Chapter I

INTRODUCTION
1.1. INTRODUCTION

In a modern society the role of labour as a factor of production is becoming increasingly important. The manpower is considered to be the key ingredient to the nation's growth and well being. In a service oriented era, the quality, quantity and utilisation of human resources are of central importance. Capital and natural resources are vital factors in an economy, but it is the quality of labour-the human resource- which contributes most to the contemporary 'Wealth of Nations'.

Human beings, "are the active agents who accumulate capital, exploit natural resources, build social, economic, and political organisations and carry forward national development" (Fredrick Harbison, 1972). Thus expansion and improvement of the work force are the sine qua non of continued increase in the output. Labour is the major beneficiary of, as well as the chief contributor to, prosperity and growth. The bulk of the nations product is distributed in wages and salaries to individual workers, and expansion of the total product has improved the welfare of these workers (Levitan et al., 1972).

In this context, policy makers and Planners interested in the development of Human Resources and in Social Welfare have a fundamental concern with trends in employment, wages and labour incomes. They will consider the measures which are required to improve both the Productivity and the Welfare of Labour. It will help to understand who obtains them, how they are remunerated and the response of this system of relationships to social policy (Harriss, Kannan Rodgers, 1992). For this, we must understand the way in which the labour market operates and performs the functions in an economy.
Evolution and operation of labour markets has been a subject of considerable research and controversy in the economic analytic literature. (Praveen Jha, 1994). The emergence of the concept of Labour market reflects growing need of human resource allocation for the mechanism of economic welfare which is consistent with optimum production structure. Labour market may be defined as a system of allocating and rewarding labour. Its main function is to match workers and jobs and to fix remunerations in a manner that ensures required quantity as well as quality of labour supply; its performance is judged by the efficiency with which labour market process performs this function (Prohit, 1985).

Labour markets play a central role in determining the macro economic success of stabilisation and adjustment policies and in mediating the impact of these policies on living standards of the people in general and the poor in particular. As different types of labour exist, differentiated by skill, location, gender and so on, different types of labour market also exist. But these markets are linked with each other since the conditions in one can influence the working of other.

Labour market in developing countries are quite different from that of developed countries. The proportion of people in straightforward wage employment is small, and only a fraction of them are covered by long-term contractual provisions. Organised institutions and intermediaries are limited in scope, whereas informal networks of family, kinship, caste, and tribe are more significant. Even established labour force concepts, such as 'labour force participation rate', 'working age', 'unemployment', the 'wage structure' and so forth, pose conceptual (and measurement) problems. These are particularly important when it comes to trying to make comparisons between countries (Kannappan, 1988).
The labour market has been variously categorised as primary and secondary, formal and informal, Organised and unorganized sectors. It is widely accepted that among these classifications not much variation is identified. In India many researchers preferred to consider organised and unorganised classification of Indian labour market. Based on the classification of industrial sectors as organised and unorganised employment and labour market also have been classified and analysed in related terms.

1.2. TRENDS IN EMPLOYMENT IN ORGANISED AND UNORGANISED SECTORS

In the context of liberalisation measures undertaken and the New Economic Policy announced by the government of India in 1991, the role of unorganised sector assumes significance. The emphasis on delicensing and deregulation on the one hand and the market led growth on the other may open up new horizons for the growth and development of unorganised sector.

It is not always that the low productivity is responsible for low wages of workers in this sector. It is primarily the lack of protection and pressure from legislation or unions that is responsible for lower wages than in the organised sector. From the viewpoint of labour market analysis the most important issue to examine is why such large differentials exist (Banerjee, 1983).

The relatively high wage in the organised sector attract workers to the urban labour market, but after hitting the barriers to entry in this sector they fall back on the unorganised sector. Thus, the supply of labour to the unorganised sector is not always a function of its own wage level but to a certain extent, of that in the formal sector. The organised sector has a demand function not necessarily based on productivity but on the presumption of productivity derived from the conditions of qualifications, experience and contact. The residual gets absorbed in the unorganised sector at low wages dictated by the employer establishments.
It is said that a slow growth of the organised sector in a situation of rapid increase in the local and migrant labour force has no doubt, resulted in the growth of the unorganised sector; but, a relatively faster growth of the organised sector has also been found accompanied by an expansion of the unorganised sector.

Growth of unorganised sector induced by expansion of organised industry provides relatively better conditions to those engaged in it and is likely to lead a greater integration in the urban economic structure.

Unorganised sector plays a vital role in employment generation in developing countries like India. According to 1991 Census Report, there were 3060 lakh workers (excluding Assam and Jammu and Kashmir) in India. Out of this only 10 per cent of the working population is employed in organised sector; and thus unorganised sector dominates with 90 per cent share in total employment and this has been almost constant during the last fifteen years. The share of unorganised sector in manufacturing sector displayed a spectacular rise from 67 per cent in 1972-73 to 76 per cent in 1991 and in transport, storage and communication the proportion has risen from 24 per cent to 51 per cent during the same period.

Growth of employment in organised sector slowed down considerably from 2.7 per cent per annum in seventies to 1.7 per cent in eighties. The slow down in the growth rate was both in private and public sectors (Naidu, 1993).

In the overall growth of employment in the organised sector, a major contribution has been made by the public sector (Naidu, 1993). For example, the organised sector employment had grown at about 2 per cent per annum, during the period the public sector employment grew at 3 per cent and private sector employment rose by only 0.5 per cent during the same period. During 1987-88, private sector employment fell by 0.18 per cent
and that of public sector declined to the tune of 2.13 per cent. It clearly indicates that in 1990s prospects for employment growth are found to be highest in private sector, particularly in the context of 'Reforms' introduced through market oriented approach.

The growth of employment in unorganised sector exhibited similar trend as in total employment. However, sectors like construction, manufacturing, transport and services' experienced a higher rate of employment growth in the unorganised sector compared to the rates of growth of employment for the entire economy. The buoyant sector is construction with a rising quinquennium growth rates from 3.58 per cent to 9.69 per cent to 16.65 per cent between 1973-77, 1977-83 and 1983-87 respectively.

Unorganised sector in recent years has been growing, but its absorption capacity as a sponge to attract unemployment, both in rural and urban areas is limited. While agriculture and industry are not able to provide sufficient employment to the growing additions to the employment, unorganised sector may bear the burden as a transitory measure with low income and providing discontinuous self-employment to the poor and assetless individuals, particularly women. The various attempts made to estimate the rise and growth of employment in urban Employment Programme reveal that the share of urban labour force engaged in unorganised sector ranges from 20 to 70 per cent in the urban areas of many developing countries. In India several studies have been attempted to estimate the proportion of work force in unorganised sector.

As per 1991 Census Report (CMIE,1993) around 2789 lakh workers (main workers) which constitute 90 per cent share are found to be absorbed in unorganised sector. Agriculture claims lion's share as 1847 lakh workers (73.36 per cent) are found to be engaged in it, whereas 257 lakh workers are absorbed in mining and manufacturing sector. Service sector has an equally large share with 417 lakh workers.
Higher growth in employment was visible in mining and quarrying sector followed by transport, storage and communications sector for the period of 1972 to 1983. For the time span 1983 to 1987, the highest growth (except mining) was observed in construction sector.

The size of unorganised workers was large. About 92 per cent of them belong to this group. They are deeply fragmented, localised and subject to specific conditions in different units and areas that cannot be easily replicated (Vrijendra, 1995).

In India, like in most developing economies, the unorganised sector is much bigger than the organised sector, and the proportion of unorganised labour is even larger because some of the organised sector workers continue to be outside the trade union fold. The presence of such a large proportion of unorganised labour has its own consequences both for the working class and the economy (Aziz, 1995). The urban unorganised is bound to exist as a significant section of labour force for several decades to come. It is difficult to estimate the size of the urban organised sector. There were about 60.5 million workers in about 21.7 million enterprises. A large majority of which were in the urban sector. In Maharastra alone there were 87.03 lakh unorganised workers of whom 59.09 lakh, consisting 68 percentage in urban areas (Sundaram, 1995). Now, we shall look at the pattern of distribution of workers in manufacturing establishments and classifying these into four types of establishments and for thirty years between 1961 and 1991 and estimated rate of growth.
Table 1.1

DISTRIBUTION OF WORKERS IN MANUFACTURING ESTABLISHMENTS, 1961-91

(In 000s)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL MANUFACTURING</td>
<td>17523</td>
<td>25175</td>
<td>28671</td>
<td>1.83</td>
<td>1.31</td>
</tr>
<tr>
<td>(100.00)</td>
<td>(100.00)</td>
<td>(100.00)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HOUSEHOLD</td>
<td>9651</td>
<td>7743</td>
<td>6804</td>
<td>-1.09</td>
<td>-1.28</td>
</tr>
<tr>
<td>(55.08)</td>
<td>(30.75)</td>
<td>(23.73)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FACTORY</td>
<td>3050</td>
<td>7715</td>
<td>7743</td>
<td>4.75</td>
<td>0.04</td>
</tr>
<tr>
<td>(17.40)</td>
<td>(30.65)</td>
<td>(27.01)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NON-FACTORY AND NON-HOUSEHOLD</td>
<td>4822</td>
<td>9717</td>
<td>14124</td>
<td>3.57</td>
<td>3.81</td>
</tr>
<tr>
<td>(27.52)</td>
<td>(38.60)</td>
<td>(49.26)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:
1. Indian Journal of Labour Economics, Vol. 37, No.3, July-Sep'94.
2. Economic and Political Weekly, Feb.26'94.

Non-household non-factory industry grew at a highest rate during the period 1961-81 compared to previous period (Table 1.1). Household industry registered a negative growth rate. The factory sector which showed a high rate of growth during the period 1961-81, made a deceleration during the period 1981-91.

The entire public sector is considered under the organised sector because of prevalence of job security and social security benefits in those units for their employees. In 1991, employment in public sector was 18 million against seven million in the organised private sector (Parthasarathy, 1996).
1.3. NEED FOR THE STUDY

In India about 25 per cent of population live in urban areas where 40 per cent live below poverty level (World Bank 1989). Evidence indicates that many Indian urban workers are trapped into the unprotected segment of the labour market, where the incidence of poverty is high (Harriss, 1989). The evidence also suggests that the disparity between the earnings of protected and unprotected worker is widening, and the earnings of unprotected workers are stagnating (Khandker, 1992).

However, of late the problem that the Indian economy facing is, the employment creating capacity of the organised sector appears to be on the decline (Papola, 1992) and open unemployment is rising. And the unorganised sector, far from readily absorbing all who seek jobs, is increasingly perceived as riddle with barriers to access, making it almost as difficult to penetrate as in to the organised sector.

For example, studies based on secondary data suggest that unorganised sector has grown at a faster rate than the organised sector in the economy. The study by the Planning Commission (1990) reveals that the growth of employment in unorganised was 2.20 per cent compared to 2.42 per cent in the organised during 1977-83. Both the rates were lower than the corresponding figures for the period 1972-77 viz 2.50 per cent and 2.84 per cent. The growth rates have further gone down to 1.55 per cent and 1.36 per cent during 1983-87, indicating clearly a decline (Amitabh Kundu, 1993).

Rodgers (1990) argued that the volume of employment generation is in fact very closely bound up with the sorts of jobs that the economy is creating; that the creation of employment is in-extricably linked to the nature of the jobs which are created and who gets them; and that this conditions not only the success of the economy in providing widespread access to income opportunities, but also the level of productivity in the economy and the success of the development process itself.
Employment in the unorganised/informal sector has always been an important part of the urban economic structure in India. The issue of poverty and inequality of the disadvantaged groups need to be specially looked after. The workers of the urban unorganised sector constitute one such disadvantaged group. For this proposition, a plea is often made for a policy to favour unorganised sector in matter of government policy of providing public utility services, financial help and other assistance. (Banerjee, 1983).

Various studies on labour market provide us the necessary guidelines to understand the basic issues in urban labour market and its vital three aspects viz., earnings, mobility and segmentation. By making an in-depth analysis, on these three aspects it can be said that considerable amount of understanding about the nature in which an urban labour market functions and based on it necessary corrective and required policy measures can be taken by a government. Hence, the study was undertaken to understand the urban labour market situation in a not so exploited urban market in Tamil Nadu, namely, Coimbatore.

In the above explained context of need for understanding a study in an urban setting on earnings, mobility and segmentation in urban labour market, let us try to discuss briefly the significance of those aspects of labour market and empirical tests attempted using those aspects in other countries and in India. Then we shall justify the selection of Coimbatore urban labour market for studying these aspects.

Empirical research on urban labour in developing countries has tended to concentrate on configuring labour markets, studying mobility, migration, occupational choice and earnings among the workers. The extent of occupational mobility is one facet of labour market segmentation literature. A second is the process of wage determination (earnings) within each labour market segment. Third is the occupational choice of the laborers.
An understanding of how the urban labour markets operate and interact with the occupational choice, earnings and mobility among workers may help to understand better the role of labour market segmentation.

1.4. EARNINGS

Income distribution is a subject that has traditionally aroused a great deal of interest and concern among societies. Earnings inequality is a special case of the income distribution question as it is exclusively concerned with income derived from the sale of labour services.

One question which has puzzled economists, sociologists and lay persons alike for a very long time is the determinants of personal earnings. How "A" earns so much when "B" earns only half of that?. Is it because"A" is more astute, or better educated, or was born of a richer family, or somehow secured a better position in a more affluent sector of the economy, or from some other reasons?

Income distribution is a topical issue in all countries regardless of their economic and social systems or levels of development. In recent years, the relationship between income distribution and the process of development has come under increasing scrutiny. Parallel to this development, increasing attention has been given by economists and statistician to the empirical analysis of the distribution of income (Kasnakglu, 1987).

It has been observed that the pattern of income distribution is more unequal than are the pattern of distribution of most measures of 'ability' and educational attainment, at least statistically, (Thurow,1972; 1975). Over the years emphasis has been on reducing the relative variance of educational distribution with the assumption that there exists a positive correlation between educational attainment of an individual and his/her income. However, the relative variance of income between individuals has narrowed hardly. The answer to this dispersed distributional pattern of income implicit in the segmentation
literature is that the relation between education and productivity is spurious. This is clear from the failure of education and training programmes to deliver their promised cure for poverty and income inequality in the secondary segment of the labour market (Lucas; 1972; Harriss, 1974; Gordon, 1972). Moreover, pessimistic findings that show educational resources having no effect on achievement raise suspicions about the positive relationship between the inputs of educational resources and the ultimate outcomes of performance in the labour market (Hollietor, 1971). Besides, Knight (1979) argues as to why do the qualifications acquired for access to particular occupations rise as the average level of educational achievements of the population rises? What is implied in the segmentation literature is that equalising educational distribution will fail to bridge the distributional gap of income between households.

Furthermore, to Rodgers (1986), various institutional factors in the labour market always help to maintain a gap between the incomes (wages) of the secondary and primary workers. The institutional factors enumerated by him are labour legislations trade unions, socially determined differentials in labour payments, socially defined credentials for job access, internal structure of enterprises and imperfect information. Moreover, Reich (1976) argues that by segmenting the labour force, capital gains at the cost of labour thereby favoring the income distributional pattern to the owners of capital. (Biswal, 1995).

Wage differentials between the formal sector, and at least some parts of the informal sector have been noticed in many economies. The problem is always one of comparing the levels of earnings of workers of equivalent skill. But if for instance, we compare wages of workers in large firms with those in the small-scale sector, there is generally a pronounced size-related differential after controlling for the human capital attributes of the workers. It is not however, immediately obvious that such differentials can be largely attributed to institutional factors.
It is of great significance to know the factors influencing the wage differentials of workers in the labour market. Of late a number of studies are coming up and throwing evidences in support of one or other factors influencing wage differentials between region, sectors and sex.

1.5. MOBILITY

Mobility of workers in urban labour markets is a phenomenon of considerable analytical importance. Economic development promoted migratory movements of workers and brings in important changes in the size and composition of the urban labour force. Within urban labour markets, workers over a period of time tend to move mostly in an upward direction, across divisions and sectors of the economy and also among occupations, skill categories and status groups. Such changes in the composition of labour force, lead to perceptible improvement in productivity levels, income as well as working conditions of the workers concerned.

Labour mobility thus refers to the ability of workers to move up (or at time down) the scale of occupations inside an enterprise or from one enterprise to another within the same industry or even across industries and thereby maximise their earnings in the economy such as collective bargaining and governmental interventions in the labour market.

Mobility is associated with the risk averting behavior of workers. Those who hold stable jobs may not be willing to move out of theirs, since they may have much to lose in the face of an uncertain future. The poor with underpaid and unstable jobs would want to move out of their poverty conditions, since others have little to lose. It follows that workers who begin their career in uncertain or low paying jobs, may often be the ones who venture to change. There are, of course, other variables which intervene, such as access to capital, skills and market, which facilitate or impede mobility.
It is not necessary that every person engaged in a low income/status job would make it to the upper echelons, but such changes could legitimately be expected in the labour market. (Acharya and Jose, 1991).

The nature and extent of occupational mobility across labour market has important implications for labour market segmentation.

First, theories of class structure based on the existence of labour market segments implicitly assume that workers remain in particular segments throughout their working career. For example, Edwards (1979) argues that the working class is divided into three fractions—the working poor, the traditional proletariat and the middle layers—corresponding to the three segments of the job structure: the secondary market, the subordinate primary market and the independent primary market.

Second the Marxian theory of the reserve army of labour implicitly assumes that workers in the secondary labour market do not remain in this segment throughout their working career. Rather during upswings in economic activity some of these workers would be expected to move to the primary market, with many returning to the secondary sector during economic downturns. Such inter-sectoral mobility would be consistent with both the Marxian theory of the reserve army of labour and theories of class structure such as Edwards if the inter-segment mobility was relatively temporary and workers spent the bulk of their working career in particular labour market segments (Wilkinson, 1981).

A critical aspect of the labour market hypothesis is that only 'bad' jobs are available to workers in the secondary market who are precluded from upward mobility and thus from 'good' jobs in the primary sector.
Proponents of the segmented labour market view maintain that members of minority groups (including women) are proportionately allocated into secondary jobs at the outset of their work careers irrespective of ability and potential productivity. They are envisaged as being virtually precluded from upward mobility, regardless of education and training. Even if there is an increase in the aggregate demand for labour, it is maintained that workers from secondary labour market are not moved upward along the hiring queue and into vacant jobs in the primary sector.

The dimensions of labour mobility, therefore, emerge as an area for detailed investigation and analysis. More specifically factors which promote or impede mobility in the context of economic development and the institutional setting required for the free flow of labour across enterprises and skill categories require careful assessment in the context of urban centers in the Asian region (Acharya and Jose 1991).

The notion of mobility refers to workers switching jobs—both voluntarily and involuntarily—and to alternatives and options available to them. At the analytical level, let us define mobility of labour as the tendency on the part of labour to change place, job, industry, and firm in response to an opportunity of positive net advantage.

1.6. LABOUR MARKET SEGMENTATION

Over the years several labour market models have been developed to provide alternative explanations to the operational mechanisms of urban labour markets. Most of these models, which draw their basic propositions from the classical model of labour market analysis, have limited applicability in explaining the structure, functioning and consequences of urban labour markets in developing countries in general, and India in particular. However, in late 1960's a non-neo classical theory of labour market segmentation was evolved to help understand the labour market mechanisms and outcomes in both developed and developing countries.
Many economists working in the field of Labour market, want to know why the distribution of earnings is more unequal in some countries than in others. They are motivated by a desire to understand the determinants of inequality in income. The pertinent question is what causes inequality in the distribution of labour market rewards? One answer that is increasingly being offered by analysts at the World Bank and elsewhere is 'Labour Market Segmentation' (LMS) (Fields, 1980b). It implies the process of compartmentalisation of the labour market into separate segments having distinct reward structure and circumstances of employment.

Segmented Labour Market theory was sufficiently popular in the late 1960's and early 1970's. It was taken seriously by prominent mainstream labour economists. The concept of Labour Market Segmentation was first analysed by J.S Mill. The modern economists like Freedman (1976) Souza and Tokman (1977) Mazumdar (1975) Ahmad (1977), Edwards, Reich and Gorden (1975), Martin Carnoy (1978), Wilkinson (1981), Dipak Mazumdar (1983),Fields (1980),Deshpande(1989), Rodgers (1993) have defined labour market segmentation in different ways, and approached the issue of labour market segmentation in different perspectives. However, the most widely used definition is that segmentation taken literally suggests a 'process' in particular, the compartmentalisation and isolation of different groups of participants in the labour market which is evoked, for example, by the concepts of 'non-competing' groups and 'balkanisation' or by practice of apartheid' (Ryan, 1981).

Other economists define Labour Market Segmentation as the 'historical process whereby political and economic forces encourage the division of labour market into separate sub-markets, or segments, distinguished by different labour market characteristics and behavioural rules' (Reich et al., 1973). Moreover, the product side definition of
Labour Market Segmentation is the differentiation of economic opportunities and rewards amongst objectively comparable people independent of their desires.

In the segmentation models that the labour market is characterised by a number of segments each of which has different conditions of employment and recruits from among separate sections of the labour force. To some theorists the types and number of jobs in each segment are determined by technological requirements; to others, segmentation occurs as a result of conscious actions by capitalists to divide the working class and reduce class consciousness.

There are several alternative models reflecting different theoretical perspectives on the origin of segmentation. One regards segmentation as simply reflecting a process of modernisation. Modern production activities involve different labour force characteristics and skills, so that during a phase of transition economic dualism will be reflected in labour market dualism. A related model explains segmentation in technological terms. Production system involve heterogeneous economic activities, some requiring stable, skilled committed workers because of the technology of the production line while others require only a causal, unskilled labour force. Supply side factors may also lead to labour market segmentation where jobs are scarce, since those who are in employment search for ways of defending their territory. Employers may find this efficient if it helps to ensure labour commitment; so, they may reach agreements which give trade unions, intermediaries, social groups or individual workers considerable control over recruitment, fragmenting the labour market (Rodgers, 1993). The public sector may also play an important role in segmentation. The levels of living and working conditions for state employees have to be set at a level which is considered as decent, even if economic conditions do not permit the bulk of the population to reach this level. And differentiation in the labour is often increased as a result.
Labour Market Segmentation occurs not only because of wage differences facing unskilled manual labour in different parts of the market, but also because the labour market is made up of all types of labour with different human capital endowments (Dipak Mazumdar, 1989).

Thus, many factors may lead to segmentation, which will tend to follow the fault lines of the society; the more there are dividing lines within society, the easier it is for the labour market to fragment. And the scarcer income-earning opportunities, the greater the intensity of segmentation. So, differences in the access to jobs becomes the crucial determinant in the overall pattern of inequality. Individuals have to rely on a restricted range of personal and community contacts and information to obtain labour market entry. The narrowness of the range of options available to each group reinforces efforts to defend the ground which they occupy, so that barriers to entry are fortified. Even in a more meritocratic labour market, where educational qualifications are important, unequal access to education merely shifts the sources of inequality for further back, and credentialism leads to spiraling qualifications for access to jobs, so that even if educational system expand, the disadvantaged remain disadvantaged. The labour market, therefore, readily re-produces existing social hierarchies (Fields, 1981).

There have been a number of attempts to empirically test the existence of segmented labour markets, both in developed and developing countries during the last two and half decades. However, the empirical models of labour market segmentation differ. This may be because of lack of identical theoretical models of labour market segmentation. Several studies attempted to provide empirical evidence of the existence of segmented labour markets both at occupational and industrial levels.
There are some important studies on labour market segmentation in developed countries especially in USA and U.K (viz. Andrisani, 1973; Bosenquet and Doeringer, 1973; Wulf, 1974; Osterman, 1975; Rosenberg, 1975; Carnoy and Rumberger, 1976; Carnoy, Girling and Rumberger, 1976; McNabb and Paharolopous, 1977; Rumberger and Carnoy, 1980; McNabb, 1981; Dickens and Lang, 1985; McNabb, 1987; Kruggers and Summers, 1988).

Likewise, in the last decade several econometric studies on segmented labour markets have been carried out in the developing countries also. Interestingly enough, econometric studies in the industrialising countries provide quite different empirical evidence on labour market segmentation compared to that in the industrialised countries (Biswal, 1995). (A few of such studies are by Andorsan, (1973); Mahumdar and Massoori, (1978); Fields, (1980); Newman and Ziderman, (1986); Heckman and Hotz, (1986); Susanne Schmitz, (1989); Sakamota and Dechien, (1991)).

In the Indian context segmentation is a more useful notion for understanding how labour markets are structured. Most labour markets are subject to some degree of segmentation. Sex segmentation is particularly widespread. Given the existence of disparities in wages and other types of labour market rewards between otherwise equally productive individuals in the labour market, an appropriate empirical research may go a long way in explaining the presence of such disparities in labour market rewards in India.

Attempts should be made to find out the difference in the treatment of worker characteristics on mobility between segments and earnings within segments where segments are defined not only in terms of jobs but in terms of types of industries etc.
Evidence of Labour Market Segmentation in India

It is reported that labour as an input has been discriminated in India in accordance with custom, habit, attitude, caste, class, age, place of origin, education, community, religion, gender and education. This discrimination has led to labour market segmentation and in a segmented labour market, certain jobs are regular, full-time, permanent and protected with decent income and work conditions and certain other jobs are short term, temporary, irregular and low paid.

Labour market in India is also characterised by labour market dualism where there is co-existence of modern sector with a traditional sector. Such labour market dualism has long since been recognized by eminent scholars like Lewis (1954), Fei and Ranis (1967) and Todaro (1969). In a dualistic framework the modern sector is consisting of large scale industries employing capital intensive methods of production and the traditional sector consisting of small scale industries employing labour intensive methods of production. This labour market dualism is also variously described as 'organised' and 'unorganised' sector, 'formal and 'informal' sector, 'urban' and 'rural sector' and 'primary' and 'secondary' sector. Within these broad spectrum there may be segments of protected, regular, wage workers and unprotected irregular, casual, contract work forces. In the context of a rural agricultural sector there is casual, attached, semi-attached or contract labourers. In each of these segments there is different mode of wage payment, hours of work, duration of contract, extent of protection and other social security conditions. Studies on segmented labour markets in India are few in number. This may be due to the peculiar characteristics of the Indian labour markets or may be due to the lack of availability of suitable cross section and time series data on the existing labour force. (Kannappan 1985; Papola 1985). The available few empirical studies on segmented labour markets in India are by Papola and Subramaniam, 1973; Deshpande 1979, 1983; Mazumdar, 1974, 1979, 1983; Harriss, 1982, 1986; Datta, 1985; Papola, 1986; Sails Bala Debi, 1988; Harriss, Kannan and Rodgers 1989;
Acharya and Jose, 1991; Khandker, 1992). Though these studies provide some evidence of the existence of segmented labour markets in India, the evidence is not enough to generalise anything about the Indian labour market as a whole. (Biswal, 1995).

1.7. COIMBATORE URBAN LABOUR MARKET

Among the various industrial cities in the country, Coimbatore enjoys a place of significance in the industrial map of India. Because of the early establishment and growth of cotton textile industry here, the city used to be referred to as 'the Manchester of South India' though the specialisation was more in spinning than in weaving. The Textile units at Coimbatore range from small to large scale with the specialisation in spinning.

Coimbatore which is situated in an intensively cultivated region formed the basic for commercial cotton growing. The Cotton Textile industry still dominate the city and provides about 50 percent of registered manufacturing employment. Since independence, the engineering and metal-working industries developed rather rapidly with the initial impetus provided by the textile mills and commercial agriculture for electric motors and pumps. Now, engineering and metal-working industries came to dominate the city of Coimbatore although Textile as well as trade and commerce continue to occupy a significant space in the urban economy of Coimbatore. The dynamic industrial development of the city has been due to a variety of factors, locational as well as historical, and this has probably attracted migration of people from the vast rural hinterland contributing to a rapid increase in the population of the city. Though Coimbatore city has many such distinction, very few studies were carried out in Coimbatore labour market. So, to understand the various theories and particularly the earnings differentials among the workers, mobility and segmentation in Coimbatore labour market a study is necessary so as to understand how far it is similar or different from other labour markets in India.
There were two serious studies carried out on Coimbatore labour market, one by Harriss (1982) and the other by Kannan, Harriss and Rodgers (1990). Harriss (1982) by drawing his data from a survey of engineering units and slum households of Coimbatore in 1980 tried to look into the labour market experience of different groups of workers. In 1990, along with Harriss and Kannan, Rodgers worked on these issues in Coimbatore, where they developed a taxonomy of jobs in terms of 'labour status' defined in terms of the three dimensions of regularity, protection, and autonomy. This study covered workers living in slums in some parts of the city. Their sample represented the labour force of Coimbatore in a descriptive but not in a statistical sense. They were concerned to include a range of types of jobs rather than to establish statistically reliable estimates of characteristics of the labour force. They developed a methodology to understand the urban labour market which goes beyond the dualistic conception. Using this approach, they characterised the urban labour market as both stratified and segmented, and seek to understand its structuring by using labour status approach based on the employment characteristics of workers.

The present study is different from the earlier study made by Harriss. Some of the differences are: i) Harriss drew his data from the Engineering units and slum households in 1980. The present study drew its sample from both the Textile and the Engineering units; ii) Harriss mainly provided information on the social characteristics of workers in different types of employment, on their mode of entry into the labour market and on mobility between different types of employment. The taxonomy of jobs in terms of labour status developed by Harriss et al. by defining terms of regularity, protection and autonomy have not been considered here. In their study no quantitative tools other than percentage analysis has been used for analysing the job access, mobility and labour market structure in Coimbatore. The main emphasis of the present study is on the investigation of the process of earnings differentials, job selection process and the determinants of mobility and existence of labour market segmentation. We have used
regression estimates for earnings, Logit estimates for selection of job and Tobit estimates for occupational mobility of our sample workers. Thus, the present study is different from the works of Harriss and Kannan, Rodgers and Harriss in respect of sample covered, objectives, methodological approaches and period.

The available research works, both theoretical and empirical, on the supply and demand sides of the labour market has been inadequate. In this context, it is hoped that the present research work at the micro level, in a modest way, would cover, consider, explain and reveal the process of labour market segmentation, determinants of labour market fragmentation, mobility and earnings of the workers in a labour market. Though the emphasis is more on economic aspects, adequate importance has also been given to the non-economic aspects like the so-called institutional factors. And this would help to understand the whole gamut of Indian Labour Market from analytical perspective at the micro level.

This research work would also give theoretical base for the definition of different segments and the dynamics of change in those segments and try to solve the problems in defining the secondary segment jobs like migrants, mobility patterns, job stability and other social class variables.

1.8. OBJECTIVES OF THE STUDY

Following were the major objectives of the present study:

1. to study the nature and structure of the Coimbatore urban labour market,
2. to analyse the determinants of earnings in urban labour market.
3. to study the mobility, occupational choice and their determinants among the industrial workers.
4. to know whether the Coimbatore Urban Labour Market is Segmented and how far the Earnings, Mobility and selection of job are supported the segmentation of the market.
1.9. METHODOLOGY

To fulfill the above objectives, primary and secondary facts related to Coimbatore urban industrialised city are necessary. Coimbatore city is an industrial and commercial city having a population of around 35.32 lakhs (Population Census 1991).

Population growth rate in the city of Coimbatore has grown much faster than that of Tamil Nadu or India. It rose by more than 13 times since the turn of the country. This must have been largely due to the growth in trade and industry in the city which would have pulled migration of people from the neighborhood. Added to that the persistent poverty in rural areas would have pushed the population from villages lying around the city to the urban areas.

The dynamic industrial development of the city has probably attracted migration of people not only from vast rural hinterland but also from the neighboring districts as well as from the neighboring Kerala state. This has contributed to a rapid increase in the urban population which in turn resulted in faster growth of industrial labour of Coimbatore. It indicates that while the pattern of industrialisation has changed over the decades, the structural pattern, composition and the characteristic features are also changing. Hence, Coimbatore labour market was chosen as the sample area.

Having selected Coimbatore city, the next task was to identify the industrial units to conduct the study. From the information and data obtained from the office of the Registrar of Companies, Coimbatore (Tamil Nadu is unique in one sense that it has a second office of the Registrar of Companies at Coimbatore, Other one at Chennai), it was found that textile units stand first in terms of number of units and size of the employment and second was engineering units. Hence, it was decided to have sample from these two types of industries which brought prominence to Coimbatore, both at national and international level.
The names and addresses of the textile units were obtained from the office of the South India Mill Owners Association (SIMA) and South India Small Spinning Mills Association both at Coimbatore. Similarly the names and addresses of the engineering units were obtained from the Coimbatore District Small Scale Industries Association (CODISSIA). From both the lists only those units which fell under Coimbatore City Corporation limit and also functioning for the preceding 5 years without interruption due to strike or lockout were considered. The final list contained 12 textile mills, 18 small textile units, 14 large scale engineering units and 51 small scale engineering units were identified.

Having selected the units, the next stage was to select the workers from the industrial units. The name list of workers from the selected units were obtained. Workers in the selected textile units were 2060 and in the engineering units 1400. From the respective industrial category to have a meaningful study it was decided to have 10 per cent as sample. So we have identified a total of 346 workers by taking 206 textile and 140 engineering workers. Our study did not cover the women workers as they constituted less than one per cent in the industrial units of our sample and the numbers we have collect might not be helpful for meaningful analysis.

As we aim to examine the earnings structure, mobility and occupational choice and existence of segmentation, the primary data was collected from a sample of 346 industrial workers of Coimbatore urban labour market, covering organised and the unorganised sectors. To get the relevant data in fulfilling the objectives facts were collected from the sample workers through personal interview by the researcher with a pre-tested questionnaire between October'95 and March'96. The questionnaire called informations from the respondents on personal and household characteristics, earnings and choice of occupations, and pattern of mobility.
The data were processed by using the simple statistical tools like mean and standard deviation. Multiple regression technique was used to estimate the earnings differentials of workers in the labour market. The Logit and Tobit models were fitted to analyse the determinants of choice of occupation and mobility.

### 1.10. SCOPE AND LIMITATIONS OF THE STUDY

This study provides an analysis of nature, structure and determinants of earnings, mobility, and occupational choice. Further it assess whether the Coimbatore labour market is segmented.

However, we have not considered the public and private segments. We have also not taken into consideration in detail the migration aspect. But we have considered it as one of the variables for determining earnings, mobility and occupational choice.

This study has not covered the women workers as our sample units had only less than one per cent of the total employed workers.

### 1.11. ORGANISATION OF THE THESIS

First Chapter discussed the relevant issues, the need for the study, objectives, methodology and chapter scheme of the thesis.

The Second Chapter provides theoretical background as well as review of empirical studies.

Third Chapter discusses the economic profile and structure of the Coimbatore urban labour market.

Fourth Chapter deals with determinants of earnings in Coimbatore urban labour market.

Fifth Chapter analyses the mobility, occupational choice and their determinants.

Sixth Chapter analyses the labour market segmentation in Coimbatore.

Chapter Seven covers the summary of findings and conclusions of the study.