Chapter Two

DYNAMICS OF URBAN LABOUR MARKET
Conceptual Developments

2.1 DUALISM AND LABOUR TRANSFERS

"In the controversial field of economic development, one of the few areas of agreement is over the existence of multiple labour markets in many developing countries. People who cross swords on the subject of the existence of surplus labour and disguised unemployment, nevertheless seem to agree on the prevalence of a gap in wages (and labour costs) in different sectors of the underdeveloped economy". (Sen, 1975, p.51).

Despite such universal acceptance of multiple (or dual) labour markets, there is no such consensus regarding its nature and causes. Similarly, the development of these sectors over time and the associated labour transfers have been a subject of discussion amongst the development researchers.

2.1.1 Boeke's Dualism Concepts

One of the earlier formulations of the dualism theories was put forth by Boeke (1953, 1954). Although his work is based chiefly on his Indonesian experience, his own contention is that it is applicable "for many similar countries". The dualism in his view is based on the extremely different value system of the 'eastern' or 'oriental' culture which decisively affects the economic behaviour of the population both in production and consumption patterns. In his words, "the eastern society is characterised by an absence of profit seeking, lack of elasticity of supply, limited wants and backward sloping supply curves of efforts and risk taking". (as quoted in Higgins, 1955).
This is in sharp contrast to the western models of behaviour. He views these differences as "fundamental and permanent" and portrays a very pessimistic future for western type of economic development. Thus, dualism arising out of the penetration of a 'Western' enclave, is viewed by Boeke as permanent and not amenable to changes.

2.1.2 The Lewis-Fei-Ranis Models

In sharp contrast to Boeke's formulations of dualism, the works of Lewis (1954) and Fei and Ranis (1961, 1964) stressed the structural differences, with a socio-economic basis, in their models of traditional and modern sector dualism. Their contribution also lies in incorporating the process of labour transfer between the two sectors, with initial conditions of labour surplus. The modern capitalist sector is the dynamic one whose growth is brought about by output expansion and re-investment of profits which accrue to the capitalists. It is assumed that the capitalists reinvest all the savings which in turn leads to employment growth.

In the traditional or subsistence sector, the marginal productivity of labour is assumed to be near zero or even negative. In any case the supply price of labour for the modern sector is assumed to be equal to their average earnings plus a margin and thus always exceeds their marginal product in the traditional sector. At this supply price the supply of labour to the modern sector is assumed to be unlimited. As economic development takes place due to the growth of the modern sector, new perfectly elastic supplies of workers come forth at these constant real wages. As development proceeds new capital formation and the associated technical progress do not raise the real wages which are held constant, but raise the share
of profits which accrue to the capitalists. This raises their savings which leads to further reinvestment and thus more growth. This process will continue until the labour surplus is exhausted assuming that the labour market of a country is closed to mass immigration. This process is depicted in Fig. 2.1.

Figure 2.1
THE LEWIS MODEL OF GROWTH AND EMPLOYMENT

OA is the average income level in the traditional sector. OW represents the supply price of labour from the subsistence sector, at which the supply is totally elastic, given by the curve WS. The demand curve for labour is given by D1 (K1) and thus OL1 quantity of labour will be hired. The reinvestment of profits (WD1F) raises the demand curve to D2F2. As the real wages remain constant, OL2 workers will be hired. When the surplus labour is exhausted labour supply curve becomes positively sloped (WS1) and both wages and employment in the modern sector will continue to grow.
There are two basic assumptions of this model which are at variance with the available empirical evidence of the realities of the growth process in developing countries.

Firstly, the rate of growth of employment in the modern sector is assumed to be proportional to the rate of capital accumulation. This may not hold good if "the profits are reinvested in more sophisticated labour-saving capital equipment rather than just duplicating the existing capital as is implicitly assumed in the Lewis Model" (Todaro, 1977, p. 216). Although Lewis recognized the role of technical progress, he disregarded the possibility of any impact of it, regardless of "whether the new knowledge is capital-saving (and thus equivalent to an increase in capital) or labour saving (and thus equivalent to an increase in the marginal productivity of labour)" (Lewis, 1954, p. 413). However, a change in technology will change the slope of the demand curve which will reduce the quantity of labour demanded at constant real wages.

This is depicted in Fig. 2.2. The quantity of labour employed and the total wage-bill thus may remain constant (or may not grow in proportion to the growth of capital) even though the total output may increase substantially. All the benefits of economic growth will thus accrue to the capitalists without any improvement in the conditions of the massess of workers.
The second assumption which may not meet the test of empirical reality is the notion of the stability of constant real wages in the modern sector until the supply of surplus labour from the traditional subsistence labour is exhausted. The real wages in the modern sector have

![Diagram](image)

The labour demand curves in this case do not shift uniformly outward, but cross. Demand curve $D_2(K_2)$ has a greater negative slope than $D_1(K_1)$ to reflect the fact that the additional capital stock $K_2 - K_1$ is of a more labour saving variety than $K_1$. Although the total output grows substantially (i.e. $OD_2EL$ is significantly greater than $OD_1EL$), total wages ($OWEL$) and employment ($OL$) remain unchanged. All the extra output accrues to capitalists in the form of excess profits.
generally tended to rise in most developing countries and have not remained constant. Such increases in real wages may reduce the capitalists' profits, so that the rate of savings may also decline substantially, which in turn affects the rate of investment. Lewis himself also visualized this possibility and identified four reasons which may lead to such a situation (Lewis, 1954, p. 431-432). The first and the third relate to processes which lead to an increase in the marginal productivity of labour in the subsistence sector, either because of a reduction in the labour force in this sector or due to an improvement in technology. This will force the supply price of surplus labour upwards and thus raise the real wages which in turn will reduce the share of profits to the capitalists. Alternatively, the share of profits may reduce if "the increase in the size of the capitalist sector relative to the subsistence sector may turn the terms of trade against the capitalist sector (if they are producing different things) and so force the capitalists to pay the workers a higher percentage of their product, in order to keep their real income constant" (p. 432). Lastly, the real wages may rise due to completely institutional reasons like "trade-union pressure and capitalist conscience". These may force the capitalists to give in to the workers' demands for higher real earnings, which may arise out of the demonstration effect of the lifestyles of the capitalists on their workers.

The third important aspect which deserves attention is the envisaged composition of the capitalist and subsistence sectors. The capitalist sector is defined as "that part of the economy which uses reproducible capital, and pays capitalists for the use thereof...... The subsistence sector is by difference all that part of the economy which is not using reproducible capital". (Lewis, 1954, p. 407). The capitalist sector is also
equated generally to industries which largely concentrate in towns and cities where the costs of living are substantially higher. The traditional subsistence sector has been similarly equated by later writers to agriculture and therefore rural areas. However, Lewis's conception of this was wider which included the casual workers, petty retail trading, domestic service and "the retainers" who are maintained by employers more out of the code of ethical behaviour rather than for productive reasons. It is obvious that the latter part of the subsistence sector is not restricted to rural areas but will more likely be found in the towns and cities which also contain the capitalist sector. Thus the process of labour transfer to the capitalist sector may occur from both of these components of the subsistence sector. In case of the rural subsistence sector, however, there are also additional issues of rural-urban migration which affect the process of sectoral labour transfers.

2.1.3 Urban Labour Market and Migration

In terms of labour transfers from rural subsistence to modern sector, the Lewis model envisaged that the perfectly elastic supply of labour will be employed in the continuously expanding modern sector at constant real wages. It however failed to pay any attention to problems which might develop in the urban labour market, though it was accepted that most of the capitalist sector will be concentrated in the urban areas. In the late sixties, patterns of urban employment revealed both open unemployment and under-employment on a large scale. It was also realised that urban poverty was as rampant as rural poverty. (Mazumda 1979, p.2). It was evident that the rural-urban migration did not always result in traditional to modern sector labour transfers. This migration was then dubbed as
"excessive" and was explained by the expected income framework by Harriss and Todaro (1979). In this model, a typical migrant responds to the expected earnings, rather than the income he may immediately earn. He may thus accept a period of unemployment or a stint in the urban 'traditional' sector before he manages to enter the formal sector. The expected earnings are a product of the modern sector job. Since the worker attempts to equate his supply price with the expected income before deciding to migrate, the flow of migrants may exceed the actual job opportunities in the modern sector.

The expected-income framework fails to take account of the behavioural aspects of a migrant's decision making process in at least four ways. Firstly, the worker is not likely to risk his "entire economic existence" on a mere probability of getting a modern sector job, where he may draw a total blank. (Sen*, 1975, p.58). Secondly, the worker is not likely to weigh the modern sector wage by the probability of getting a job, independent of time. It is extremely important to consider the period of waiting before he can expect to get a modern sector job. It is the present value of the stream of expected earnings which may be more relevant than simply using the probability weight. Thirdly, unlike the Harriss-Todaro framework, it is the worker's subjective perception of the probability of employment (or the discounted stream of earnings) and not the actual ratio of the employed to the labour force (or the actual stream of earnings) which affects his decision to migrate. Thus, the length of time for which an individual migrant is willing to accept a loss, and the associated stream of earnings become very important variables. (Mazumdar, 1979, p.3).

The real contribution of the expected income framework lies in explaining the rural-urban migration with reference to
the urban labour market. It is not simply assumed to be arising out of the rural push factors. The urban pull factors, in terms of the differentials of perceived income streams with rural incomes, are as much of a motivating factor in the process of rural-urban migration. This migration process affects and is affected by the structure of sectoral earnings in the urban labour market, the processes of labour absorption in different sectors and labour mobility. These issues are discussed in the subsequent sections.

The above models have looked at the labour transfers from the traditional to modern sectors. In terms of the urban labour market itself, both the modern and traditional sectors are found to be coexisting. Unlike the Lewis framework, however, the wages (earnings) in the former are generally found to be much higher than those in the traditional sector and are apparently rising in real terms also. The different strands of thought which are used as explanations for these persisting inter-sectoral differences, are discussed in the next section. In the long run, with perfect labour mobility, these differences in earnings should disappear. However, the labour absorption and mobility are influenced by other considerations also. These are discussed at length in section 2.3.

2.2 **DETERMINANTS OF SECTORAL EARNINGS**

2.2.1 **Institutional Explanations**

We have already seen that it is likely that the differences in earnings in the two sectors of the urban labour market may be quite large, persisting over time and increasing over time also. Traditionally, these differences have been attributed to institutional reasons. It is contended that
due to factors like trade union pressure or minimum-wage legislation, the earnings in the modern (or formal) sector are pushed upwards to artificially high levels. Thus the wage-gaps relative to both the urban and rural traditional sectors are assigned to a lack of organized bargaining and effective legislation in these sectors. This leads to an inequitable system of valuation in the traditional sectors and hence the lower levels of earnings. The trade-unions often attempt to influence wages through political lobbying besides collective bargaining. (Squire, 1979 p.66). At the same time, even if the minimum wage legislation and pronouncements of wage tribunals are pervasive, their effectiveness most often depends on the back-up strength of trade-unions or other forms of collective bargaining. Even in the traditional sector, for jobs where the entry of new workers may be restricted and are supported by organized actions, higher levels of earnings have been possible (Joshi and Joshi, 1976, p. 98).

As Bienefeld (1975) points out, "the inequitable system implicit in the institutional explanation as against the usual arguments of differential productivities and different costs of reproduction of labour. If the latter is valid then, "the problem can be dealt with by raising the physical productivity of those lagging behind. If it is the (former), there would also need to be sufficient control of the market by the lagging sections of the economy to ensure that the benefits of greater productivity were not simply attained through the exchange relationship" (p.55).

A second aspect of the institutional argument refers to the importance of the sectoral location of the worker in explaining the earnings differentials as against the rival explanations in human capital terms. "Low earnings in other words, are not to be explained solely in terms of
factor supplies affecting the earning capacity of the worker and an essential element in the story is his location in an institutionally-determined part of the labour market" (Mazumdar, 1976, p. 655). In analytical terms this has two possible interpretations. First, is that "a difference in earnings can be attributed to "institutional" factors after we have allowed for variations in measurable human quality factors like education and experience" (Mazumdar and Ahmed, 1978, p.1). In this case, the specific location in the labour market decisively shifts the earnings function for labour of similar quality. Alternatively, the human capital variables may be important determinants of earnings. However, the effect of these may be quite different in the different sectors of the urban labour market. In this case, "a specific location in the labour market does not so much shift the earnings function for a typical worker as alter its slope with respect to the human capital variables," (p.2). This is depicted in Fig. 2.3 below. In the first case of shifts in earnings function, the explanations may lie more in terms of trade-union type of collective bargaining practises and effective minimum wage legislations. In the second case different hypothesis related to the hiring practises of the modern sector firms may be much more relevant. Mazumdar and Ahmed (1978) suggest some in this line.

(1) "On the job training or assessment may be used as an alternative to formal educational qualification in evaluating the productivity of a worker. Thus we may expect that in the segment of the market in which returns to education are high, the returns to experience will be low and vice versa. (ii) "Returns to education will be higher in the higher rungs of the labour market either because of the effect of "credentialism" or because employers in these sectors are able to use educated labour more productivity. (iii) "Opportunity for skill formation during the worker's career is small in the lower rungs of the labour market, Thus the experience-earnings profile in these sectors will be relatively flat" (p.3).
2.2.2 Labour Heterogeneity

The above view emphasizes the artificial upgrading of earnings in the modern formal sector. However, a second view emphasizes the importance of labour heterogeneity in explaining the differentials in earnings. Both the earlier LFR models and Harriss-Todaro paradigms treat the labour supplies as of homogeneous quality. However, the supply of labour to the urban labour market constitutes a heterogenous group. The heterogeneity may arise due to standard human capital variables like education and experience of because of other personal characteristics of workers like skill, principal earner status or background variables like caste, family background etc.
Heterogeneity of labour may affect the absorption of different quality of labour into different sectors. In this case, it is quite likely that the inter-sectoral differences in effect reflect the differential returns to different quality of labour and not any institutional factors. However, the differentials due to other background variables may indicate a segmentation of the labour market. In other words, segmentation due to the variables which may not directly affect productivity may more correctly be attributed to some discrimination in the labour market. In addition, as Mazumdar and Ahmed (1978) point out, at times, even "the magnitude of returns to education and experience may also reflect some institutional influences rather than be fully accounted for by productivity differences". (p.2). Thus the significant heterogeneity variables and institutional variables should be considered together in explaining wage differentials. A part of the difficulty in this approach lies in correctly interpreting the differences in labour supplies and the extent to which these imply differences in labour quality.

Besides the usual education/experience type of human capital variables, there may be other aspects which may affect the labour quality, especially in the context of developing countries. Mazumdar (1975) identifies the difference in the type of migrants as one such important characteristic. He contends that there are different types of rural to urban migrants. He first distinguishes between the "visitors" and "regulars". The visitors are those who come to the urban labour market for a short spell without any commitment. The regulars are those who wish a more permanent job in the town, most likely in the organized sector. This difference is also reflected in "the different family compositions in the urban area during their urban residence" (Mazumdar, 1979, p.5). The single migrants are less committed to the urban labour market than the family types. This presumably affects their desirability for urban employers, indicating a
relationship between productivity and stability. Also, this relationship may be stronger in the formal sector and therefore the greater desirability for these stable workers by modern sector employers. The two types of migrants are also assumed to differ in their supply prices. Mazumdar puts forth three probable reasons for the higher supply prices of the family types of migrants. These are: (a) the substantially higher housing costs for the family migrant in town; (b) the lower earning strength of the family in town, because women and children are less easily a part of the urban labour force than they are of the rural; and (c) the existence of disguised unemployment on family farms, which could make the marginal contribution of an individual worker low relative to the average income per earner of the family" (p.6). The intersectoral difference in earnings is thus attributed to this differing desirability and supply prices of different types of migrants. Similarly, the other aspects of heterogeneity in labour quality referred earlier may largely explain the earnings differentials between different sectors.

2.2.3 'Absorption' into Tertiary Sector

The third group of explanations generally rest on the absorptive role of the urban tertiary sector in developing economies. The traditional sector is then largely equated with the tertiary sector. The tertiary sector can broadly be referred to as those activities which produce a non-material output. In most popular literature on economic development, it is often assumed that the urban tertiary sector provides an outlet for the underemployed in rural areas. The empirical justification for this is provided by the faster growth of the tertiary sector relative to manufacturing. The theoretical justification is given by "the assumption that the model of monopolistic competition with easy entry is generally applicable in tertiary activity. The
market structure associated with this model enables additional productive units to enter the industry even though its total output is not growing significantly. There is redistribution of the total income generated among a larger number of workers, and a fall in average income for workers". (Mazumdar, 1976, p.666). This process is referred to as "involution" by Mcgee (1971). According to him, this happens because the basis of "bazaar" (Traditional) economy is the family, and "the head of the house is committed to ensuring members of his family entrance into the system". Secondly, the type of goods and services are such that they often move in circles and allow the introduction of more labour. Thus, it is largely this absorptive and involuting character of the tertiary sector, which pulls down the earnings in the traditional sector and thus leads to the inter-sectoral earnings differentials.

These different strands of thought for explaining the inter-sectoral differentials in earnings are not necessarily exclusive, and each may be exerting its influence simultaneously also. Next we consider the issues of absorption and mobility in the urban labour market.

2.3 LABOUR ABSORPTION - ACCESS AND MOBILITY

The questions of labour absorption in different activities with different levels of average earnings, may be considered both from the supply and demand sides and other institutional factors like the recruitment processes, levels of information in the labour market etc. The first major point of deviation from the neo-classical theory in this regard will be the acceptance of non-homogeneous character of the potential labour force participants. The major points of consideration which then emerge are an understanding of the preferences and constraints of the suppliers of labour and the nature of access or 'entry'
criteria required for different activity-occupation combinations found in the urban areas of developing countries. The interactions between these two sets of forces determine the "mobility of participation or distribution". (Vincens and Robinson, 1974, p.37).

The approaches to the study of mobility have been two-fold. A purely economic definition of mobility refers to "purposeful movements of workers from one job to another in pursuit of certain well-defined objectives" (Papola and Suramaniam, 1973, p.57). The actual change may involve a change in employer, occupation, industry or place, or a combination of these. This approach emphasizes voluntary mobility, its extent and underlying rationale. Thus the patterns of absorption and mobility are examined by the results of the actions of labour as reflected in variables like participation rates, rates of unemployment and/or underemployment, indices and direction of mobility etc. However, these, even with their problems of measurement simply indicate the nature and level of labour absorption **. To explain these patterns, we need to study the preferences and constraints of the suppliers of labour. Thus, the first part "involves grouping together the behaviour and the characters of individuals and identifying various regular statistical features between the two series. The explanation consists in saying why labour suppliers with this or that characteristic act in a particular way". (Vincens and Robinson, 1974, p.20).

* "Mobility of participation applies to inactive persons who decide to seek a job. Mobility of distribution applies to active persons wishing to change jobs". (Vincent and Robinson, 1974, p. 37 footnote).

** Refer Sen (1975), Radhakrishna et.al. (1977) for an exposition on conceptual problems of measurement.
A second approach which may be termed more as social mobility, attempts to look at the changes in the occupational structure from a societal perspective, or changes in the work-life of an individual worker. In the first, society is viewed as an array of roles organized into larger groups or institutions.

"Each roll tends to be characterized by certain levels of skill, of control over resources, of social standing, and so forth. Certain sets of roles may also become organized into occupational groups, or social strata). occupational groups or social strata tend to share several sorts of interests and are likely to try to protect these for their children. These occupational groups and social strata in a society may undergo rearrangements" (Sabrewal, 1976, p.38)

Cross-sectional studies of occupational structures for different time periods may reveal such changes in a specific area. It is then also possible to trace the nature and extent of sectoral labour transfers as envisaged by LFR models.

The individual perspective emphasizes the mobility of individual workers. The earlier emphasis in the literature was on the extent and direction of inter-generational mobility. These seek to determine the influence of parental standing - occupation, income, etc - upon the children's experiences of (absorption) and mobility" (Sabrewal, 1976, p.38). More recently the trend is towards issues of career mobility or the life-time performance of an individual worker. The emphasis here is on understanding the different occupational status attained at succeeding stages of the worker's life cycle. The preferences and constraints of suppliers of labour will also be the determinants of such life-time performance of workers. These are discussed below.

2.3.1 Suppliers' Preferences

There are different factors which are likely to affect the preferences in different ways. The first important aspect may
be related to the nature of assets and/or other sources of income for the worker or household. This is based partly on "indivisibilities of labour supply" as explained by Sen (1975). A rural worker, especially a farmer, may not like to leave his farm for a factory job. However, given the choice, he would like to pursue both at a rather low supply price. Similarly, he may not like to lose his share of the family income from cultivation by leaving for another job. Even in urban areas these types of considerations are not unlikely. In large metropolises the spatial distance, in view of the high transportation costs, may be a barrier.

The nature of job selected by a worker is likely to be highly related to his personal characteristics like age, sex, caste group, matrimonial status, skill level etc. In this type of analysis, however, interpretations may be difficult as this kind of association does not by itself explain the pattern. For this we need to clearly understand the socio-economic environment in which the worker happens to be placed. The important fact here is that the supply of labour cannot be isolated from its social context. "Strong social prejudices exist for certain types of jobs even among the poorer sections". (Radhakrishna, et al., 1977, p.76). Further as Sen (1975) rightly points out "it would be foolish to attribute all such preferences to 'irrationality' of some kind or the other" (p.53). However these tastes and preferences need not always be considered as static. These are obviously a result of one's past experience and these may change also. Obviously then, "the wage rate at which they would offer their unutilised labour may vary with their socio-economic classes and the place of work". (Radhakrishna et al. 1977 p.76). Thus the absorption of labour in particular activities and mobility or the lack of it, have explanations rooted in the socio-economic backgrounds of workers as much as the purely economic explanations.
An equally important aspect in such explanations may be the relationships between the different phases in the life of an individual worker. This consideration also makes it possible to relate behaviour in work-life to events in the domestic life. In this approach then, we look beyond the present characteristics of the workers and try to see the successive "states" of the worker both in his working and domestic life. These are likely to have a great impact on the type of choice he makes for his job and his potential for mobility later on. The factors like age at entry in the labour force, father's employment status at this stage, his own marital status, the type of job held as the first job are all likely to be quite important in determining his ultimate behaviour. Within the same socio-economic group, the differentials can very well be explained by these considerations.

2.3.2 Constraints in the Market

Given these types of preferences, the actual behaviour is also affected by the constraints which the workers face in the market. Obviously, both these are interrelated as the preferences are also modified according to the knowledge of constraints. These constraint factors may be grouped into three categories. First set relates to the possibility of the worker learning about the nature of opportunities. The constraint likely to be faced is of course in terms of the lack of adequate information regarding the possibility of an opportunity and the necessary procedures for availing of that opportunity. This is much more likely where the recruitment procedures operate mainly through the network of relations, members of the social group and friends. The market then obviously tends to get segmented along certain characteristics. Secondly, even in those job opportunities where 'entry' is supposed to be relatively easier, especially in most self-
employment type of jobs, there are in reality complex barriers to entry. One of these may very well be the lack of access to the necessary information.

Granting that the worker does have the necessary information, the second set of constraints faced by him relate to the cost and effort of search on the one hand and his qualification and/or skill level compared to the job requirements. The possibility of search depends on several factors like whether he is a new entrant or already in the job, the likely time and money he is able to devote to his search and the period for which he can continue in the search. All these are determined by his present job and/or his capacity to be able to remain unemployed while searching for a job. It is well known that the workers in the lower strata cannot afford to remain totally unemployed. At the same time, once they are engaged in a particular activity, and if work is available, due to generally long hours of work he is likely to be left with very little time for any effective job search. In any case his search will be constrained by the information available to him. Even when the workers do want to acquire the necessary skills, assets etc., the likelihood for this is almost nil. In most organised manufacturing, only on the job training imbibes the necessary skills. Similarly, the rather low earnings negates any likelihood of accumulation of savings. Both the acquisition of skills, qualifications and the necessary assets are also related to the workers' background. This leads to a rather vicious circle wherein a worker with low skills, low earnings has less opportunities, his children have lesser chances of acquiring these skills, therefore low skills and low earnings and the circle continues.
The last set of constraints to which we refer are determined by the external environment and chiefly by the economic circumstances which determine the overall levels of opportunities open in a market. We have seen before that, apparently, "there is no question of equal chances for all in the search for work, in terms of acceptability for employment". (Breman, 1976, p.1906). Even those who satisfy the skill and qualifications criteria, do not have equal access. The main reason for this phenomenon is attributed by Breman to the general scarcity of work in the economy. It is true that in the past, "an important dimension of the social system (in India) was the linkage of labour division with particular social categories". (p.1906). Even in the modern sector, "for appointments for jobs in factories considerations of kinship, caste and religion are relevant". (Srinivas, 1962). Breman (1976) however argues that the reason this kind of discrimination continues, is the situation of scarcity of work and not due to the force of tradition.

"It is too simple to seek the reason for evident cases of self-restraint in cultural inhibition. Apart from the unfamiliarity with the type of work and insufficient knowledge of opportunities, lack of access is one of the most important structurally determined impediments. The linkage between supply and demand originates in a particularistic fashion, and is part of the reason why the number of applicants for some activities is found to be insufficient even though labour is available in abundance" (p.1906).

The workers may also be constrained in gaining access to particular jobs or activities due to discriminatory practices of employers. Specific worker characteristics like sex or caste may confine some workers to low paying jobs and occupations. This phenomenon may be similar to the dual labour market theories put forth by Doeringer and Piore (1974). They showed that the wage differentials between the two markets were high and generally the workers in the
secondary circuit wire unable to break through the entry barriers of the primary circuit. The discrimination in the Western context was generally based on racial grounds or against women. In assessing the existence of such discrimination the relevant empirical question is, "to what extent are workers, according to some pre-labour-market group characteristic, confined to one segment of the occupational spectrum" (Gain, 1976, p.1231).

The overall impact of these processes of preferences, constraints and the access or entry criteria for different opportunities may lead to a segmentation of the market along certain criteria. These may be either the workers' or suppliers' characteristics or specific activity, plant or sector characteristics, so that the mobility of workers from one segment to another is possible only with substantial difficulties. "The economic and social factors which provide very unequal opportunities for training (and access to information) according to social origin" will further strengthen this segmentation (Vincens and Robinson, 1975, p.29).

2.4 SUMMARY

The existence of dual labour markets in the urban areas of developing countries has generally been agreed upon by most researchers. However, such consensus regarding the nature and causes of dualism is not forthcoming. The earlier formulations by Beeke (1953, 1954) of a "fundamental and permanent" dualism are not readily accepted. However, the works of Lewis (1954) and Fei and Ranis (1964) stressed the structural differences with a socio-economic basis, in their models of traditional and modern sector dualism. They assumed the transfer of surplus labour from the traditional to the modern sector. In their framework the latter maintains a growth of employment at constant real wages till the surplus labour is exhausted.
At least two of the major assumptions of the L-F-R models are at variance with the realities of growth processes.

Investment in labour saving capital in the modern sector has meant that employment has not grown in proportion to the growth of capital. Secondly, the real wages in the modern sector have not held constant but have generally tended to rise, increasing the wage gap between the two sectors. The labour transfers from the traditional to modern sectors involve issues of rural-urban migration also, as most of the modern sector is concentrated in the urban areas. The urban areas have also developed a traditional sector, so that rural-urban migration has not necessarily resulted in the traditional-modern sector labour transfers. This has been sought to be explained by the expected income framework. (Harriss and Todaro, 1970).

The differentials in sectoral earnings in the urban labour market have generally persisted and are even increasing. Different explanations have been offered for these which however are not necessarily exclusive. One of the most accepted explanation is attributed to institutional reasons which refers to trade-union type of bargaining, or minimum wage legislation. This would shift the earnings function of workers in the modern sector. Alternatively the returns to human capital variables may be different in different sectors, so that the slope of the earnings function changes depending upon the sectoral location of workers. The second group of explanations rely on the heterogeneity of labour so that earnings differential may only reflect differential returns to different quality of labour. Labour heterogeneity may create a segmentation of the labour market due to background variables
which may not directly affect productivity at all. Lastly, since most of the tertiary sector is part of the traditional sector, its absorptive role is held responsible for sharing of a fixed market amongst larger numbers which then lowers the earnings.

The persistence of dualism is also affected by the processes of absorption and mobility. It is thus necessary to consider the preferences and constraints of the suppliers of labour in this context. These may be induced by the characteristics of the suppliers themselves and also influenced by the demand-induced constraints and potentials. The overall impact of these processes, if pervasive along a certain criterion, may lead to labour market segmentation so that mobility of workers from one segment to another is possible only with substantial difficulties.