

mental destruction. The field experience of voluntary groups confirms that eradication of poverty in a country like India is simply not possible without the rational management of our environment and that conversely environmental destruction will only intensify poverty. Environmental destruction goes hand in hand with social injustice. .. The rich are small in proportion but they consume a very large proportion of the

world's resources and seem to be steadily increasing their share. This group is no longer living on the resources of its ecosystem and depends on an extraordinarily extensive use of the world's natural resources. ... The rich destroy the environment not only by their own consumption but also by forcing the poor into a situation where they survive only by overexploiting their environment."

## The Urban Labour Market

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**Employment Problems and the Urban Labour Market in Developing Nations** by Subbiah Kannappan; University of Michigan.

THE study of urban labour markets in developing countries acquired a new depth and maturity in the seventies when field evidence, not validating the neat predictions of the urban dualism model, began to accumulate at a rapid pace from many countries. That field evidence, with its implications, is comprehensively and methodically surveyed in this volume by Subbiah Kannappan. It is a valuable reference work for all scholars and students interested in urban labour in developing countries, and indeed for all those interested in development issues. The book is accessible to the general reader without any sacrifice in appeal to professional economists.

Urban dualism (distinct from, although of course a descendant of, the Lewisian Framework) gained as wide a currency as it did because of the order it imposed on a seething, disorderly reality. But when the model was put to the test in a large number of disparate urban settings, none of its essential assumptions or predictions emerged unscathed. Barriers to entry were found to operate not in the dichotomous manner of dualism, but all along a continuum between the two extremes. Bimodality in the intra-urban wage structure was not found, nor was there a one-to-one correspondence between poverty and membership in the residual sector. Studies such as that by Joshi and Joshi (1976)<sup>1</sup> for Bombay established the existence of ethnic grooves in rural-urban migration, with the kinds of lateral entry possibilities that had no place in the Todaro urban queue. With lateral entry possible at several levels, migrants were not universally found at the bottom rungs of the urban labour market, nor indeed was the width of the gap between urban formal sector earnings and rural opportunity cost of dualism proportions.

These findings, scattered as they were over a large number of studies and countries, are painstakingly and effectively pieced together by Kannappan in a careful sequence. He starts with a preliminary examination in chapters 2 and 3 of urban growth at an ag-

gregative level, and examines some pre-dualism hypotheses. Looking at the urban growth phenomenon across countries it is clear that the demographic factor is only one of several explanatory variables at work. As for the urban formal (or 'organised' or 'modern') sector, a simple comparative assessment of its magnitude across countries is not possible because of the diversity of demarcation criteria used in practice. There would seem to be no universal consensus on how the boundary around the urban privileged is to be drawn.

The micro-level evidence on wage structure and on migration is contained in chapters 4 and 5. Very few studies have, unfortunately, paid direct attention to the wage structure, but a fair number have looked at intra-urban income distribution. Kannappan pulls together very carefully all that is available and what can be learned from it. Particular mention must be made of the work by Mazumdar (1973)<sup>2</sup> for the Bombay textile industry which explained wage differentials on grounds other than restrictive formal sector practices, and the work by Scoville (1976)<sup>3</sup> who found that the ratio of skilled to unskilled wages in the formal sector is highly correlated with the ratio of wages for traditional skills to residual sector unskilled. The significance of the work done by Scoville is that it established firmly the fallacy of viewing the modern wage structure as a new growth, divorced from the prior wage structure on which it has been imposed. Scoville dealt with the disparity between skilled and unskilled wages; what of wage variations within the unskilled class? On this, there is the finding by Johri and Misra (1973),<sup>4</sup> of larger wage differences within the unskilled than within the skilled category in the formal sector; Kannappan reports others pointing in the same direction. Thus it is clear that unskilled labour is not a single, undifferentiated homogeneous pool, and that there is no single formal sector protected wage of the kind that enters into Todaro style migration calculations. Manual work classified as

unskilled carries a great deal of scope for heterogeneity of performance based on differences in innate abilities and experience. Recent work on rural labour markets for unskilled labour establishes systematic wage differentials there as well, based on differences in productivity-related attributes of the recipient.<sup>5</sup>

In conclusion, the author devotes some attention to directions for future work. He correctly identifies our need for more information on gross rather than net (as captured in inter-censal) rural-urban migration. Much more information is needed on wages and on barriers to entry protective of earnings, in both 'formal' and 'residual' occupations. While Kannappan is correct in stressing the ethnicity of these barriers, he sidesteps all mention of the system of payments or kick-backs whereby many of these barriers have been reduced to simple economic terms. This is an important element in the operation of the urban labour market, and is one facilitator in lateral entry possibilities from rural to urban sectors. Development economists have, perhaps understandably, been very cautious about explicitly allowing for this factor in their calculations, although some beginnings have been made, notably by Wade in his pioneering study of irrigation systems.<sup>6</sup> Finally, the urban labour market in developing countries, like its rural counterpart, derives much of its imperfection from limited information flows. Kannappan believes that windfall gains arising from unequal access to information may be ultimately self-liquidating. Perhaps so, but the process will not be instantaneous. Meanwhile there is a hard-core of urban poor, some of whose problems may well arise from lack of access to information. We need more studies that will dispel our ignorance about information-impaired labour market imperfections.

### Notes

- 1 Joshi, Heather and Vijay Joshi (1976), "Surplus Labour and the City: A Study of Bombay" (Delhi: Oxford University Press).
- 2 Majumdar, D (1973), 'Labour Supply in Early Industrialisation: The Case of the Bombay Textile Industry', *Economic History Review*, August, 477-96.
- 3 Scoville (1976), 'The Role and Functioning of the Traditional Industrial Sector: Some Preliminary Evidence' (Geneva: ILO; paper delivered at the Fourth World Congress),
- 4 Johri, C K and V N Misra (1973), 'Wage Payment Systems, Wage Differentials and Income Policy', *Indian Journal of Industrial Relations* 9:1 (July), 39-68.
- 5 Rajaraman, Indira (1986), 'Offered Wage and Recipient Attribute: Wage Functions for Rural Labour in India', *Journal of Development Economics* 23 (forthcoming).
- 6 Wade, Robert (1975), 'Administration and the Distribution of Irrigation Benefits' *Economic and Political Weekly* 10: 44 and 45 (November 1) 1743-1747.