently rely upon ad hoc studies for long-term policy intervention. I can see no solution to this situation except to commence the longitudinal studies and hope they will influence policy makers in due course.
C. **Policy priorities**

If one accepts the assertion that the processes of capitalist expansion are one of the principal determinants of changes in the composition of the labor force, I would suggest the following checklist of research questions.

1. What effect is the new agricultural technology having on the composition of the labor force in secondary cities and rural areas?
2. What effect are government-encouraged rural development schemes having on the composition of the labor force in secondary cities and rural areas?
3. What effect is the growth of industrialization having on the composition of the labor force in urban areas of different sizes?
4. What effect is the growth of a local consumer goods industry having on the activities of small-scale indigenous industry, often located in secondary centers?
5. What effect are these various processes of capitalist expansion having on the composition of the labor force within the urban hierarchy?
6. What are the factors (wages, culture, etc.) affecting the choice of occupation in various labor fractions?
7. What role do the secondary urban places play in the market system and how does this role relate to labor force composition?

These questions constitute a preliminary list which I am sure can be expanded. What is needed now is a breakthrough in the research on the labor force of Southeast Asian countries such as that which characterized studies of migration in the 1970s.


Labor Markets, Urban Systems, and the Urbanization Process

Economic and Social Commission for Asia and the Pacific (ESCAP)

Forbes, D.K.


Frank, A.G.

Gerry, C.


Goldstein, Sidney


Hackenberg, Robert A.

Halpenny, P.
1972 Getting rich by being "unemployed": some political implications of "informal" economic activities in urban areas not usually represented in official indices. Paper prepared for Universities Social Sciences Conference, Nairobi.
References

Harriss, B.

Hart, K.

Hauser, Philip M.
1971 A new approach to the measurement of the work force in developing areas. Unpublished paper (limited circulation).

Hugo, Graeme

International Labour Office

Jackson, J.C.

Jellinek, L.

Johnstone, M.A.

Jones, Gavin W.
Labor Markets, Urban Systems, and the Urbanization Process

Jones, Gavin W., and B. Supraptalah

Lewis, W.A.

Lim, Chee Peng, et al.

Lim, Heng Kow

Lipton, Michael

Lo, Fu-chen, Kamal Salih, and Mike Douglass

McGee, T.G.
1967 The Southeast Asian City. London: G. Bell & Sons Ltd.
1974 Hawkers in Hong Kong: A Study of Policy and Planning in the Third World City. Hong Kong: Centre of Asian Studies, University of Hong Kong.
References


McGee, T.G., R. Gerard Ward, and D. Drakakis-Smith


McGee, T.G., and Yue-man Yeung


McTaggart, W.D.


Miranda, Casimiro V.


Missen, G.I., and M.I. Logan


Mosley, P.


Nayyar, Deepak

Neville, R.J.W.

Osborn, James

Pernia, Ernesto de Mar

Pryor, Robin J., ed.

Raza, Moonis, and Amitab Kundu

Rimmer, P.J., D.W. Drakakis-Smith, and T.G. McGee, eds.
1978 *Food, Shelter and Transport in Southeast Asia and the Pacific.* Publication HG/12, Department of Human Geography. Canberra: Australian National University.

Rivkin, Malcolm D.

Roberts, Bryan

Saeng, Sanguanruang, et al.
1978 *Development of Small and Medium Manufacturing Enterprises in Thailand.* ADIPA.

Salih, Kamal, ed.
References

Santos, Milton

Sharpston, Michael

Singh, Ajit
1979 The basic needs approach to development vs. the New International Economic Order: the significance of third world industrialization. World Development 7:585–606.

Singh, Mahinder Santok

Smith, Carol A.

Squire, Lyn

Ulack, R.

Viloria, V.

Wallerstein, I.
Walton, J.

Warren, Bill

Weeks, J.

White, Benjamin

Withington, William A.

Young, Kenneth T.

Young, Mei Ling
RECENT AVAILABLE PAPERS OF THE EAST-WEST POPULATION INSTITUTE


61 Prediction of family planning and family size from modernity value orientations of Indian women, by Bishwa Nath Mukherjee, April 1979, v + 50 pp.


64 Socioeconomic and cultural aspects of marriage and fertility in urban Pakistan, by Mehtab S. Karim, December 1979, v + 26 pp.


60-C The value of children to Australian, Greek, and Italian parents in Sydney, by Victor J. Callan, December 1980, vii + 60 pp.


