

*Kunda Datar Lectures, 1983*

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**Segmentation of Labour Market :  
A Case Study of Bombay**

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**L.K. Deshpande**

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**Gokhale Institute of Politics and Economics,  
Pune 411 004**

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## FOREWORD

Shri B.N. Datar is an old friend of the Institute. He is well-known as a Labour Economist in India having spent most of his professional career in the Ministry of Labour and the Planning Commission as the senior-most technical-executive and Advisor. He was Member-Secretary of the National Commission on Labour, and subsequently worked in the I.L.O. for some years. A few years back Shri Datar made a generous gesture to the Institute by establishing an Endowment Fund with it, for the express purpose of promoting studies and research in the economics of Labour. He made it clear that the income from the endowment can be spent in supporting scholars doing research in economics of Labour and/or by inviting scholars to deliver lectures on subject of their specialisation and interest in the field, and the Institute was free to use it in any such manner as it found appropriate. The invited lectures are named in the memory of Smt. Kunda Datar. The Institute is thankful to Shri Datar for extending this help in promoting studies into the economics of Labour in the Institute.

The Institute invited Professor Lalit K. Deshpande, Professor of Economics of Labour in the University of Bombay to deliver the first lecture series under this endowment in February 1983, and he kindly agreed to do so. Dr. Deshpande is a well-known scholar of Labour problems in India. He had just completed a detailed study of the urban labour market in Bombay. The Institute, therefore, wanted to take this opportunity to invite Prof. Deshpande to give a few lectures on the subject. The four lectures, delivered on the four days 17th, 18th, 19th and 20th February, 1983 in the Institute were attended by students and faculty in the Institute, and some other scholars and trade union activists as well. Shri B.N. Datar was good enough to be present and agreed to chair the final session. The discussions that followed every lecture were very lively and were a tribute to the teacher in Professor Deshpande. At our request he had written out the lectures in full, and we are publishing these for use of the wider circle of scholars and students of the subject.

The Institute is thankful to Professor Deshpande for agreeing to deliver this first series of Kunda Datar lectures. If these and the lectures to follow give further impetus to analytical study of labour problems in India, the purpose of Shri Datar in instituting the lectures and the Institute in organizing it would be amply fulfilled.

N. Rath  
Director

## PREFACE

In a casual conversation one evening Prof. Rath complained that he found it difficult to persuade prospective research students in Pune to do research in labour economics. I told him that the lack of interest in the subject was not confined to students in Pune alone. While we talked of the reasons in general, he feared that the apathy of his students may be, in some measure, due to their not being adequately aware of the more recent developments and debates in this branch. Casually again he enquired if I had not worked in this area recently. I told him I had but added that I was not very happy with it. He asked me if I would share my dissatisfaction with his students. Seeing me hesitate, he said some of them would profit by my experience. I said, by my failures would be more appropriate. He then added that Shri B.N. Datar had instituted an endowment at the Gokhale Institute to be used for promoting research in labour economics in various ways, one of which was to invite periodically scholars in this area to deliver a few lectures at the Institute. Since I shared Shri Datar's concern for labour economics, I agreed to share my dissatisfaction with the students. Hence these lectures.

I do not know why I was honoured by the invitation to inaugurate the lecture series named after the Late Mrs. Kunda Datar. I attribute it to imperfect knowledge — a phenomenon which plays havoc in a labour market. Since the lectures were addressed primarily to prospective research students I hope the experts in this area would excuse my reliance on a few familiar sources in the first lecture given with the sole intention of familiarising the students with a perspective that has assumed some importance recently. The other three lectures are based on my report on the Bombay Labour Market submitted to the funding agency, the World Bank in 1979.

I take this opportunity to thank the Gokhale Institute for the honour, and Shri B.N. Datar for presiding over the last lecture and commenting on it. I am certain I tried Prof V.M. Dandekar's patience to the utmost on all the four days by my falling far too below the intellectual poverty line. I appreciate the frankness with which the students and faculty of the Gokhale Institute commented on my lectures and some even took the trouble of sending me their comments later. I cannot thank Prof Rath adequately for his help on and off the field. My wife, Sudha helped me in all stages of these lectures, even in answering some of the more awkward questions on the text. Shri M.G.K. Nair typed the manuscript at very short notice and Miss S. Soman of the Institute edited it with remarkable thoroughness. Despite all this help, many shortcomings still remain and I am solely responsible for them.

Last but not the least Sudha and I wish to thank the wives of the faculty for their hospitality which made our stay all the more enjoyable.

Bombay  
27.3.1984

L.K. Deshpande

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## Lecture I

### THEORY AND EVIDENCE

*I am grateful to the Gokhale Institute of Politics and Economics for inviting me to deliver this inaugural series of lectures under the auspices of the Kunda Datar Memorial Endowment. Being first has its advantages, I am spared the nervousness that overpowers a speaker when he has to strive hard to rise up to the high standards of scholarship set by his predecessor. Knowing my intellectual limitations I can confidently assure my successor that he would not find himself any the less advantaged by my precedence. Besides the Institute and the Endowment, I am grateful to the Department of Economics of the University of Bombay and the World Bank; the former for much more than the infrastructure and the latter for the funds which enabled me to study the working of the Bombay Labour Market on which I have based these lectures.*

The well-being of a little more than two-thirds of our workforce depends directly on the labour market. The Census of 1971 counted 195 of the 325 million employers and employees in urban India. The way the urban labour market functions has a vital bearing on our socio-economic objectives of promoting growth and reducing poverty, inequality and unemployment. While many of you may feel totally dissatisfied in the end by my failure to do justice to the theme of these lectures, I do hope you would not consider the theme ill-chosen. I need hardly emphasize its particular relevance to us. We bear the odium of having devised a system for allocation of labour which exemplifies segmentation at its worst. Labour market which replaces caste system in its allocative rôle is no doubt far more flexible. Nevertheless, to many the difference between the two is one of degree.

Labour market segmentation is defined in the literature as a historical process whereby political and economic forces encourage division of labour market into separate submarkets possessing different characteristics and behavioural rules. The phenomenon is not new but has received considerable attention as a byproduct of the resurgence of interest in the socially relevant issues like poverty, inequality and discrimination. Labour market as an institution for the sale and purchase of labour power has been viewed from different perspectives and in the following I shall attempt a brief historical sketch which I hope will help understand the concept and the process of segmentation.

*The Classical View* : Starting with Smith, the classical writers saw the actions of the participants on the labour market as class based. They arose out of the shared needs of the employers who combined to pay as little and of the employees who combined to raise their wages as high as possible. Marx gave the workers' combinations a revolutionary purpose; others did not. Yet the view of the labour market is collectivistic in nature. Monopolies and trade unions are an integral part of the demand



and supply side of the labour market. Both Smith and Marx were conscious of the inequality of bargaining position of the parties and of how the State sided with the employers to tilt the balance further in their favour.

Both Smith and Marx regard labour as the only source of wealth. Yet neither loses sight of the human dimension of the worker. Smith realizes the advantages of division of labour so far as creation of wealth goes but does not fail to realize its disadvantages which he details in *The Theory of Moral Sentiments*. The closeness of this analysis to Marx's concept of alienation is too obvious to need a comment; and so is the similarity of the difference between the use value and exchange value of labour, rent and profits as deductions from produce of labour on the one hand and Marx's concept of exploitation on the other. (Schumpeter, 1965, p. 389.)

*Allocation between Employments* : The theory of net advantages Smith put forth was accepted by all classicals except J.S. Mill who did not think Smith's treatment so "complete and exhaustive" as it was then considered. Smith attributed equalization of net advantages to competition among workers to obtain the most advantageous employment. Wages would vary, he said, with the ease or hardship, the cleanliness or dirtiness, the honourableness or the dishonourableness of the employment; with the easiness or cheapness or the difficulty and expense of its learning; with its constancy or inconstancy; with the small or great trust which is reposed in the worker; and with the probability or improbability of success in the employment. Mill found this just "tolerable".

In fact Mill had observed what Smith had failed to see. "So complete", he observes, "has hitherto been the separation, so strongly marked the line of demarcation, between the different grades of labourers, as to be almost equivalent to a hierarchy distinction of caste". (Mill, 1965, p. 387.) This, I should imagine, is the first reference to segmentation in a book in Economics. Mill deserves credit for yet another observation. "The really exhausting and the really repulsive labours, instead of being better paid than others, are almost invariably paid the worst of all, because performed by those who have no choice.....The undesirable must take what they can get. The more revolting the occupation, the more certain it is to receive the minimum of remuneration, because it devolves on the most helpless and degraded, on those who from squalid poverty, or from want of skill and education, are rejected from all other employments." (Mill, 1965, p. 383.) All this has a modern ring about it. No less fresh are Mill's comments on why women receive lower wages than men. When the efficiency is equal but pay unequal the only explanation he advances is custom "grounded either in prejudice, or in the present conditions of society, which, making almost every woman, socially speaking, an appendage of man, enables man to take systematically, the lion's share of whatever belongs to both." (Mill, 1965, p. 397.) He notices some peculiar employments of women the remuneration of which is always less than those of equal disagreeableness carried out by men. He attributes them to custom if not to overcrowding—a fact which

arises because women are kept out of many other occupations by usage or law. Cairness develops his theory of noncompeting groups to show how any worker's access to occupations is in practice always limited. (Cairness, 1874, p. 224.) Strangely enough all these insights into how a labour market functions were soon lost in the succeeding phase of economic thinking.

*Neoclassical View* : The neoclassical school developed two types of approaches, the general equilibrium approach and the partial equilibrium approach to analyse the working of the economic system. In the first approach, given the assumptions of rationality, perfect knowledge, large number of buyers and sellers, free mobility and substitutability of resources, no collusion and homogeneity, it can be proved that a unique and stable equilibrium with a market clearing wage would be established. Arrow and Debreu who proved mathematically that Adam Smith's invisible hand would produce a unique equilibrium also showed how restrictive were the assumptions under which it was possible to do so. Neither the two authors, nor any one else has ever claimed that the assumptions were even remotely descriptive of any known economy.

The general equilibrium is too grand a concept for a nonmathematical mind to comprehend. Marshall simplified the matters by his partial equilibrium approach. By introducing the concept of elasticity of demand, Marshall paved the way for integrating monopoly and product differentiation into neoclassical framework. With his approach, one could assume that all markets except that for labour were in equilibrium – the exception being due to various imperfections. These imperfections vanish in the long run and competition equalizes rewards.

The growth of large corporations, multinationals and big trade unions led many to doubt the relevance and utility of the neoclassical model to the world as it existed. Existence of monopolies and imperfections on so wide a scale closed the possibility of the economy ever attaining Nirvan a-la-Pareto. The Great Depression and the Keynesian revolution have further weakened the following that the Neoclassical school once boasted; and even among the followers, there is substantial loss of faith. The numbers of institutionalists and radicals have increased by leaps and bounds. Cain has called this motley crowd the Segmented Labour Market (SLM) Theorists. (Cain, 1976.)

*The SLM View* : The fundamental difference between labour and other factors of production is that the labour power and human capital that a labourer owns cannot be separated from the owner. The labourer brings to his place of work his mind as well as his muscles and brain. Workers share common experiences, feel the need for collective action either of co-operation or of conflict. Neither co-operation nor conflict is possible without rules. The study of these rules has given birth to the discipline of industrial relations. The radicals emphasize class conflict. They too use the dual model and liken the relationship between the two parts to that existing between the metropolitan economy and its colony. Technology is

introduced as an endogeneous variable and is manipulated to serve class interests rather than profits. They assume a positive feedback between advantageous position in a market and access to resources with which to protect one's position in the market. The habitual responses thus generated make segmentation more rigid. The owners of physical and human capital thus end up in the primary or the internal segment of the labour market while those without these assets end up in the disadvantaged secondary section.

The "dualists", so called because of their reliance on the division of the market into two segments, argue that the wage and employment mechanism between the two sectors is distinct, the mobility limited and hence the trapping of some workers in the secondary sector. They emphasize the division between good and bad jobs rather than that between skilled and unskilled ones. This conception of labour market is different from the neoclassical.

Let us first explore the different segments more closely. We shall start with the more familiar segmentations.

*Occupational Labour Markets* : Occupational Labour Markets are reported to be stable over the long run. This is because occupations carry status and authority with them and thus enjoy a hierarchic relation within a society. Social prestige and status are often accompanied by higher wealth and income. Studies across countries and industries show that roughly similar places are awarded to identifiable occupational groups in distribution of rewards. Working class occupations and middle class occupations are identified clearly in the public mind. Broom and Smith suggest the existence of an occupational system consisting of a six-fold classification. (1) Bridging occupations which have characteristics that help movement to other occupations (military, teachers), (2) Closing occupations like miners, farmers which make movement difficult. (3) Preparatory occupations with apprenticeship facilities. (4) Career step occupations ranked in steps of increasing responsibility, reward and status. These are marked by high mobility without change of employer. (5) Incremental hierarchy where jobs are graded by seniority (6) The residual occupations subject to highest mobility because they require the least skills. They are mostly temporary and casual in nature. People once in professional supervisory and craft groups rarely move out of them. (Loveridge and Mok, 1979, p. 51.)

Reder has shown that the occupational wage differentials in the United States have narrowed over time and that this narrowing can be explained by the neoclassical theory. (Reder, 1962.) Similar findings have been reported in the U.K. too. However, critics of neoclassical theory have shown that the narrowing has taken place as a consequence of inflations in which the wages of the unskilled have moved up faster than those of the skilled. This movement has more to do with the spread of industrial unionism than with relative changes in demand and supply.

*Local Labour markets* : Difficult to define, a local labour market is restricted to an area within which workers change jobs but not the place of residence. The evidence of wide dispersion in earnings is reported in most countries; Reynolds' finding of narrowing interplant, intraplant and occupational wage differentials within a local labour market in the U.S. is more a result of conscious trade union policy than of market forces. (Reynolds and Taft, 1956.) In any event, the wage equality hypothesis is difficult to test because wage compensates for other disadvantages and jobs which are exactly equal in other conditions of work are difficult to find. In extreme cases, the attachment of workers to a local labour market has culminated into attachment for an occupation, industry and a firm. Mining, ship-building, steel and even process control industries report such attachments. Kerr has described these markets as "manorial" markets to remind one of the feudal relations. (Kerr, 1950.)

*Internal and External Labour Markets* : Doeringer and Piore define the internal labour market (ILM) as an administrative unit within which the pricing and allocation of labour is governed by a set of administrative rules and procedures. (Doeringer and Piore, 1971.) The external labour market is governed by competitive forces. Recruitment takes place in some port of entry. Stability of employment and the rigidity and irreversibility of administrative rules characterize ILMs. Many other developments (welfare schemes) also encourage stability. The employers and workers profit by the stability. Thus the labour market gets institutionalised and structured.

The external labour market remains unstructured. It is characterized by absence of union, fleeting relationship between employer and worker, low skill, payment by results and low capital intensity.

In a firm-specific internal market, recruitment takes place at the bottom of the job families. Except for the port of entry, competition between the internal and external markets is restricted. The external market serves as the reserve army to hold the union power in check. The analysis was developed in the U.S. and applied to explain the ghetto and nonghetto labour markets in particular and urban poverty in general. (Gordon, 1972.)

*Dual Labour Market* : As its name implies, the Dual Labour Market theorists divide the market into two parts primary and secondary. The former contains the better paying, steady and preferred jobs. Workers engaged in this segment enjoy job security, opportunities for advancement, high wages, good working conditions, employment stability and a role in the organizational structure. Workers identify themselves with the firm, their union and their occupation. A person unemployed in this sector is only laid off and waiting to regain his lost position.

The secondary sector jobs are temporary, self-terminating and unattractive. The properties of jobs and those of people manning them ought to be dis-

tinguished here. In course of time people employed in the secondary sector often tend to acquire the properties of jobs. The process may be a circular one and raises problems for policy. Secondary workers are often debarred from primary employment because of the "irregular" work habits.

The proponents of this view also argue that some workers having properties of primary sector workers are often trapped in the secondary sector because some of their characteristics resemble those of secondary workers. The dual theory is claimed to be more realistic in two senses. First, it incorporates the essential elements of reality – the big firm, unions and the rule making process, and secondly it offers a better explanation of the facts of urban poverty, unemployment and discrimination,— facts which for a long time were glossed over by the Neoclassical theorists and which still dodge explanation in the neoclassical framework. (Gordon, 1972, pp. vii-viii.)

### EMPIRICAL EVIDENCE

The first task of dual labour market theorists is to show that the two markets exist. In order to do so testable hypotheses have to be established. Loveridge and Mok have formulated the following null hypotheses. (Loveridge and Mok, 1979, p. 81.)

Stigmatized groups are identifiable because people with their characteristics are crowded into:

- A : low wage paying jobs
- B : jobs with no upward career prospects
- C : jobs with low security of employment
- D : jobs with bad working conditions.

The authors have called this the Crude Dual Labour Market Hypothesis. A more refined version is that, stigmatized groups with defined characteristics but with otherwise similar educational qualifications to those of nonstigmatized groups are crowded into jobs possessing the above defined features A B C and D to a greater extent than are the latter groups. Loveridge and Mok call this hypothesis as the Anti-Human Capital or the Job Discrimination Hypothesis. If true, it would show existence of differential returns to similar levels of education and training—a finding inconsistent with neoclassical theory. Their necessary and sufficient condition to demonstrate the existence of discrimination between individuals or groups in the same market situation – the Wage Discrimination Hypothesis – is stated as follows:

Stigmatized groups possessing similar qualifications to those of the non-stigmatized and occupying similar jobs are paid significantly less than the latter

and are also subject to conditions B, C and D.

The Job Discrimination hypothesis is often described as pre-entry discrimination and Wage Discrimination as the post-entry discrimination hypothesis.

Let us now turn to the summary of the findings reported from various countries. The summary is drawn from Loveridge and Mok, as was the formulation of the hypothesis, and I shall not clutter it with references to individual authors.

Laundries, distribution, catering and some government employments are identified as low paid employment and women and immigrants are disproportionately represented in them in Western Europe. Unemployment rates for young West Indians were twice as high as those for the general population of the same age in Britain. In Germany immigrant workers were the first to be fired and last to be hired. Unemployment rates among blacks in the US are reported to be twice those for whites. Except in England, in most other countries unemployment among women is higher than among men.

Discrimination against women in crude earnings exists in all European countries and in the U. S. A large number of studies into earnings, however, have corroborated the neoclassical human capital theory. Since the critics of the theory object to the concept of human capital as a measure of "productivity" IQ or ability, multivariate analysis is of little use. Proof of anti-Human Capital arguments is given in the fact that immigrants seem to be employed on jobs of lower status in the destination than in the country of their origin. Several surveys have shown that, for a given occupational level, black workers tend to have higher educational qualifications and/or longer schooling than whites. In England it is reported that women's earnings are lower than men's more because of wage discrimination than of job discrimination. The evidence on the latter is quite widespread. In each occupation, women tend to be crowded in low-wage paying segments; in teaching they crowd kindergarten segment. Data on occupational mobility show less mobility from women than for men and flatter age earning profiles.

Considerable evidence is collected to show that incidence of the cost of flexibility in demand is borne by the marginal worker, women, minority groups and disadvantaged groups in general. In Britain studies have reported that poor material circumstances are associated with intellectual retardation and poor scholastic attainments. The characteristics of jobs (instability) are often absorbed by the workers employed on them and this leads to positive feedback.

I do not intend to mislead the audience into believing that the segmented labour market hypothesis has been proved by large number of studies in the developed countries. Cain in his survey reports a number of studies which do not support dualism. (Cain, 1976, pp. 1235-46.) Existence of near-normality in the

distribution of wages and earnings has been observed to disprove dualism. The lack-of-mobility hypothesis has been tested for workers classified by race, previous wage, previous industry and occupation. Such studies did not find support for immobility across variously defined boundaries for low-wage and black workers. On the whole, the failure of the studies cast in the neoclassical mould to explain discrimination is admitted even by Cain though with an unnecessary comment that SLM explanations are no better.

As to the existence of differential incidence of unemployment Cain refers to various studies proving existence of alternative sources of income, labour as a quasi-fixed factor explaining first primary and secondary markets and then the differential impact, models of job search and of human capital—all tending to explain consistently the existence of unemployment and low wages.

The debate goes on, and the issues are not settled. I crave your indulgence in reading in full, what Loveridge and Mok have to say on the empirical testing. "In general", they observe, "the evidence used by many of the authors we have reviewed has been "stretched" to support, rather than to rigorously test, one theory or another. This is not so much a question of academic dishonesty as a tendency among writers to revert to "literature" for validation of their analytical construct when empirical evidence is methodologically impossible to obtain. The problem of validation becomes greater, the more heroic are one's hypotheses. The concepts of industrial reserve army, or of "permanent-temporary" work force, like all world-view frames of analysis, are beyond any rigorous statistical or other empirical verification." (Loveridge and Mok, 1979, p. 112.) My effort in the succeeding lectures is no better, nay, for many of you, would appear a lot worse. The quotation gives me the courage to try your tolerance further despite the severe limitations of my work.

*Relevance of Dualistic Models to the LDCs* : The widespread use of the dualistic approach to the analysis of the urban labour markets should dispel all doubts about the relevance of the approach to the LDCs. I shall concentrate on the Formal-Informal dichotomy to start with. Hart used the terms to distinguish between wage employment and self-employment. (Hart, 1973, p. 66.) The former was held synonymous with Organized or Registered sector and latter with Unorganized or Unregistered sector. Hart himself likened his informal sector to the "reserve army of the under-employed and the unemployed." Another dichotomy often mentioned is that of Protected-Unprotected.

The first point to note is that the coverage of workers under each term differs substantially. Formal employments are restricted to public and private sector employments without any restriction on the size of employment of the unit. This would more or less match with the coverage of the Registered sector. It is not certain that the coverage of Organized sector which in its strict sense means unionized sector, would map exactly on the Formal or the Registered sector. Nor

again on the Protected sector which nomenclature implies union and government protection to labour arising from bargaining strength and labour legislation of the welfare type.

Soon it became apparent that there were in urban areas of the LDCs, large sections of wage employment which though registered, did not enjoy the protective benefits either *de jure* or *de facto*. Hence a certain limit in terms of size of employment was placed to demarcate the sectors. The informal sector thus got extended to include not only the self-employed and the unemployed but also the wage-employed in units employing say under 10, or 20, or 25 workers, the actual limit being a matter of convenience.

Secondly, Hart attributed the dichotomy to the length of exposure to colonial rule and the spread of Western education. The former shaped the preferences and the latter, both preferences and human capital embodied in the worker. Those who had either or both characteristics entered the formal sector; the others took to self-employment or informal activities, legal and/or illegal. The dichotomy is thus due to supply factors alone. The demand factors in the form of imperfections, monopolies, oligopolies, etc., are not explicitly mentioned.

Hart's analysis implies that Formal employments are rated good by all, not just by those who are more educated. If it were not so he would not have made the dichotomy an additional cause of tension within a tribal, fragmented society. If preferences were homogeneous, then the dichotomy would be based on differences in human capital alone. But one can see the seeds of a historical process (length of exposure) and human capital leading to non-competing groups and of class behaviour in Hart's analysis.

The influences of the supply side were soon forgotten or side-stepped by the economists most of whom were dyed deep in the neoclassical tradition. They brought into the analysis monopolistic and oligopolistic elements and high productivity of capital-intensive technology whose profitability in a labour abundant economy was itself due to wrong signals given by the market system.

Thirdly, emphasis was placed on unemployment, especially on its differential impact among the young. The literature contains little or no reference to discrimination. The crowding of women into self-employment is explained in nonemotive terms as being due to lack of opportunities, unsuitability of market work for women, and so on.

The informal sector is seen to be comprised of recent migrants. This was not due to discrimination but because they migrated to the city in larger numbers than could be absorbed in the formal sector. The slow rate of growth of formal sector was attributed to slow growth of the economy as a whole caused by lack of savings, wrong investments and wrong technology. If markets could be made to



give the right signals, all these problems would be solved, growth would speed up and benefits would trickle down. This conception of the process implies a homogeneous supply of labour in an urban economy. Strands from the institutional and radical explanations were borrowed and used freely into the above analysis, either to supplement it or to supplant it. In this explanation the capitalists and the educated are taken to be hand-in-glove with one another and use the government and the unions to improve their share of the national cake. The easiest way to do this is to increase the exploitation in the economy through the process of impoverisation of the rural sector. The rural poor spill over into urban centres, keep price of labour low and provide to the middle class most of the legal and illegal services and goods very cheaply.

*The Segments of Bombay Labour Market* : Using nature of employment as the main criterion, we divided the labour market in Bombay into two segments, Casual and Regular. Such a division would exclude domestic servants and a large number of self-employed like shoe-shines, rag-pickers, petty vendors who eke out a living in the city more by their manual work than by deployment of capital. We sacrificed a bit of conceptual purity and extended the coverage of casual segment to include, besides casual workers, the self-employed of the type mentioned above. The regular workers were divided into two subsegments depending on whether they were employed in shops and commercial establishments or factories. These three segments are referred to throughout the lectures as the Casual sector, the Small Establishments or the SE sector and the Factory sector respectively.

As to sampling, I have relegated it to an appendix. Suffice it to say that the total size of 6000 workers is arbitrarily fixed by the constraints of finance and time. Its distribution in sectors, however, is based on proportionality. I am at a loss to select the Achilles' heel of the study but sampling could be one. There are many other weaknesses but these I leave for the coming three lectures.

*Personal Characteristics* : Before I turn to the segmentation of the labour market in Bombay, I should give you a short resume of the personal characteristics of the workers as revealed by our sample. This knowledge is essential to see to what extent the workforce in Bombay could be considered homogeneous.

*Sex* : As is to be expected, women form a much larger percentage (18%) of the Casual sector than of the Small Establishments and Factory sector (6% each).

*Age* : Table 1.1 shows, the Casual and the Small Establishments workers are fairly close to one another but the Factory worker is much older. The age distribution is the least dispersed in the Factory sector and the most so in Small Establishments. The former is restrained by the legal restrictions on the age of entry and exists while the latter is not.

*Marital Status* : The majority of the workers in the Small Establishments (51%)

**Table 1.1 : AVERAGE AGE BY SECTORS**

<i>Sectors</i>	<i>Persons</i>	<i>Male</i>	<i>Female</i>
Casual	27.64	27.29	29.20
Small Establishments	29.24	29.53	24.77
Factory	36.87	36.99	34.96
All	32.60	32.83	30.09

and Factory sector (83%) were married but one-half of the Casual workers were single.

*Religion* : The proportion of Hindus was 79% in the Casual, 75% in the Small Establishments and 85% in the Factory sector. Proportion of Buddhists was the highest (4%) in the Casual, 2% in Factory and 0.81% in the Small Establishments.

*Mother Tongue* : The workforce in the Factory sector is more homogeneous with respect to mother tongue than in the Casual and far more so than in the Small Establishments; 64% of the Factory workers, 52% of the Casual workers and 39% of the Small Establishments workers speak Marathi.

*Migrants* : The proportion of life time migrants among sectors does not differ much; being 79, 79 and 78 respectively in the Casual, Small and the Factory sector. However the Casual (35%) and the Small Establishments (29%) contain far more of the more recent migrants (duration of residence 5 and under) than does the Factory sector (5%).

*Education* : The worker in the Small Establishments was the most educated (7 years of schooling), that in the Casual, the least (4 years) and the one in the Factory (6 years). Table 1.2 shows the educational attainment by sectors. We shall note in the next lecture that wages and incomes differ substantially between them.

*Perspective of my Lectures* : In the course of my lectures I shall argue that segmentation of the urban labour market begins in the rural areas. The labour force is best differentiated by their ownership of assets, tangible and intangible. Those who own no or inadequate physical and human capital end up in the peripheral market as marginal workers. Others enter into the "better" sections of the urban labour market. The processes of migration and job-search play their role in pre-entry discrimination against the poor. Lack of occupational and intersectoral mobility keeps the majority of the poor confined to the periphery. This constitutes the proof of post-entry discrimination against the poor. The market discriminates against women and the young in general. I shall also show that human capital variables

Table 1.2 : DISTRIBUTION OF WORKERS BY EDUCATION

<i>Standard Passed</i>	<i>Sector</i>							
	<i>Casual</i>		<i>Small Establishments</i>				<i>Total</i>	
1st	6	(0.54)	14	(0.67)	17	(0.58)	37	(0.60)
2nd	42	(3.80)	59	(2.81)	109	(3.71)	210	(3.42)
3rd	67	(6.07)	81	(3.86)	142	(4.84)	290	(4.72)
4th	135	(12.23)	180	(8.58)	306	(10.42)	621	(10.12)
5th	120	(10.87)	146	(6.96)	231	(7.87)	497	(8.10)
6th	68	(6.16)	106	(5.05)	146	(4.97)	320	(5.21)
7th	83	(7.52)	232	(11.06)	294	(10.01)	609	(9.92)
8th	48	(4.35)	128	(6.10)	136	(4.63)	312	(5.08)
9th	37	(3.35)	97	(4.62)	125	(4.26)	259	(4.22)
10th	78	(7.07)	229	(10.92)	288	(9.81)	595	(9.69)
11th	36	(3.26)	356	(16.98)	455	(15.50)	847	(13.80)
Inter	2	(0.18)	63	(3.00)	57	(1.94)	122	(1.99)
Diploma	2	(0.18)	3	(0.14)	9	(0.31)	14	(0.23)
Degree	2	(0.18)	63	(3.00)	53	(1.81)	118	(1.92)
Higher	2	(0.18)	14	(0.67)	2	(0.07)	18	(0.29)
Literate without formal education	23	(2.08)	33	(1.57)	1	(0.03)	57	(0.93)
Illiterate	353	(31.98)	294	(14.01)	565	(19.24)	1212	(19.76)
Total	1104	(100.00)	2098	(100.00)	2936	(100.00)	6138	(100.00)
Average education (Years)	4.03		6.72		6.01		3.89	

afford a satisfactory explanation of income determination in the regular employments but less so in the casual. This conception of the labour market and its operation has many implications for policy. These I shall discuss in the last lecture.

## Lecture II

### WAGES AND INCOMES

The *prima facie* case for the existence of segments is established by the extent of wage differentials between the segments. Table II.1 shows that the casual worker, earning Rs. 165 per month, is the poorest paid in the city. A small Establishment worker earns 63 per cent and a Factory worker 181 per cent more every month than a Casual worker. Men's earnings differ less between sectors than do women's.

A woman with a monthly income of Rs. 214 earns on an average 40 per cent less than a man. Moreover, the woman worker in the Casual sector is the worst paid relative to not only the women in other sectors but also the man in the casual sector. She earns 44 per cent of the male Casual worker. A woman worker in Small Establishments receives just 9 per cent less than her male counterpart whereas a female in the Factory sector earns nearly three-fourths of the male. Thus the very low wage that a woman worker gets and the high proportion of women in the Casual sector lowers the average wage of the Casual sector much below that of the other sectors.

The Factory sector differs from the other two, not only in its average income but also in the nature of the distribution of earnings within it. Taken together with Table II.3, the evidence in Table II.2 respectively on average wages and shares shows considerable inequality in the so-called traditional than in the modern sector.

The comparatively greater equality in the Factory sector seems to be the consequence of the much higher share of income accruing to the lowest decile in it. If the competitive forces were to determine the incomes of this decile, the average income of the lowest decile need not have been 9 times as high as the average of the lowest decile in the casual or 6 times as high as the corresponding average in the Small Establishments. Hence I am inclined to attribute the higher share to the influence of forces like those of the Union and the government.

In the context of the system of industrial relations prevailing in India, statistical corroboration of Union's influence is very difficult. The correlation between average wage and the degree of unionization by industry is not significant at 5%; that between the average wage and the degree of unionization at the level of the firm within an industry is significant only for 5 of the 14 industries covered in our study. The relation between the size of firm and wage is positive and significant in 9 of the 14 industries. This implies that the relation between degree of

Table II.1 : AVERAGE MONTHLY EARNINGS

<i>Sector</i>	<i>(in Rs.)</i>		
	<i>Male</i>	<i>Female</i>	<i>Persons</i>
Casual	183.72	80.89	164.72
Small Establishments	270.33	246.59	268.89
Factory	470.61	344.29	463.00
All Sectors	354.64	214.15	343.00

Table II.2 : SHARES OF TOP AND BOTTOM DECILES BY SECTORS

<i>Share of</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>
Top 10 per cent	20.25	23.50	18.25
Bottom 10 per cent	1.29	1.17	4.10
Ratio of Top to Bottom decile	15.70	20.09	4.45

Table II.3 : AVERAGE INCOMES OF TOP AND BOTTOM DECILES BY SECTORS

<i>Average Income of</i>	<i>(in Rs.)</i>		
	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>
Top 10 per cent	338.50	628.15	842.39
Bottom 10 per cent	21.50	31.36	189.31
Total (100%)	164.72	268.89	343.00

unionism and the size of firm is rather weak if it exists at all. Under the Trade Unions Act seven workers can form a union and take a dispute to the industrial tribunal. The award is applicable to all employees. Thus the statistical relationship

between union membership and wages need not exist and yet one cannot deny the presence of union influence. Secondly the component of dearness allowance in the wage is related, through the same arbitration system, to the cost of living index making the pay packet insensitive to the degree of union membership.

### **Skill Differentials**

The formal sector is differentiated from the informal by the scale of operation and the capital intensive technology that it employs. Its technology has important bearing on the demand for skill and reward for skills. The relatively greater division of labour made possible by the larger scale of operation in the formal sector enables jobs to be finely differentiated. Rates are fixed for the job and not for the man. In the informal sector it is often the man who is rated and not the job. Absence of unions gives the managers, mostly proprietors, freedom to vary the reward according to the skill of the person employed. Jobs being much less differentiated in the informal sector, one could reasonably expect skill differentials to be narrower in it than in the formal sector.

The hypothesis is supported by the evidence given in Table II.4. It shows that a semi-skilled worker earns respectively 26%, 27% and 31% more in the Casual, Small Establishments and Factory sector than the unskilled worker and the skilled worker earns 44% more in the Casual, 50% more in the Small Establishments and 93% more in the Factory sector.

**Table II.4 : MONTHLY EARNINGS BY SKILL**

<i>Sector</i>	<i>Casual</i>	<i>Small Establishment</i>	<i>Factory</i>
<i>Skill Category</i>			
Unskilled	144.50(100)	208.06(100)	346.88(100)
Semi-skilled	181.93(126)	265.21(127)	454.06(131)
Skilled	207.48(144)	313.11(150)	669.00(193)

Table II.5 shows that the differential paid to the same level of skill across sectors is wider than the differential paid to skill within each sector. An unskilled worker in Small Establishments earns 44% and that in the Factory sector, 140% more than the unskilled Casual worker. The semi-skilled worker earns 46% and 150% more in the Small Establishments and Factory sectors respectively than in the Casual sector. But a skilled worker earns 51% more in the Small Establishments and 222% more in the Factory sector.

Table II.5 : INDEX OF SECTORAL EARNINGS DIFFERENTIAL

Casual = 100

<i>Skill</i>	<i>Small Establishment</i>	<i>Factory</i>
Unskilled	144	240
Semi-skilled	146	250
Skilled	151	322

In Table II.6 we give a comparison of monthly earnings for occupations which are common to the three sectors. Every occupation in the list is paid more in the Factory sector than in the Casual. So also all occupations except furnacemen and moulders in the Small Establishments sector receive higher wages than in the Casual sector. By and large, the premium most occupations command in the Small Establishments sector does not exceed 30% of the Casual wage for the relevant occupation. Sweepers and Cleaners (142%) cooks and domestic servants (92%) who would be among the unskilled groups, command a much higher premium than do some of the skilled personnel like carpenters (79%), toolmakers (62%) and vehicle drivers (61%), and these 5 occupations pay much more than what most common occupations do.

Table II.6 : COMPARISONS OF EARNINGS IN THE COMMON OCCUPATION

<i>Common Occupations</i>	<i>Casual</i>	<i>Small Establishments</i> <i>(Average Earnings)</i>	<i>Factory</i>
1. Salesman and Shop Assistant	214.55	277.68 (129.42)	300.00 (139.83)
2. Vehicle Drivers	208.50	336.71 (161.49)	561.25 (269.18)
3. Tailors, Cutters and Related Workers	175.65	179.95 (102.45)	361.19 (205.63)
4. Furnaceman and Moulders	266.38	201.00 ( 75.46)	403.88 (151.33)



**Table II.6 : COMPARISONS OF EARNINGS IN THE COMMON OCCUPATION**

Occupations	Casual	Small	Factory
5. Fitters	199.70	251.00 (125.69)	519.03 (259.90)
6. Machine Operators	222.65	261.53 (117.46)	487.58 (218.99)
7. Mechanics & Repairman	204.50	232.82 (113.85)	660.82 (323.14)
8. Welders and Flame Cutters	194.01	263.50 (135.82)	501.82 (258.66)
9. Toolmakers and Machinists etc.	136.83	221.00 (161.51)	587.50 (429.36)
10. Carpenters	229.07	411.00 (179.42)	518.70 (226.43)
11. Painters and Paper Changes	183.74	236.71 (128.82)	433.78 (236.08)
12. Production Process Workers	143.70	194.33 (135.23)	392.53 (273.16)
13. Testers and Packers	155.97	188.14 (120.63)	365.92 (234.61)
14. Coolie	171.95	191.00 (111.08)	417.95 (243.06)
15. Domestic Servants, Cooks etc.	104.32	201.00 (192.68)	525.00 (503.26)
16. Waiters & Bartenders	145.84	184.13 (126.25)	375.00 (257.13)
17. Sweepers and Cleaners	133.79	323.73 (241.97)	383.89 (286.93)

Note : Figures in parenthesis give index based on earnings in casual sector = 100.

The differential between Factory sector and Casual sector is far more marked. Out of the 17 common occupations listed in Table II.6, 15 received a premium of over 100% in the Factory Sector. The evidence given above suggests that the three sectors constitute noncompeting groups. It must be pointed out here that we have not standardized the occupations for the differences in age-sex composition of workers nor for the differences in education.

So far we have been concerned with the level of earnings in the three sectors at a point in time. We need also to look at the trend in *real* earnings in order to settle some of the recent debates over changes in employment in the cities of the Third World. It is often maintained that the employment in the formal sector in the major cities of Africa and Asia has not grown as fast as the supply of labour to these cities. Consequently, it is argued, the surplus labour finds whatever employment it can in the informal sector and thereby reduces the real income of the class of workers that was poor to begin with. The issue is then clinched by gathering whatever scanty data on earnings one can find to show that the real income of workers in the informal sector has in fact declined.

We now proceed to examine whether the real income of workers in the Casual and Small Establishments sector has declined over time. We have from each worker his earnings at the time of this survey as well as when he entered the labour market in Bombay. Since different workers joined the labour market in different years, the change in real wage could not be calculated over a common base. Hence we found out the percentage change in real wages of each worker and summed up the gains and losses to obtain the net change for a sector. The latter was then divided by the total number of workers in the sector to obtain the per capita gain or loss for that sector.

The average percentage gain in real wages is shown in Table II.7. A worker in Bombay experienced a real wage increase of 90% over his working life. The real wage in the Casual sector has remained unchanged; in fact, women lost over time. Factory workers, especially the men, experienced substantial improvement in real wages. The gains in the Small Establishments sector, though not as substantial as those in the Factory sector, are by no means insignificant.

Since Table II.7 gives the extent of increase over the entire working span of a worker, it includes gains due to mobility. It may be more interesting to find out if the real earnings in current occupation have increased. This can be done by calculating as explained earlier, the average percentage gain between a worker's present earnings and his first earnings in the present occupation. This is shown in Table II.8. The average gain is reduced considerably by removing the gains due to mobility. Real wages in the Casual sector show a fall but those in the Small Establishments sector show an improvement. The increase in the Factory sector, both for men and women, remains substantial.

Table II.7 : AVERAGE PERCENTAGE GAIN IN REAL WAGE

(Current Earnings over earnings in first job)

<i>Sex</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All Sectors</i>
Male	5	46	158	95
Female	-11	14	91	29
Persons	2	45	155	90

Table II.8

Table II.8 : AVERAGE PERCENTAGE REAL GAIN IN CURRENT OCCUPATION

(Present Earnings over First Earnings in Current Occupation)

<i>Sex</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All Sectors</i>
Male	- 2	17	78	44
Female	-11	7	77	23
Persons	- 5	16.5	78	42

Although the data given so far show that the average real wage has increased, it does not tell us how many workers experienced this increase. This is shown in Table II.9 which gives the percentage in each sector of workers whose real wages increased.

Table II.9 : PERCENTAGE OF WORKERS EXPERIENCING GAIN IN REAL WAGE

(Present Earnings over First Earnings in Current Occupation)

<i>Sex</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All Sectors</i>
Male	31	54	73	60
Female	23	63	76	50
Persons	29	55	73	59

We find that less than a third of the Casual workers but the majority of the Small Establishment and the Factory, more particularly the Factory workers, have gained. The rise in real wages of Factory workers could be attributed to institutional factors but that in the Small Establishment sector with 5% of its workers reporting union membership, has to be attributed to a rise in demand for labour. We shall show later that the demand for labour in the Organised sector is likely to have increased faster than the supply of labour. Hence the rise in real wage of the Factory sector need not be attributed to institutional forces alone. The Unorganised sector which, as we know, is itself quite heterogeneous, shows different behaviour. The Casual segment shows a fall while the regular one shows a rise.

Apart from lack of institutional protection, the Casual workers are exposed, as no other workers are, to the fierce competition from fresh migrants. According to Deshpande's estimate 47% of the male migrants with duration of residence of half a year outmigrate before they complete their third year in the city. (Deshpande, 1982, p. 144.) The 'Target workers' and the floating population prevent any improvement in the earnings of casual labour and may even cause a decline in real wage, notwithstanding the state of demand for labour.

#### **Determinants of Income from Work**

There are two competing theories regarding determination of income in a labour market. The more accepted of the two, the Neoclassical Theory as reformulated in terms of investment in human capital, explains income from work as a reward for worker's productivity which is determined by his experience, training and skill.

This theory is challenged by another which for want of an appropriate name is referred to as the Segmented Labour Market (SLM) Theory. At present it has a much larger negative than positive content because it consists primarily of criticisms of neoclassical theory on various scores. (Cain, 1976, p.1221.) Yet I believe that these criticisms do yield a positive content, however small, from which one could select the factors that proponents of this group consider important in determining income from work. A characteristic common to most of these factors is that an individual worker cannot change them by investing in himself. Such factors give rise to discrimination in a labour market. The total effect is that the labour market is never homogeneous but consists of groups differentiated by sex, race, language, etc.

#### **Classification of Factors Relevant to Respective Theories**

For the present enquiry we selected 13 factors and classified them under the two theories as follows:

*The Neoclassical Theory* : (1) Age (proxy for experience), (2) Education, (3) Agency of Training, (4) Period of Training, (5) Level of Skill or Occupation.

*The SLM Theory* : (1) Sex, (2) Caste, (3) Religion, (4) Mother Tongue, (5) Parents' Education, (6) Family Occupation, (7) Migration Status, (8) Earning Status.

These factors were further subdivided into appropriate dummies and sub-groups. The most comprehensive list of independent variables counted 48 factors in Casual, 51 in Small Establishments and 50 in the Factory sector.

### Technique Used

Since the number of variables with their respective dummies was quite large it was decided to use step-regression to analyse the data. Stepwise inclusion rather than exclusion was followed and the variables were entered into the regression in the descending order of the values of correlation coefficients obtained from the correlation matrix of all variables.

A step regression involves selection at three stages. First, one specifies a level of significance for correlation coefficients and includes only those variables in the regression that pass the test. Departing from this practice we included all the variables we had selected *a priori*. Since the computer prints the contributions of each variable in the order in which they enter the regression one could easily identify the most important variables. Secondly, one has to select the dummies one uses as base for exclusion. There is no hard and fast rule and we have generally selected that dummy for exclusion which has the largest frequency. Lastly, one has to select the significant explanatory variables by specifying the level of significance. We have used both 5 per cent and 1 per cent levels of significance to help us make the final selection.

### Interpretation of Results

The total explanation provided by all the variables is very small ( $R = 0.37$  in Casual and Small Establishments sectors and 0.33 in the Factory sector). This is not uncommon in similar studies conducted elsewhere. The low  $R$  may be due to the use of linear regressions whereas the reality may not be linear in form. Thus the knowledge that using semilogos one could improve the explanatory power of the exercise is reassuring. Such an improvement will affect the selection of variables only at the tail end of the list and therefore need not concern us unduly.

The following statement presents the results of the stepwise regression:

*Result of the Regression Analysis*

	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>
No. of independent variables	48	51	50
Observations	1104	2096	2932
R <sup>2</sup>	0.37	0.37	0.33
F	12.91	23.58	27.97

R<sup>2</sup> is significant at 1% level.

**Significant Explanatory Variables**

**Age :** Age is the most important of them. In relation to the individuals 15 to 24 years old, it is of the greatest advantage to be 35 to 44 years old in the Casual sector, and 45 to 59 years old in the Small Establishments and the Factory sectors respectively. The Casual worker 35 to 44 years old earned Rs. 1.33 more per day than those 15 to 24 years old. The older workers in the Small Establishments earned Rs. 130 and those in the Factory, Rs. 218 more per month than the younger workers.

**Education :** In the Casual sector, a worker who had passed the 11th standard was able to earn Rs. 1.71 more per day than an illiterate worker. No other level of education was significant. In the Small Establishments sector, income was not related to education upto the primary level. But the relative advantage of higher levels of education increased progressively. A degree holder earned Rs. 265 per month more than the illiterate. In the Factory sector, having completed the primary education was an advantage. At all comparable levels of education, the absolute premium over the illiterates was substantially higher in the Factory than in the Small Establishments. Thus a degree holder in the Factory sector earned Rs. 314 more per month than the illiterate.

**Sex :** To be a woman was a disadvantage in all sectors. A woman Casual worker earned Rs. 2.57 less per day than the male. In the Small Establishments and the Factory sectors, she earned Rs. 50 and Rs. 72 less per month than the male.

**Migration :** It was a disadvantage to be a migrant in all sectors. A migrant Casual worker earned Rs. 0.75 less per day than the native. Similar differential in the Small and the Factory sectors respectively was Rs. 15 and Rs. 35 less per month.

**Caste :** The untouchables were at a disadvantage in all sectors. An untouchable earned Rs. 0.83 less than a Kshatriya every day in the Casual sector. He earned

Rs. 27 per month less in Small Establishments and Rs. 40 per month less in the Factory sector.

*Marital Status* : The married were at an advantage relative to the single in all sectors. They earned Rs. 1.16 per day more in the Casual, Rs. 48 and Rs. 69 per month more in the Small and the Factory sector than the single in them.

*Language* : Relative to those who reported Marathi as their mother tongue, those who spoke southern group of languages, were at an advantage. The advantage in the three sectors was Rs. 0.97 per day in the Casual, Rs. 24 in the Small Establishments and Rs. 28 in the Factory sector.

*Training Agency* : Formal training did not confer any advantage over the informal sources in the Casual and the Small Establishments sector. But to be trained privately and by the employer was an advantage in the Factory sector.

*Family Occupation* : Having a craft background helped a casual worker to earn 1.79 more per day than being a cultivator. A trade background helped in the Small Establishments sector. Belonging to a family of public servants was an advantage in the Small Establishments and the Factory sectors.

*Occupational Skill* : In the Casual sector, domestic servants earned Rs. 0.85 less per day than the unskilled, whereas the skilled workers earned Rs. 2.48 more per day. In Small Establishment sector, possessing skill is a clear advantage; barring domestic servants every other occupational group earns more than the unskilled and quite significantly too. In the Factory sector a skilled worker earned Rs. 297 more than the unskilled.

*Parents' Education* : To have a literate father is not an advantage in the Casual sector but it is so in the Small Establishments and the Factory sectors. However it is more of an advantage to have an educated mother than an educated father. This is true of Factory sector but not of the other two.

*Earning Status* : In all sectors secondary earners earn substantially less than principal earners and differences are significant.

*Significant Contributions* : The following are the significant contributory variables in descending order of importance in each sector.

*Casual Sector* : Sex, being skilled, being married, being semiskilled, being a secondary earner, being trained for under six months, belonging to a craft family, having passed 11th standard, belonging to age groups 25 to 34 and 35 to 44, were the top ten significant variables. Out of the ten, four namely sex, marital status, secondary earning status and family occupation belonged to the SLM explanation.

*Small Establishments Sector* : The top ten significant variables in order of importance were the following: holding a degree, being married, having supervisory clerical occupation, having passed the 11th standard, being skilled, belonging to age groups 45 to 59 and 25 to 34, belonging to a trading family, having passed Intermediate level. Of these ten, only two belong to the SLM explanation.

*Factory Sector* : The ten significant variables in order of importance were; having supervisory clerical occupation, being a secondary earner, having passed the 11th standard, holding a degree, being married, belonging to age groups 45 to 59, and 35 to 44, having 5 to 10 years of schooling, having studied up to intermediate level, and belonging to age group 25 to 34. Of these ten, only two belong to the SLM explanation.

From this comparative analysis I think that the Neoclassical explanation is likely to have more relevance in the Small Establishments and the Factory sector than in the Casual sector.

So far we were concerned with the incomes of individuals we interviewed. Since the survey related to the entire household of the respondent, data on income earned by others in the family and hence the total family income was available to us. In Table II.10 we bring together data on monthly income by sectors.

We see that the relative ranking of the sectors does not change whatever the criterion used for ranking them. An earner in the Factory sector with a monthly income of Rs. 478, earned 164 per cent more than an earner in the Casual sector and 71 per cent more than an earner in the Small Establishments sector. The principal earner in the Casual sector is worse off relative to not only his counterparts in the other sectors but also the secondary earners in them. The latter in the Small Establishments and the Factory sectors earn respectively 13 per cent and 58 per cent more than the principal earners in the Casual sector.

*Family Expenditure* : The monthly expenditure of a Factory worker's family is the highest and that of a Casual worker's, the lowest.

The sectors change their ranks when we order them by per capita expenditure. But the Casual sector remains at the bottom whatever the criterion.

#### **Extent of Poverty**

Dandekar and Rath have estimated the urban "Wolf line" at Rs. 22.5 at 1960-61 prices. This poverty line is so drawn as to enable a worker to obtain the minimum calories required for his sustenance. Since our field investigation was spread over 1974-76 we inflate the poverty line by the average consumer price index for the three years 1974, 1975 and 1976. The average being 291, a worker would have to spend Rs. 65.5 to obtain the same calories that he would have obtain-



Table II.10 : MONTHLY INCOME BY SECTORS

<i>Sector</i> <i>Type of Income</i>	<i>Casual</i>	<i>Sector</i>		
		<i>Small</i> <i>Establishments</i>	<i>Factory</i>	<i>All</i>
Income per earner	Rs. 180.76	279.66	477.80	348.30
Index	100	154.71	264.33	192.69
Income per Principal Earner	Rs. 216.07	307.09	531.75	393.87
Index	100	142.13	246.10	182.29
Income per Secondary Earner	Rs. 122.50	243.02	340.80	256.87
Index	100	198.38	278.20	209.69
Income Per Family	Rs. 266.82	428.56	664.21	477.06
Index	100	160.62	248.94	178.79
Per Capita Income	Rs. 92.69	147.37	168.07	141.06
Index	100	158.90	181.32	152.18
Per Adult Equivalent	Rs. 103.18	158.90	201.56	161.17
Unit Index	100	154.00	195.35	156.20

Table II.11 : MONTHLY FAMILY AND PER CAPITA EXPENDITURE BY SECTORS

	<i>Casual</i>	<i>Small</i> <i>Establishments</i>	<i>Factory</i>	<i>All</i> <i>Sectors</i>
Family Expenditure (Rs. p.m.)	207.23	347.68	422.81	346.72
Index	100	167.77	204.02	167.31
Per Capita Expenditure (Rs. p.m.)	72.25	117.40	103.25	101.84
Index	100	162.49	142.91	140.96

ed in 1960-61 by spending Rs. 22.5. In Table II.12 we give the percentage of families and persons living below the poverty line.

**Table II.12 : EXTENT OF POVERTY BY SECTORS**

	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All Sectors</i>
1. Per capita Expenditure (Rs. p.m.)	72.25	117.40	103.25	101.84
2. Per cent families below per capita expenditure	40.00	51.56	36.82	41.84
3. Poverty line (Rs. p.m.)	65.50	65.50	65.50	65.50
4. Per cent families below poverty line	39.00	10.14	12.46	16.62
5. Per cent persons below poverty line	63.81	15.78	19.53	25.10

The percentage of families and persons living in poverty in the Casual sector is nearly two-and-a-half times as high as that for the entire sample. One should not be surprised at the extent of poverty being greater among the Factory workers than among those in the Small Establishments. Their family incomes are higher but their families are relatively much bigger.

### Unemployment

In the developed countries the SLM theorists have shown that age and sex are the most widespread basis for discrimination. This is often substantiated by reference to the high rates of unemployment among the young and women. The labour market in Bombay is no different. According to the Census of 1971, the rate of unemployment among males of all ages was 4.80 per cent, but that for females was 7.00 per cent. The unemployment rate among boys 15-19 years old was 19 per cent while that for girls of the same age was 25 per cent. Over the decade the number of unemployed men increased by 37 per cent, almost in step

with the male population of the City, but the number of women unemployed increased by 220 per cent, about four times as fast as the female population of the City. The male unemployment expressed as the percentage of the labour force 15 +, remained unchanged but female unemployment expressed similarly more than doubled itself. The sexual discrimination holds true for all levels of education, except holders of diploma and technical graduates and post-graduates.

The census does not give the unemployment rate for the sectors that we are concerned with. In our study we collected information relating to the labour force participation of the family members in each sector. It enables us to study the incidence of unemployment across sectors. Unemployment expressed as per cent of labour force was the highest in the Factory sector, (20.66 per cent) and the lowest in the Small Establishments sector (11.08 per cent). That in the Casual sector at about 15 per cent was almost mid-way between the two. The unemployment rates among persons 15 to 24 years old are exceedingly high in relation to average rates in each sector, which in turn are twice the rate of unemployment we derived for the City using the census of 1971. However when the respondents and family members were pooled together the rate of unemployment dropped down to 5.11 per cent of the labour force, comparing fairly well with the rate of 4.98 per cent derived from the census. Our data support the finding attested in other LDCs that members other than heads of families and among them those in the entry ages suffer a much higher incidence of unemployment than the general population.

There is an important difference between our findings and those reported in the Western Countries. Most studies in the west show higher rates of unemployment among the secondary workers. By this logic, we should have found higher unemployment in the Casual sector than in the Factory sector. In fact our findings are just the contrary. The difference can be explained easily. In the west, the availability of unemployment benefits enables the secondary worker to remain unemployed more frequently and perhaps longer than he would have in the absence of these benefits. In Bombay the poverty of the casual worker and his family does not afford the luxury of unemployment to its members. The high income in the Factory sector enables the secondary workers in the Factory sector to remain unemployed to a greater extent.

The effect of poverty is seen on the participation rates of female family members in the three sectors; 35.28 per cent of the women members in the working ages were economically active in the Casual sector. Similar percentages for the Small Establishments and Factory sectors were 10.30 and 8.45 respectively. Even the wives in the Casual sector were economically more active than their counterparts in the Factory sector.

In the families of Small and Factory workers, four-fifths of the children of school going ages went to school, but barely half of the children in these ages did so in the Casual sector. If formal education were used as a screen to filter workers

into regular employments, these children would find it difficult to get regular jobs. Thus we find the familiar vicious circle in which poverty of Casual workers, itself the result of low level of education, keeps their children out of school and thereby perpetuates the class of low paid casual workers in the city.

To sum up for the day, I would like to conclude that the differences in incomes between the three segments do not appear to be marginal. Our data being mostly cross-sectional, we cannot say how the differentials have moved over time. If the trend in real wages could be accepted as a rough indicator, it is clear that the Casual workers did not experience any increase in real incomes while others did. Women Casual workers not only earned substantially less than men but also seem to lose over years in real terms. My purpose here was to establish a *prima facie* case for segmentation. In my next lecture I shall turn to the substantive evidence.

## Lecture III

### MOBILITY

#### Migration

Bombay's population and, to a much greater extent, its work force consists largely of migrants: 57 per cent of the City's population and 80 per cent of the workers in 1971 were migrants. According to the 1971 census, 81 per cent of male and 62 per cent of female workers were migrants. According to our sample 76 per cent of the workers were migrants. A female worker we interviewed was more likely to be a native than a migrant, but four fifths of the male workers were migrants.

#### Characteristics at Migration

Migrants into the Factory and Small Establishments sectors had migrated at an average age of 18 years while those in the Casual sector had done so at an average age of 20 years. Most male migrant workers being young at migration, were single. However, a female migrant was more likely to be married. Table III.1 shows that the per cent married at migration varies inversely with the years of schooling before migration. Table III.2 further shows that 45.86 per cent of the migrants in the Casual sector had left their native place without completing primary education. Compared to that only 33.43 per cent and 39.30 per cent respectively of those in the Small Establishments and the Factory sector had done so. The percentage of workers completing secondary education before migration is much higher in the Factory sector (9.30 per cent) and Small Establishments (11.37 per cent) than in the Casual sector (2.60 per cent). The migrants in the Small Establishments and the Factory sectors seem to postpone migration till they complete studies. Alternatively it may be that the more educated the migrant, the less likely is he to take up casual employment. Moreover, the level of education of the respondents is positively correlated with that of the adults in the family. The coefficient of correlation of + 0.78 is significant at 5 per cent level.

*Family Size at Migration* : Since urbanization in India is believed to be caused primarily by the pressure of population in rural areas, one could hypothesize that migrants to cities came from bigger families. This is confirmed by Table III.3. Migrants in Small Establishments came from families that were neither big nor small in relation to the average but those in the Casual sector belonged to much bigger families.

*Land Ownership* : Table III.4 gives in a summary form some idea of the economic position of the migrants with respect to the most important rural asset that they hold.

Table III.1 : MARITAL STATUS, EDUCATION AND AGE AT MIGRATION

<i>Sector</i>	<i>Characteristics at Migration</i>		
	<i>Per cent married</i>	<i>Average level of education (years of schooling)</i>	<i>Average Age</i>
Casual	29.83	3.88	19.89
Small Establishments	16.40	5.45	17.76
Factory	22.13	4.74	17.62

Table III.2 : DISTRIBUTION OF MIGRANTS BY EDUCATION AT MIGRATION

<i>Education (Standard passed)</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>Total</i>
Nil	278 (34.36)	316 (23.96)	512 (28.03)	1106 (27.97)
01	5 ( 0.62)	9 ( 0.68)	13 ( 0.71)	27 ( 0.68)
02	33 ( 4.08)	55 ( 4.17)	83 ( 4.54)	171 ( 4.32)
03	55 ( 6.80)	61 ( 4.62)	110 ( 6.02)	226 ( 5.71)
04	106 (13.10)	127 ( 9.63)	222 (12.15)	455 (11.51)
05	89 (11.00)	111 ( 8.42)	165 ( 9.03)	365 ( 9.23)
06	47 ( 5.81)	65 ( 4.93)	88 ( 4.82)	200 ( 5.06)
07	51 ( 6.30)	140 (10.61)	177 ( 9.69)	368 ( 9.30)
08	34 ( 4.20)	76 ( 5.76)	82 ( 4.49)	192 ( 4.85)
09	25 ( 3.09)	58 ( 4.40)	56 ( 3.07)	139 ( 3.51)
10	56 ( 6.92)	106 ( 8.04)	108 ( 5.91)	270 ( 6.83)
11	21 ( 2.60)	150 (11.37)	170 ( 9.30)	341 ( 8.62)
12	9 ( 1.11)	9 ( 0.68)	8 ( 0.44)	26 ( 0.66)
13	-	15 ( 1.14)	11 ( 0.60)	26 ( 0.66)
14	-	2 ( 0.15)	1 ( 0.05)	3 ( 0.08)
15 and over	-	19 ( 1.44)	21 ( 1.15)	40 ( 1.01)
<b>Total</b>	<b>809 (100.00)</b>	<b>1319 (100.00)</b>	<b>1827 (100.00)</b>	<b>3955 (100.00)</b>

Table III.3 : SIZE OF FAMILY AT MIGRATION

<i>Sector</i>	<i>Average size (Persons)</i>
Casual	6.32
Small Establishments	5.23
Factory	5.54
All Migrants	5.57
Rural India (1961)	5.23

Table III.4 : DISTRIBUTION OF MIGRANTS BY OWNERSHIP OF LAND

<i>Sector</i>	<i>Landless</i>	<i>Owning Land</i>	<i>Cultiva- ting Land</i>	<i>Average per Family</i>	
				<i>Area Owned</i>	<i>Area cultivated</i>
<i>(Acres)</i>					
Casual	49	51	51	2.11	2.48
Small					
Establishments	38	62	62	2.39	2.72
Factory	28	72	74	3.02	3.66
All	35	65	65	2.69	3.13

As is to be expected, the percentage cultivating land and the area cultivated per family are respectively greater than the percentage owning land and the average area owned. More importantly, 65 per cent of the migrants owned land. Since majority of the rural households own land it is but natural that majority of the migrants would also come from land-owning households. This however does not mean that the rate of migration would also be higher among land-owning classes than among the landless. Table III.5 gives the comparison of the distribution of migrants and of rural population by area owned.

We see that migrants come predominantly from two classes - the landless and those owning less than 5 acres. Comparing the distribution of migrants with that of rural households, we find that while 12 per cent of the rural households do not own land, 35.38 per cent of the migrants belonged to landless households. Similarly, 31 per cent of rural households owned between 1 and 5 acres of land,

**Table III.5 : DISTRIBUTION OF RURAL POPULATION AND MIGRANTS  
BY LAND OWNERSHIP**

(Percentages)

<i>Area owned Acres</i>	<i>Per cent rural Population</i>	<i>Casual</i>	<i>Small Establish- ments</i>	<i>Factory</i>	<i>All</i>
1	2	3	4	5	(3+4+5)
1. Nil	11.68	49.09	38.02	28.31	35.38
2. Up to one acre	32.53	5.14	6.68	5.47	5.82
3. One acre and more but less than 5 acres	31.01	33.47	36.37	46.67	40.77
4. 5 acres and more but less than 10 acres	12.86	8.80	7.86	11.67	9.83
5. 10 acres or more	11.92	3.52	4.92	5.32	4.51

Source : Col. 2, NSS no. 144, 17th Round 1961.

but 41 per cent of the migrants belonged to these households. In fact, the majority of the migrants own less than 2 acres. One of the benefits claimed for a more egalitarian land ownership is that it would stem the tide of cityward migration. Our finding shows that land redistribution alone may not reduce rural-to-urban migration if it results in the landless getting 2 acres or less. Redistribution policy would have to be supplemented by a policy of rural employment creation. Unless a person earns an income that is in his opinion 'adequate', he will try to migrate to the city.

A little less than half of the migrants in the casual sector were landless. The percentage of landless migrants was much less in the other two sectors. The evidence in Table III.5 suggests that rural-to-urban migration transforms the rural poor into urban poor and rural rich into urban rich. This, however, does not mean that the rural poor are the worse off because of migration. On the contrary, they benefit substantially by migration, but, despite the gain, their relative ranking does not seem to change.

*Mode of Migration* : The system of bringing in labour through jobbers has almost disappeared except in the Casual sector in which 1.73 per cent of its work force was brought to the city by the labour contractors. Majority of the males in the Casual



sector migrated alone and those who did not migrate alone, came to the city with some member of their family. Friends and relatives played no role at all in getting casual workers to Bombay.

**Table III.6 : DISTRIBUTION OF MIGRANTS BY ACTIVITY AT MIGRATION**

*(Percentages)*

<i>Activity</i>	<i>Casual</i>	<i>Small Establish- ments</i>	<i>Factory</i>	<i>All</i>
1. Worked on family farm	31.18	31.81	48.61	40.39
2. Household industry/business	7.21	3.73	2.79	4.10
3. Farm Labour :				
Attached	0.15	0.23	0.78	0.45
Casual	11.76	3.42	5.97	5.37
4. Non-farm wage labour	14.56	11.43	6.97	9.65
5. Student	16.02	36.39	21.94	25.95
6. Unemployed	19.12	12.99	12.94	14.09
7. Total respondents	680	1286	1793	3760

*Activity Before Migration* : The percentage of migrants who worked on their family farm before migration is higher in the Factory sector. This is to be expected from the fact that a greater percentage of migrants in this sector owned land. Casual farm labourers from the rural areas form a greater proportion of migrants in the Casual sector than in the Small Establishments and the Factory sectors. This follows from the fact that 49 per cent of the migrants in the Casual sector were landless. We noted earlier that the level of education of migrants in the Small Establishments was the highest. The response to the question on previous activity squares well with the difference between sectors in regard to educational level at migration. The percentage of migrants who were students before they migrated is the highest in the Small Establishments and the lowest in the Casual sector. Casual sector also shows a greater percentage of migrants who were totally unemployed.

*Reasons for Migration* : Nearly 52 per cent of the workers migrated because the income they earned in the rural areas was inadequate. Inadequacy of income is the most important factor responsible for migration of workers in the Factory and the

Casual sectors and ranks second in importance in the Small Establishments sector. With smaller families of the migrants in this sector, it is not surprising that inadequacy of income gives place to lack of work as the primary push factor.

Discrimination based on caste and religion does not seem to have been a major push factor. Very few migrants migrate because of the attraction of the city. The majority there seems to be forced out of the villages by necessity.

**Table III.7 : REASONS FOR MIGRATION**

<i>Reasons</i>	<i>Casual</i>	<i>Small Establish- ments</i>	<i>Factory</i>	<i>All</i>
1. Lack of work or irregularity of work	36.62	47.98	27.72	40.82
2. Inadequate income	43.53	42.77	68.66	51.86
3. Discrimination	2.06	0.23	0.17	0.37
4. Attraction of city	11.18	5.52	2.29	4.09
5. Others	6.61	2.88	1.12	2.60
6. Unspecified	—	0.62	0.04	0.26

We noted earlier that the migrants in the Factory sector had more land per family than migrants in other sectors. Yet more than two-thirds of them migrated because of inadequate income. Given their relatively larger families, family income may be low despite the bigger size of holding. Table III.7 reveals the extraordinarily high rates of unemployment and underemployment in the previous activity among migrants to Bombay and points to the need for creating appropriate employment opportunities in the rural areas.

*Purpose of Migration* : Four out of every five migrants came to Bombay to take up permanent employment. Barring the Casual sector in which 5 per cent of the migrants came in search of employment for short period, the percentages of "target workers" in other sectors and in the whole sample are insignificant. Nearly one tenth migrated for education but the percentage of such migrants in the Casual sector is negligible. Women do not migrate primarily for work. If married, they migrate to join their husband, as did 38 per cent of them. If unmarried, they migrate for reasons other than work.

**Table III.8 : DISTRIBUTION OF MIGRANTS BY JOB PROSPECTS IN BOMBAY**

<i>Job Prospects</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>Total</i>
Fixed Job	31 (4.52)	192 (15.04)	145 (8.10)	368 (9.81)
Firm Assurance	67 (9.77)	208 (16.29)	325 (19.16)	600 (15.99)
Hope to get	588 (85.71)	868 (67.97)	1318 (73.63)	2774 (73.91)
Unspecified	-	9 (0.70)	2 (0.11)	11 (0.29)
<b>Total</b>	<b>686</b> <b>(100.00)</b>	<b>1277</b> <b>(100.00)</b>	<b>1790</b> <b>(100.00)</b>	<b>3753</b> <b>(100.00)</b>

*Job Prospects in Bombay* : Most migrants came to the City hoping to find a job. Only a quarter had a job fixed or assured before they migrated. Fewer migrants in the Casual than in the other sectors were so lucky : 14 per cent of them compared with 31 per cent of Small Establishments and 26 per cent of the Factory workers were assured a job or had it fixed for them before they came to the City. Of those who were assured a job or had it fixed, 54 per cent were helped by their family members 35 per cent by caste fellows and persons from native place and less than 2 per cent by jobbers. As Table III.9 reveals the workers from the Casual sector were at a disadvantage: 9 per cent of them compared to 0.25 per cent in the Small Establishments and 1.44 per cent in the Factory sector had to rely on the jobber.

#### **Unemployment Before First Job**

Table III.10 gives the sectoral distribution of migrants by the period of unemployment. An average migrant was unemployed for 64.21 days. Migrants in the Factory sector waited the longest, 78 days, to get a job, those in Small Establishments were unemployed for 61 days and the migrants, who took up a job in the Casual sector, were able to do so after an average period of unemployment of 35 days. On the whole, 3.76 per cent of the migrants were unemployed for more than a year. Here again the percentage unemployed was the highest (4.79 per cent)

among migrants to the Factory sector and the lowest among migrants who took up employment in the Casual sector (1.17 per cent).

**Table III.9 : DISTRIBUTION OF MIGRANTS BY SOURCE OF HELP**

<i>Source of Help</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>Total</i>
Family Member	52 (52.00)	182 (45.50)	296 (60.78)	530 (53.70)
Caste Fellow	22 (22.00)	93 (23.25)	62 (12.73)	177 (17.93)
Persons from Native Place	14 (14.00)	97 (24.25)	59 (12.11)	170 (17.22)
Jobber/Contractor	9 (9.00)	1 (0.25)	7 (1.44)	17 (1.72)
Others	3 (3.00)	27 (6.75)	56 (11.50)	86 (8.71)
Unspecified	-	-	7 (1.44)	7 (0.71)
<b>Total</b>	<b>100</b> <b>(100.00)</b>	<b>400</b> <b>(100.00)</b>	<b>487</b> <b>(100.00)</b>	<b>987</b> <b>(100.00)</b>

*Private Profitability of Migration* : There are many ways in which the economic justification of migration can be viewed. One can study the rate of migration as a function of expected urban income where money incomes are weighted by the probability of getting an urban employment given by the rate of unemployment. In a country in which the force of the push factor is likely to be strong, migration would continue so long as expected income in any sector, not in the Factory sector alone, is greater than rural income. When wage employment in urban informal sector grows, one can take this as a proof of positive response to increase in demand for goods and services. Migrants to the City get employed quickly and urban informal sector earnings then provide a proxy for expected

minimum urban incomes. If the difference between the incomes in the informal sector and the rural incomes is positive, migration would continue despite the stagnation in the growth of employment in the factory sector.-

**Table III.10 : DISTRIBUTION OF MIGRANTS BY DURATION OF UNEMPLOYMENT**

	<i>Casual</i>	<i>Small</i>	<i>Factory</i>	<i>Total</i>
Nil	130 (18.95)	450 (36.32)	572 (32.24)	1152 (31.15)
Up to 10 days	192 (27.99)	109 ( 8.80)	134 ( 7.55)	435 (11.75)
11 to 30 days	207 (30.17)	234 (18.89)	297 (16.74)	738 (19.95)
31 to 90 days	89 (12.97)	195 (15.74)	258 (14.54)	542 (14.65)
91 to 180 days	43 ( 6.27)	101 ( 8.15)	232 (13.08)	376 (10.17)
181 to 365 days	17 ( 2.48)	103 ( 8.31)	194 (10.94)	314 (8.48)
Above 1 year	8 ( 1.17)	46 ( 3.71)	85 ( 4.79)	139 ( 3.76)
Unspecified	0 (0.0)	1 (0.08)	2 (0.11)	3 (0.08)
Total	686 (100.00)	1239 (100.00)	1774 (100.00)	3699 (100.00)
Average waiting period in days	34.95	61.13	77.67	64.21

To find out the profitability of migration we compared the per capita monthly income in the native place with the first urban wage that a migrant earned in whatever sector he entered. The distribution of migrants by gains and losses is

given in Table III.11 below. The magnitude of differential—urban incomes being three to four times the rural per capita incomes—is not strange. Taira reports a ratio of 290 : 100 in favour of urban India as a whole. (Taira, Kojji, 1966.) Per capita income in Bombay was estimated at Rs. 1500 and that in the rest of Maharashtra at Rs. 526 in 1964-65. (Harris, N. 1978, p. 19.)

**Table III.11 : DISTRIBUTION OF MIGRANTS BY FINANCIAL OUTCOME**

<i>Outcome</i> \ <i>Sector</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All</i>
Incurred loss	29 ( 4.48)	186 ( 18.60)	113 ( 8.11)	328 ( 10.79)
Showed neither gain nor loss	1 ( 0.15)	14 ( 1.40)	4 ( 0.29)	19 ( 0.62)
Showed gain	617 ( 95.37)	800 ( 80.00)	1276 ( 91.60)	2693 (88.59)
Total	647 (100)	1000 (100)	1393 (100)	3040 (100)
Average net gain %	390.6	255.2	401.0	351

### Summary

Our major finding in this section relates to the segmentation of the labour market. The migrant Casual worker is older, less educated and more likely to be married at migration than others. More often than not, he is landless or a tiny holder. He migrates alone and has few friends and relations to help him find a job and to support him till he finds one of his choice. These circumstances force him to take up any work he can find. We shall show later that due to lack of sectoral mobility, the Casual worker continues to be employed at the lowest rung of the socio-economic ladder in Bombay just as he was in the village. Thus in a sense, the segmentation of an urban labour market begins in the villages.

### Intersectoral Mobility

We saw earlier that migrants into the City's Casual sector are likely to belong to poorer sections of rural community. Since the Casual sector comprises the

urban poor, migration to the City may not improve a migrant's socio-economic status relative to other urban workers if he could not move out of the Casual sector. We argue below that in the absence of intersectoral mobility in the City, migration transforms the rural poor into urban poor and the rural rich into urban rich.

Our interest lies in finding out how many of the workers in the Factory sector had started in the Casual sector. Of the 2896 factory workers we interviewed, only 300, i.e., 10.36 per cent reported having started in the Casual sector. Of the 300, 188 (63%) belonged to the Cotton Textile industry. The presence of the *badli* system accounts for the large part of the intersectoral mobility. If the textiles were excluded, the percentage of workers who began in the Casual sector but were enumerated in the (non-textile) Factory sector reduces to a bare 6%. The *badli* system is a deliberate policy intervention. Without it the extent of mobility between the two sectors would be very small indeed.

Let us now see how many of the Factory workers had started in the Small Establishments sector. Out of the 2896 Factory workers 340 (12%) reported having started in the Small Establishments sector. Thus we find that 22% of the Factory workers had come from the other two sectors.

From another point of view, the extent of mobility may not look as small. The 300 workers who changed from Casual to Factory sector expressed as a per cent of Casual workers interviewed in the Survey would come to 27 per cent. It must be repeated that the extent of mobility is inflated because of the *badli* system. If we exclude the textiles, the percentage drops to 10. Movement to the Small Establishments from Casual sector is even less. Less than 5 per cent of the workers in Small Establishments had started as Casual workers. If we distinguish between casual and regular employments, 402 workers of the 4959 in regular employment had come from the Casual sector, giving the extent of mobility as 8 per cent.

Thus the small movement from the casual to the regular employments commits the majority of the Casual workers to low levels of living. We have shown earlier that the Casual worker is the less educated and more likely to be a recent migrant. He is older at migration and more likely to be married. All these factors force him to take up whatever employment he can find, all the more so, because he comes from the poorer sections of rural community. We shall show later that the process of recruitment by which regular jobs go to friends and relatives of those already regularly employed helps to continue the stratification of urban job market that began in the villages.

#### **Intra-Sectoral Mobility**

Judged by the indices given in Table 11i.12, the workers in the Small Establishments and the Factory sectors are more mobile than the Casual workers. The

low rank of the Casual sector is the result of the peculiar way in which we defined a change of job in the Casual sector. Normally a change of job implies a change of employer and this is how mobility is measured in the two segments of the regular market. But most casual workers change their jobs every day and some, like porters, do so more often. Moreover, our sample of Casual workers includes shoe-shines, rag pickers, etc., who, being self-employed, would have to be left out of any measure of mobility that is based on the traditional definition. The decisive factor, however, is that no casual worker could be expected to remember the number of employers he worked for in his working life. Hence we defined a change of job in the Casual sector as one which involves a change of activity. A change of activity to be considered as change of job, had to be durable and the durability of a change could be determined with reference to the years a worker has spent in the labour force. Thus the definition we adopted understates the mobility in the Casual sector. Its merit is that it can be, whereas the traditional definition cannot be, used in a field investigation.

**Table III.12 : INDICATORS OF MOBILITY BY SECTORS**

<i>Indicator/Sector</i>	<i>Casual</i>	<i>Small</i>	<i>Factory</i>	<i>All</i>
% did not change jobs	70.38	42.42	42.92	46.80
% changed jobs	29.62	57.58	57.08	53.20
% changed one job	21.65	31.13	31.02	29.30
% changed two jobs	5.98	15.49	14.44	13.31
% changed three jobs	1.45	6.12	7.22	5.85
% changed four jobs	0.54	2.82	4.39	4.74
Jobs changed per worker	0.40	1.03	1.02	0.91
Sample size	1104	2100	2937	6141

### Occupational Mobility

A change in occupation need not imply a change of employer. Hence while considering occupational mobility we include all workers in our purview and not just those who changed jobs. The 1104 casual workers were employed in 30 occupations, 2100 workers in Small Establishments in 90 and 2937 Factory workers in 135 occupations given by the International Standard Classification of Occupa-



tions. While a worker may have changed many occupations in his life, we restrict ourselves to a comparison between the first and the current occupation.

For each sector we constructed a square matrix with as many rows and columns as there are occupations in the sector. The diagonal entries gave us the number of workers who were employed currently in the same occupation as the one they started with when they took up their first employment in Bombay. We found that 71.92 per cent of the workers in the Casual sector, 73.98 per cent of those in the Small Establishments and 63.74 per cent of the Factory workers had not changed their occupation. The Factory worker is the most and the Small Establishment worker the least occupationally mobile. Earlier we argued that lack of intersectoral mobility denies the casual workers a chance to improve his well-being after coming to Bombay. Low occupational mobility further denies him that opportunity within the sector as well.

#### *Gains from Mobility*

The Factory worker gained the most by changing jobs. As Table III.13 shows, Factory workers who changed 4 jobs, for instance, gained 25 times their first earnings in Bombay. But a Small Establishment and a Casual worker changing as many jobs gained only 333 per cent and 144 per cent more respectively.

#### **Sources of Information**

Job information in Bombay is produced and distributed through private agencies. This is shown in Table III.14 in which we give the distribution of 11691 jobs held by our sample of 6126 workers by source of information. The total number of jobs held is arrived at by adding to 6126 jobs held currently by workers, 5565 jobs changed by them. We see from Table III.14 that public agency, i.e., Employment Exchange supplied information relating to less than 1.5 per cent of all the jobs held by workers. Whatever small role that Employment Exchanges play is restricted predominantly to employment in factories. The insignificant role played by the public agency is likely to have affected the volume and distribution of information significantly.

Given the fact that information industry is subject to external economies which cannot be easily internalised, the output of information produced by private agencies would be smaller. In other words, information would cease to be a free good and the market would have to find out ways of rationing it.

In a purely commercial economy, information would be sold at a price. A society, which has not given up its traditional institutions of extended family and caste nor its sense of obligations to people from one's village, rations the jobs differently. Table III.14, shows that information relating to 70 per cent of the jobs was made available by relatives and friends including persons in the same

Table III.13

Table III.13 : NET AVERAGE PERCENTAGE GAIN OVER FIRST JOB

<i>Number of Job Changes</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>All Sectors</i>
Nil	127.68 (777)	153.29 (887)	607.72 (1258)	342.12 (2922)
1	117.44 (239)	213.39 (651)	1164.50 (911)	681.76 (1801)
2	128.89 (66)	246.09 (324)	1754.43 (423)	1021.36 (813)
3	109.42 (16)	295.33 (128)	1373.88 (210)	926.75 (354)
4	143.88 (6)	333.14 (59)	2513.14 (71)	1462.88 (136)
5	-	408.10 (27)	1596.80 (41)	1124.82 (68)
6	-	375.00 (15)	1797.71 (17)	1130.81 (32)
	125.36 (1104)	205.03 (2091)	1068.06 (2931)	603.59 (6126)

activity. Relatives and friends play less important role as suppliers of job information to Casual workers than to others. In other words, the casual worker has to rely on himself to obtain the information. Not only is the supply of information likely to be less to him but unless his friends and relatives are placed in the Factory sector it is unlikely that he would know about the vacancies in it.

#### Source of Help in Securing Jobs

Relatives and friends form the largest source of help in getting a job. As shown in Table III.15, nearly 57 per cent of the jobs were obtained through friends and relatives. Compared to the Small Establishments and Factory sector workers, the Casual workers receive much less help from this source. They depend on their own efforts to a much larger extent than do others. Very few pay a commis-

**Table III.14 : DISTRIBUTION OF JOBS HELD BY WORKERS BY SOURCES OF INFORMATION**

<i>Source of Knowledge</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>Total</i>
Relative	523 (33.84)	1934 (45.50)	2665 (44.94)	5122 (43.68)
Friend	293 (18.95)	1022 (24.04)	1465 (24.70)	2780 (23.70)
Persons in the same activity	183 (11.84)	77 (1.81)	140 (2.36)	400 (3.41)
Employment Exchange	10 (00.64)	20 (0.47)	140 (2.36)	170 (1.45)
Advertisement	9 (00.58)	38 (0.89)	133 (2.24)	180 (1.53)
Own Efforts	489 (31.63)	1039 (24.44)	1280 (21.58)	2808 (23.94)
Any other	24 (1.55)	40 (00.94)	39 (00.66)	103 (0.88)
Unspecified	15 (00.97)	81 (1.91)	69 (1.16)	165 (1.41)
<b>Total</b>	<b>1546 (100.00)</b>	<b>4251 (100.00)</b>	<b>5931 (100.00)</b>	<b>11728 (100.00)</b>

sion to obtain a job, which shows that the rationing of jobs does not take place through price mechanism but is based entirely on family ties and friendships. We saw earlier that the intersectoral mobility in Bombay is low. This implies that very few Casual workers would have friends and relatives in the Factory sector to supply information or help with which they could get a regular job.

This completes my evidence on mobility. It does, I hope, bring out the disadvantaged position of the Casual worker. The evidence on the intersectoral mobility could be interpreted differently to damage my claim. Even then, 64 per cent of

**Table III.15 : DISTRIBUTION OF JOBS HELD BY SOURCE OF HELP**

<i>Sources of Help</i>	<i>Casual</i>	<i>Small Establishments</i>	<i>Factory</i>	<i>Aggregate</i>
Relative Friend	459 (29.70)	2753 (64.70)	3461 (58.51)	6673 (56.95)
Fellow workers	368 (23.80)	196 (4.61)	478 (8.08)	1042 (8.89)
Person in Activity	48 (3.10)	35 (0.82)	151 (2.55)	234 (2.00)
Own Effort	633 (40.95)	1125 (26.44)	1687 (28.52)	3445 (29.40)
Paid Commission	5 (0.32)	2 (0.05)	10 (0.17)	17 (0.15)
Any other	18 (1.16)	75 (1.76)	59 (1.00)	152 (1.30)
Unspecified	15 (0.97)	69 (1.62)	69 (1.17)	153 (1.31)
Total	1546 (100.00)	4255 (100.00)	5915 (100.00)	11716 (100.00)

the workers in the Casual sector would be found to be confined to casual work. In other words, the most unfavourable interpretation would weaken my claim of segmentation but not negate it altogether.

The segments I have identified here are not the best one could identify. Perhaps it would have been better to demarcate the sectors by the size of employment. The Organized sector would then consist of factories employing say 25 or more workers, and all the cinema theatres in our sample. The Unorganized sector would consist of all Casual workers and all the Small Establishments except cinema houses. It is my presumption that the lack of intersectoral mobility would be brought out more boldly in such a division than has been possible with the segments chosen here.

In the neo-classical literature, the inefficient working of the labour market is often attributed to deficient aggregate demand. The SLM theorists regard it as one among many reasons of the inefficiency. A large number of neo-classicists, writing on the labour markets of the LDCs, have attributed the segmentation process to the slower growth of the organised sector relative to the labour force. This has a parallel in their view of trickle down theory of growth. The experience in the LDCs has shown that growth does not trickle down unless accompanied by policies favouring the disadvantaged sections of the society. I shall now argue that the segmentation of the labour market did not arise because of the slower growth of the organised sector employment in Bombay.

#### **Growth of Labour Force 1961-1971**

The stricter definition and the shorter reference period of the census of 1971, has affected the count of workers enumerated in 1971. We attempted to correct for the definitional change by following standard demographic procedures. The estimated work force and the labour force is compared with that in 1961 in Table III.16.

Our estimates of the labour force differ only marginally from those of Joshi and Joshi (1976.) We had access to 1 per cent sample of Bombay's population and could obtain the age distribution and the age specific work force participation rates which they could not. Hence the claim that ours are the better of the two.

#### **Growth of Organised and Unorganised Sector in Bombay 1961-1971**

Having estimated the labour force, I now turn to the estimation of the organised sector and its complement the unorganised sector in Bombay during the decade 1961-1971. The latter is obtained as a residue after deducting from the labour force the reported employment in the Organised Sector. The nomenclature used here does not imply disapproval of other terms like modern and traditional, formal and informal, or protected and unprotected. The terms "Organised" and "Unorganised" have been used in India not only to suggest presence or absence of unionisation but also to convey much the same meaning as is done by the terms currently in vogue.

To divide the economy conceptually into two mutually exclusive and exhaustive segments is one thing and to obtain from a given economy two segments that map on to them is quite another. In practice, the manner in which official data are recorded dictates the criterion one could use to demarcate the sectors.

The Directorate of Employment of the Government of Maharashtra started collecting data on employment from all establishments in the public sector under the Employment Market Information Programme in 1958. Later, under the Employment Exchange (Compulsory Notification of Vacancies) Act of 1959, information

**Table III.16 : POPULATION OF WORKFORCE AND LABOURFORCE IN GREATER BOMBAY, 1961 & 1971**

*(Thousands)*

	<i>Population</i>		<i>Labour force</i>	<i>Work force</i>	<i>Unemployed</i>
	<i>Total</i>	<i>Aged 15-59</i>			
<i>1961</i>					
Persons	4152	2699	1767	1687	80
Males	2496	1737	1616	1541	75
Females	1656	962	151	146	5
<i>1971</i>					
			(estimated)	(estimated)	
Persons	5970	3806	2386	2267	119
Males	3478	2353	2150	2047	103
Females	2492	1453	236	220	16
<i>Intercensal Change %</i>					
Persons	43.81	41.02	35.03	34.38	48.75
Males	39.34	35.46	33.04	32.84	37.33
Females	50.48	51.04	56.29	50.68	220.00

Source : Census of India 1961 Vol. X Part (I-B) Greater Bombay Census Tables – Tables B-II, B-VIII and D-IV.

Census of India 1971. Series II Maharashtra – Part IIA – General Population Tables. Estimated figures derived in the manner explained in the text, 1971 figures for Unemployed obtained from the 1% sample data.

was collected from establishments employing 50 or more workers and belonging to the private sector. Some time between 1959 and 1961, the Directorate decided to

extend its coverage to smaller private sector units employing 25 to 49 workers. However, the returns were either not available or published till September 1961. Moreover, the effort at collection was not backed by legal sanction against non-response as it was in the case of larger firms. Legal sanction was provided in April 1964 when the Act of 1959 was extended to cover all private sector units employing 25 or more workers. As the matters stood in 1971 and as they stand today, the Directorate reports, for Bombay, employment in all establishments in the public sector, but its coverage of the private sector is limited to units that employ 25 or more workers. We assume with Joshi and Joshi (1976) that the sector so demarcated approximates to the idealized "Organised Sector", and its complement to the idealized "Unorganised Sector."

Joshi and Joshi (1976) using the employment data from the Directorate have concluded that the number of workers outside the Organised Sector has increased absolutely and as a proportion of the labour force. This conclusion depends critically on the figure of employment one accepts for the base year (1961) and the terminal year (1971). The Directorate provides two figures for each of these years viz. 816,000 and 882,800 for 1961 and 1,111,000 and 1,126,000 for 1971.

It must be noted here that neither the quarterly nor the annual reviews brought out by the Directorate mention the higher figure for 1961. It appears only in the Directorate's study, *The Bombay Labour Market (1966)*. However, its *State Employment Review 1961-68*, published presumably in 1969, adheres to the lower figure of 816,000. The Directorate faced then, as it does now, two problems. They relate to identifying the units employing 25 or more workers and to persuading the identified units to respond.

### **Problem of Identification**

The universe was obtained mainly from two sources, namely, the Chief Inspectorate of Factories which administered the Factories Act of 1948, and the Greater Bombay Municipal Corporation which administered the Shops and Commercial Establishments Act, also of 1948. While the list of factories with their employment was available at one place, the list of shops and commercial establishments had to be collected from offices of the municipality located in various wards of the city. The task was so big that it has not been repeated since. As the Directorate covers all employees, and the Factory Act only the workers, it could be presumed that all factories showing an employment of 25 or more workers would fall within the coverage of the Directorate. Identification of shops and commercial establishments was more difficult. The reported employment relates to the date of registration of the establishment and not to a given year. Thus, far more shops and commercial establishments than factories would have to be physically identified to determine the true universe.

The extent of the Directorate's failure in 1961 to identify establishments within its fold is not known. If the *Bombay Labour Market* report is to be believed, there were "a little over 3000" establishments in 1966, and between 1961 and 1966, 290 new units were started and 75 had closed. This would give a universe of 2785 establishments in 1961. According to the same source 2319 establishments were contacted, giving the extent of nonidentification of 16.73 per cent.

Given the legal support the Directorate received in 1959 and 1964, one would have expected an improvement in the extent of identification but the law was never enforced. Consequently the burden of identifying new units rested in practice with the Directorate. The Employment Market Information (EMI) section is too inadequately staffed to do justice to the job. Even that inadequate staff is frequently called upon to do other duties. Interviews with the officials of EMI revealed unanimity regarding increasing failure to identify new units over time.

#### **Problem of Non-response**

Not all identified firms respond. A firm may not respond at all or may do so after the due date for submission is past. The Directorate repeats the employment reported by the establishment for the nearest previous quarter in both types of non-response. But in case of delayed response, it revises the employment by the difference between the repeated figure and the one reported late. Such revisions hardly exceed 2 per cent of the employment reported for a quarter. For example, the employment reported for 1971 was 1,111,000 in March 1971 but was revised to 1,126,000 to take into account delayed response.

If this practice were followed from the beginning, there would not have been any problem. Unfortunately, the practice of repeating the employment of the closest quarter seems to have come into existence some time after 1961. Since returns were not available before September 1961, no correction for nonresponse could be made.

The extent of nonresponse has varied over years. While we could not obtain any data on nonresponse for Greater Bombay, its extent in the State as a whole seems to have increased at least between March of 1968 and 1975, the two years for which figures were available. In the former year 5.4 per cent of the firms accounting for 5.2 per cent of the employment in the state had failed to respond. In 1975, 30 per cent of the firms are reported to have defaulted but we are left in the dark as to the employment in nonreporting firms. The officers of the EMI inform that the same trend holds good for Greater Bombay where the rate of nonresponse has been consistently higher than that for the state as a whole.

The practice of repeating the employment of previous quarters understates the extent of increase in a period of rising employment. This is precisely what has



happened in Bombay. Thus even as an indicator of the extent of change in identified firms, the Directorate's data has its limitations.

We have so far argued that the employment data available from the Directorate underestimates the size of the Organised Sector and further that it does so more for the later years than for the earlier ones. Joshi and Joshi accept the correction given by the Bombay Labour Market report for the base year but overlook the need for correcting the employment in the terminal year.

From another point of view, emphasized rightly by Joshi and Joshi, the Directorate's data is an overestimate of the Organised Sector. Not all employees counted by the Directorate reside within the municipal limits of the city. To the extent that the net inflow of commuters was less in 1971 than in 1961, the extent of overestimation in the terminal year would be less than in the base year.

The basic point is that the Directorate's data are too poor in quality to yield firm conclusions regarding the growth of Organised Sector. Joshi and Joshi are fully aware of the limitations but they relegate them to the appendix and inadvertently give their conclusion a firmness it does not deserve.

Instead of relying on one set of figures as Joshi and Joshi (1976) do, we provide in Table III.17 three estimates of the size of Organised Sector and relate each of them to our estimate of the labour force given in Table III.16.

Estimate I is based on the consideration that, since the extent of over and underenumeration in the Directorate's data is uncertain, it may be better to take the data as they are and hope that errors may cancel out. This estimate shows that the Organised Sector increased by 38% between 1961 and 1971 while the labour force increased by 35 per cent. Consequently, its percentage share in the work-force improved from 48 to 50. It would be wrong to discredit this occurrence by reference to the rapid increase in the numbers unemployed or the marginal increase in the rate of unemployment; or, again, by reference to the absence of evidence showing a rise in real wages. A relatively faster growth of the Organised Sector during 1961-71 than in 1951-61 could lead to a rise not only in the volume of net migration but also in the rate of net migration. Should this happen, the numbers unemployed and the rate of unemployment may not go down; on the contrary, both may increase as they in fact have.

The estimate II is reproduced from Joshi and Joshi (1976). It shows that the Organised Sector grew much less than the city's labour force during the decade ending in 1971 compared to that ending in 1961. Consequently, the per cent employed in the informal sector and the per cent unemployed in the labour force increased. These developments do not square well with the observed increase in the volume and rate of net migration.

Table III.17 : ESTIMATES OF ORGANISED SECTOR, 1961 &amp; 1971

				('000s)
		1961	1971	Percent- age increase 1961-71
<b>1. Organised Sector</b>				
	Estimate I	816	1126	37.99
	Estimate II	883	1126	27.52
	Estimate III	979	1372	40.14
2.	Labour Force	1767	2386	35.03
<b>3. Organised Sector as percentage of labour force.</b>				
	Estimate I	46.18	47.19	
	Estimate II	49.97	47.19	
	Estimate III	55.40	57.50	
4.	Work force	1687	2267	34.38
<b>5. Organised Sector as percentage of work force.</b>				
	Estimate I	48.37	49.67	
	Estimate II	52.34	49.67	
	Estimate III	58.03	60.52	
6.	Unemployed (persons)	80	119	
7.	Unemployed percentage of labour force	4.53	4.99	
8.	Net Migration in decade ending	600	885	
9.	Rate of Net Migration	14.45	14.82	

Estimate III is based on the assumption that the Directorate's estimates of employment need revision to allow for nonidentification. We have revised the base year employment of 883,000 to 979,000 and the terminal year employment of 1,126,000 to 1,372,000 (see Appendix II).

**This estimate puts Organised Sector growth at 40.4 per cent and improves its shares in labour force and workforce from 55 and 58 per cent to 58 and 61 per cent respectively. The arguments we advanced to rationalise Estimate I could be repeated here to justify that Estimate III is not an implausible occurrence.**

**I conclude for the day by emphasising that faster growth of good jobs in a labour market does not guarantee that all participants in the market would have an equal access to them. We have to devise specific policies the consideration of which I defer to the next lecture.**

## Lecture IV

### POLICY IMPLICATIONS

In this concluding lecture I wish to concern myself with policies which I think would improve the access of the disadvantaged sections to the more meaningful opportunities of wage-employment. Before I do that I would like to sum up briefly the main arguments and the evidence strewn rather loosely over the preceding lectures.

Let me begin at the beginning. I started with the definition which highlights the role of political and economic forces in the historical process that divides a labour market into distinct segments. I revealed my preference for the classical perspective and within that perspective for Mill's analysis full of many insights. I referred to the findings of recent researches showing that the disadvantaged sections of a population get excluded from the primary labour markets and Time does not always bridge the gap between it and the secondary markets.

That urban labour markets in the LDCs are not homogeneous is accepted by all. Among various criteria available for segmentation I have selected the nature of employment. The Casual-Regular dichotomy it yielded was modified in two ways. The casual segment's coverage was extended beyond casual wage-employment to include such sections of the self-employed as derived their incomes mostly from manual work. The regular segment was divided into two, shops and commercial establishments and the factories.

To the extent that —

- 1) incomes differed widely between these segments,
- 2) mobility between them was limited,
- 3) real wages changed at quite disparate rates,
- 4) institutions like extended family, caste and village nexus play an important role in migration and recruitment,

— the submarkets preserve their distinct identities. I argued that the segmentation of the labour market in Bombay originates in the villages. Ownership of physical and educational assets determines which segment a migrant would end up in. Due to low intersectoral mobility the rural poor end up being urban poor whose real incomes are constantly lowered by fresh influx of their own kind. As Mill had maintained in his day, the poor, without choice, get the worst of both worlds, rural and urban.

#### *Implications for Policy*

Policies that one recommends, depend on the theoretical framework one

brings bear on a given situation. Smith's framework was such that he could not have recommended any policy other than that of *laissez-faire*. Mill recognized the existence of noncompeting groups. One would have expected him to depart from Smith. Surprisingly, he does not. He relies more on the poor (unskilled) reducing their numbers than on legislation to raise their wages. He recognizes the role of custom and prejudice in determining the reward for women but does not go beyond noting the fact to suggest corrective measures.

A large number of policies could be and have been derived from the neo-classical analysis. The most common—nonintervention in the market mechanism—is a hereditary trait. Since the protagonists of this school usually deny existence of segmentation in the long run they rightly keep their hands, or, better still, their minds off any policy. Those who admit, reluctantly though it may be, segmentation, blame it on the pre-entry factors which determine the qualities the worker brings to the market. Next to non-intervention, the most common policy that flows from the neo-classical school seeks to remove all barriers to entry and to mobility. In short, the aim of the policy is to make the markets perfect.

Some writers distinguish between an active labour market policy from a passive one. The latter abhors quantitative and direct intervention. It would go as far as manpower planning by which the planner tells the society how many jobs he would create in the near future and what qualifications would be required to man them. Individuals are left free to acquire the education and training so required. At best, the planner may ensure the matching of supplies and demands, both quantitatively and qualitatively, by appropriate taxes and subsidies. Neo-classical framework does not permit going beyond indicative planning.

In my limited reading I have failed to understand the difference between the institutionalists and the radicals. The one that appeals to me relates to the acceptance or rejection of the order based on property relations. The institutionalists in a capitalist society would stick to private ownership of means of production and hope to correct its ill-effects through the use of countervailing power. The institutionalists attribute the disadvantaged position of the secondary workers to their lack of organization. Hence the only policy that is consistent with this framework is for the state to help the poor to organize. Radicals recommend changing the socio-economic condition of secondary workers through a change in the ownership of assets. Both institutionalists and radicals emphasize redistribution as well as legislative action. Both would advocate an incomes policy and manpower planning. Radicalists would approve of the active labour market policies currently in vogue in socialist countries.

In the mixed economies of the West, labour market policies cover a wide variety of aspects. The policies relate to maintenance of full employment and minimum income; they try to do away with barriers to entry to primary sector jobs, increase human productivity through investment in human capital and prevent

discrimination against any minority group. In the words of Cain, "No school of economics ignores or has a proprietary claim on any of these strategies."

I do not think the policies practised in the Western economies have as much relevance to the local labour market in Bombay or, for that matter, to the national market. The problem of segmentation of the labour market, I have repeatedly emphasized, is of rural origin and hence requires policies at both rural and urban ends. Most of the policies have been suggested in other contexts, particularly that of promoting growth with justice.

#### *Policies for Rural India*

Our analysis showed that most of the migrants are landless or small holders. They migrate because they do not earn enough income to maintain themselves in their native place. This obviously suggests that all programmes aimed at increasing the level of rural incomes would reduce migration to the city. These programmes would include redistribution of land to the landless along with the access to inputs; increasing the productivity of small holders and/or providing them subsidiary incomes from activities allied to farming; growth of rural industries and even rural works programmes. Increasing productivity and incomes in rural India would require vast investments and time. Limited resources available at present too thinly spread may not stem the migration to the cities. If one is concerned with migration to Bombay then the choice of areas to be selected for rural development could be easily identified, at least within the state. The districts of Ratnagiri, Satara and Pune account for nearly 60% of the total migrants to Bombay from Maharashtra. Ratnagiri alone accounts for nearly 40% of the State's migrants.

We have argued in the preceding pages that unequal distribution of land leads to unfavourable location in the low wage activities in the city. Growth with justice, not growth alone, would end the segmentation in urban centres.

#### *Education*

Formal education encourages migration only when opportunities for employment are not available in rural areas. Growth, properly defined, would go a long way in creating such opportunities. Expansion of education, health and sanitation facilities could absorb a large number of matriculates now emerging from rural schools and migrating to the cities in search of employment.

#### *Discouraging migration*

At present information about the availability of jobs and incomes in the city reaches the villagers through informal channels. The arrivals in various markets of different commodities and their prices are broadcast every day on the radio so that villagers may know them even if they cannot read or write. There is no reason why

periodic reviews of unemployment in urban centres should not be broadcast. If programmes relating to family planning, adult education, spread of modern techniques in agriculture could claim some success through rural broadcasts, dissemination of employment market information may succeed in preventing some migrants from taking a shot in the dark.

*Policies from Urban End*

While most recruitment in the public sector takes place through employment exchanges, private sector shuns them for various reasons. No studies of benefits and costs have been undertaken to evaluate the working of employment exchanges. It is necessary to find out why the employers do not use this. The volume of unemployment in the city is so large that efficient working of the employment exchanges is unlikely to make a big difference to it. But it may reduce the extent of discrimination that takes place on the basis of sex, migration status, caste, language, etc.

The unorganised sector lies completely outside the purview of employment exchanges. Decasualisation scheme has been successfully implemented in the docks and textiles but has not been attempted in construction which employs a large proportion of casual workers in the city. This is again an area which needs to be explored. These schemes cannot, like employment exchanges, create additional jobs. They, however, may contribute to an equitable sharing of available employment and reduce some of the discrimination in the city.

The governments, both national and state, have taken a pessimistic view of the future possibilities of growth of Bombay. Further growth of Bombay is considered undesirable and bad for Bombayites and for other Indians. Having come to the conclusion that wage employment in large scale organised sector should not be allowed to increase in the city, the problem of unemployment is being solved by offering concessional finance to turn the unemployed into self-employed. The schemes are well meant. The banks are pressurised to give loans to the unemployed to start small scale industries, to run taxies and autorikshaws. Here again the wheels of bureaucracy grind too slowly and not without grease. All these activities require capital and, more particularly for small scale industry, scarce land. Land commands high premium that cannot be shown in books of account (black money). Most unemployed cannot afford the luxury of self-employment offered by various schemes.

I now turn to a very controversial aspect of policy that is usually not considered relevant to labour markets. I have in mind the much wider question of location of economic activity in Bombay. Whatever may be the pedagogic advantages of keeping labour market issues distinct from those of location of economic activity it cannot be denied that the type of economic activity in a region influences the level of income of the region.

The economic activity located in the cities of the LDCs is divided into two major groups — the formal and the informal. It is often argued that the informal sector performs many essential functions. First and foremost, it provides employment and incomes to persons who would otherwise be without both given the scarcity of capital and labour-saving technology used in the formal sector. Secondly, the informal sector provides the urban dwellers goods and services much cheaper than they would have obtained without it. Incomes in the informal sector are usually far below those generated in the formal sector but so long as the sector generates some incomes it helps alleviate poverty and hence is to be welcome. In fact protagonists of the sector want all hindrances to its growth replaced by positive incentives.

While I broadly sympathize with these arguments, I think they can be stretched too far. The growth of the informal sector is not an unmixed blessing. At least not in all locations. The low income that it generates on the whole do not allow people trapped in it to pay for the maintenance, much less for the improvement of the urban infrastructure. With a substantial population engaged in the informal sector, the urban infrastructure — housing, water, electricity, sanitation, health, education and transport—is bound to deteriorate. We saw earlier that two-thirds of the population of households engaged in informal activities of Bombay were poor when the poverty line was defined with respect to the minimum requirements of food alone. They cannot pay for the use of the infrastructure even when it is priced low, taking into account their low incomes. Consequently the urban infrastructure in Bombay is too inadequate and fast decaying.

Given our constitution we cannot prevent migration to overcrowded Bombay administratively. The only measures that we can deploy are economic. This is where planning has a place. We can decide the type of economic activity to be located in a region. If the basic human needs of the population living in Bombay City are to be satisfied, then the economic activity located in the city must be productive enough to create incomes that would enable the population to satisfy them.

If the urban infrastructure were priced to cover all costs, many of the unproductive units in the city would have been forced to move out of the city. The more productive high-wage-paying industries which would have outcompeted the unproductive segments are presently denied permission to locate in Bombay. The locational policy has the effect of allowing the mushroom growth of small units in the city while the bigger ones are located elsewhere. The lack of good employment opportunities keeps the poor trapped in low productive employments. The growth of the latter invites further migration and depresses incomes of the poor still further. Far more thought needs to be given to the type of economic activity to be located in Bombay than what underlies the locational policy of the government at the present. Most socialist economies do not permit, and rightly so, unplanned migration to the cities. While we do not have at our disposal the options that they



have, we still can rely on indicative planning to achieve some of the objectives of regional development.

I see some of you – nay, most of you – quite disappointed at my failure to suggest policies that would end the kind of segmentation I argued exists in the city. The policies that I have suggested for rural areas would reduce the migration of the absolute poor from the hinterland to the city. The more educated and the skilled would still continue to migrate. The city's economic structure should be so changed as to absorb the highly skilled supply. The older, less productive industries would either modernize or leave the city to go to the country where they can find the type of labour they want at the price they can afford. With more productive industry located in the city, urban incomes could be improved so as to maintain and improve the urban infrastructure and the quality of life, not for the lucky few who have the right connections to help them get the high wage jobs, but for a substantially large number of migrants for whom migration would not be a shot in the dark.

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## APPENDIX I

### Sample

Total employment in the city was divided into two sectors, regular and casual. The Chief Inspectorate of Factories and the Greater Bombay Municipal Corporation collect data relating to the employment in Factories and Shops and Commercial Establishments respectively. Our focus was on manual work; hence the data available from these sources was adequate for our purpose.

The total size of the sample (6000) was chosen arbitrarily, given the constraints of funds, time and manpower. Its distribution, however, was based on proportionality. For example, the work force in Bombay could be distributed into (a) employees and (b) non-employees. According to the census of 1971, the former formed 4/5th and the latter 1/5th of the total work force. However, since the Bombay Labour Market study was restricted to workers, particularly manual workers, we excluded totally employers and such of single workers as could be presumed to be drawing their income from sources other than manual labour. The exclusion of the employers was a simple matter, their number being available directly from the census. As to the single workers, we assumed that the 'highly educated' single workers are likely to derive a large part of their income from non-manual sources and therefore excluded them from the universe. The two exclusions changed the earlier 80:20 distribution to 83:17. Our sample of 6000 is distributed accordingly into 5000 (Factory and Small Establishment) representing employees and 1000 casual workers representing non-employees. These 1000 workers were distributed proportionately by industry, (excluding agriculture because of its unimportance in Bombay) deviating from it only when proper considerations required such deviations.

The distribution of the 5000 workers between Factory and Small Establishments is again based on proportionality, the sources of information being the Chief Inspector of Factories and the Greater Bombay Municipal Corporation. The factories and workers were distributed by size of employment and the sample of 3000 was distributed proportionately. The 2000 workers from Small Establishments were distributed in different segments again proportionally though in actual field work there has been over and under representation of some segments here and there.

Our planned sample and the universe as we knew it in 1974, is given below:

<i>Sector</i>	<i>Universe</i>	<i>Sample</i>	<i>Sample as per cent of Universe</i>
Casual	325000	1100	0.34
Small Establish- ments	473000	2000	0.42
Factory	603000	3000	0.50

#### *Distribution by Sex*

According to the census female workers formed 8.45 per cent of the total workers in 1971. Applying this fraction to the total sample, we arrived at the number of females to be covered as 515. The investigators were instructed to distribute the employment in the unit by sex and select the sample accordingly. Roughly, it was thought that women would constitute 8 per cent of the regular sector but a much higher percentage of the Casual sector. Since the census had missed the secondary workers who would be predominantly female, we assumed that the proportion of women in the Casual sector may be twice as high as in the regular sector. The female sample was then distributed among the subgroups of the Casual sector in proportion to the census distribution.

The sample in each sector was distributed among the different wards of the city, in proportion to the distribution in the universe given by the census. In the Casual sector the investigators were instructed to go round the wards allotted to them and visually assess the number of workers collected at such sites as factory gates, rail and bus stations, wholesale and retail markets, construction sites, in proportion to the strength at each major site. Individual workers were selected randomly and interviewed after ascertaining the nature of work done.

In the Shops and Commercial Establishments, the total employment was divided by its subgroups and by wards. The sample was then distributed proportionately. The workers had to be contacted and interviewed at the place of work because residential addresses were not available and to save time and money. The number of units to be contacted was obtained by dividing the sample by the average size of employment in each division. It was decided to cover all workers in an establishment. However, many employers would not permit all workers to be interviewed. Hence the number of establishments actually covered was far more than planned.

As to the Factory sector, we decided to exclude from the 43 industries, all non-manufacturing industries and such manufacturing as employed less than 1 per cent of the total employment. These exclusions left us with 14 major industries at two digit level with 5051 factories employing 574000 workers. We decided to cover 200 units from these 14 industries. The sample of 200 factories and 3000 workers was allocated to each industry in proportion to the respective shares of the industry in the universe. Factories varied substantially by size of employment. Hence they were stratified into 4 strata and the sample of factories and workers was distributed proportionately.

In some of the industries the distribution of factories was so skewed that the proportionality rule would not pick up any factory from the largest size group though the group accounted for a substantial number of workers. It was decided to select at least one unit from the largest size class if it accounted for at least 10 per cent of the industry's employment.

At the long tail of the distribution, we had far too many small firms accounting for a very small share of employment. A proportionate selection would have picked up more factories than workers. In such cases, the smallest size class was excluded if it employed less than 5% of the workers in the industry concerned. Even after such exclusions, our reliance on proportionate selection would have resulted in sampling just one worker per factory. Hence, we decided to cover at least 3 workers from every selected factory. Thus, the departures from proportionality rule gave us a sample of factories slightly greater and that of workers slightly smaller than we had planned.

Thus, wherever the universe was known we tried to adhere to the rule of proportional selection as closely as we could. Even where it was not known, as in the Casual sector, we made some reasonable assumptions, relied on informed advice and tried to avoid obvious biases in selection. The absolute numbers are large enough to assure that the law of large numbers could be relied upon to defend our claims to representativeness.

#### *Types of Schedules and Nonresponse*

Two schedules were canvassed for the Small and the Factory sectors. One, the more detailed, related to the worker; the other, the shorter, to the employer/proprietor. The response to the latter was very poor. Hence, we have by and large avoided using it. However, the employers cooperated reasonably well with us in permitting us to interview the workers. Through the substitution procedure we were able to obtain full coverage in Casual and Small Establishments sector. Our actual coverage in Factory sector falls short of the planned by about 2 per cent, a margin too small to affect our conclusions.

## APPENDIX II

### Explanatory Note on Estimate III in Table III.17

The Census is the only source which gives a complete count of establishments in Bombay. However, it goes by the houselist and grants independent existence to every department of government that is not housed in the same building, to every branch of a bank as also to every railway station. Thus it counts far more establishments than does the EMI. Therefore, we cannot accept the number of establishments reported by the Census as the universe. However, we can estimate the EMI's universe, straining our credulity a bit by relying on the distribution of establishments by size of employment that can be derived from the Census. The Bombay Labour Market Report gives the distribution of 1109 manufacturing establishments for 1961. This is compared below with the distribution derived from the Census.

#### DISTRIBUTION OF ESTABLISHMENTS BY SIZE OF EMPLOYMENT: MANUFACTURING 1961

Size of Establishments (Workers)	EMI	Census
25 - 49	319 (28.76)	905 (47.76)
50 - 99	289 (26.06)	433 (22.85)
100 +	501 (45.18)	557 (29.39)
Total	1109 (100.00)	1895 (100.00)

Figures in brackets are percentages of the total.

We see that the share of establishments employing 25-49 workers is far greater in the Census than in the EMI data. This could happen because large units having smaller subunits spread all over the city are counted as independent establishments by the Census. However, such double counting would not take place, at least not to the same extent, in the case of large establishments. The Census reports 557 establishments in the class 100+. We give it a weight of 45.17 per cent and obtain  $100 = 1233$  establishments as the universe for EMI, and a rate of identification of 89.94 per cent in manufacturing.

We assume the same extent of identification in all other sectors. According to Bombay Labour Market, the EMI had identified 2319 establishments. Applying the rate of identification to 2319 establishments we obtain the universe which EMI should have identified as 2578 ( $2319 \times 100 + 89.94$ ).

To estimate the employment in these 2578 firms we multiply it by the average employment in 2148 establishments which had reported an employment of 816000. Thus we obtain the total employment 979000 in the Organised Sector in 1961.

*Establishments and Employment in the Organised Sector in 1971*

For 1961, we derived from the Census tables on establishments, the number of establishments employing 25+ workers. This number came to 1895 which was equivalent to 1233 establishments according to the EMI way of identifying establishments. This implies that on consistent criterion the EMI count comes to 65.06 per cent of the Census enumerated establishments.

Assuming this relation to hold good for 1971, we obtain the EMI equivalent from 6842 establishments employing 25+ workers. This number comes to 4451. This should have been the universe for EMI in 1971. EMI had identified about 3300 establishments in that year, giving us the extent of identification of 74.14 per cent only. This confirms the increasing failure reported by the EMI authorities.

The employment in nonidentified 1151 establishments is obtained by multiplying them by the average size of employment of 214 persons per establishment. The average employment was obtained by dividing the estimated employment (954193) in establishments employing 25+ workers by the estimated number of establishments (4451). Thus we arrive at 246000 as the employment in non-identified units in the Organised Sector to which we add 1126000 reported by the EMI in 1971. Thus we estimate the Organised Sector employment at 1372000 in 1971.