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UNEMPLOYMENT IN DEVELOPING COUNTRIES: NEW LIGHT ON AN OLD PROBLEM

by

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RÉSUMÉ

Les années 60 et 70 ont vu naître, dans les pays en développement, nombre d'idées sur le chômage, qui, depuis lors, restent largement admises. Trois propositions en résument le contenu : a) les pauvres ne peuvent pas se permettre de devenir chômeurs ; b) le marché du travail dans les pays en développement est toujours suffisamment ouvert et flexible pour qu'on y trouve du travail ; c) de ce fait, le chômage provient de la recherche d'emplois à hauts salaires de la part des couches sociales capables de financer le coût de leur quête de travail.

Contrairement aux idées reçues, cette étude conclut que ce sont les pauvres qui figurent, et ce, de façon croissante, parmi les chômeurs ; quantité de jeunes éprouvent de grandes difficultés à trouver quelque travail que ce soit, surtout un emploi régulier ; le chômage est élevé et n'a cessé de progresser au cours des vingt dernières années. L'hypothèse d'un chômage qu'on pourrait appeler "de luxe" se révèle donc insuffisante, voire irréelle, confrontée à cette approche de la réalité.

Les idées conventionnelles sur le chômage urbain dans les pays en développement doivent donc être revues et corrigées. Le chômage doit faire l'objet d'une attention plus soutenue qu'au cours des dernières années de la part des chercheurs et des décideurs politiques. Dans le domaine de la recherche, de nouvelles approches doivent à la fois clarifier des questions encore pendantes et vérifier l'efficacité de méthodes qui ont été utilisées dans les seuls pays de l'OCDE.

On a jusqu'ici assimilé le "problème de l'emploi" dans les pays en développement au problème des bas salaires et du travail à faible productivité dans la population active. Cette étude plaide en faveur d'un élargissement de cette idée de façon à accorder davantage d'attention au chômage et à l'appréhender comme partie intégrante des problèmes complexes d'emploi qui affectent la force de travail dans son ensemble.

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SUMMARY

In the 1960s and 1970s a number of views were formed about unemployment in developing countries, which have remained largely accepted since then. The views can be summarized as three propositions: a) the poor cannot afford to become unemployed; b) labour markets in developing countries are always sufficiently open and flexible for work to be found, so that c) unemployment is a reflection of the search for jobs with high earnings on the part of those able to finance search costs.

In contrast, the conclusions of this review are that the poor can be and are increasingly to be found in large numbers among the unemployed; many young

people have great difficulty in finding any sort of work, especially regular work; unemployment is high and appears to have been rising over the past 20 years. In sum, in the light of this review of evidence, the conventional wisdom described in the so-called luxury unemployment hypothesis is seriously flawed and should be set aside.

Thus there is a need for a general revision in the conventional view of urban unemployment in developing countries. As a consequence, unemployment should begin to receive greater attention and emphasis in research and policy than has been the case for the past several years. In research, there is justification for a considerable amount of new work both to clarify questions that are still unsettled and to test the applicability of approaches whose use thus far has been confined to the OECD countries.

Hitherto, the "employment problem" in developing countries has mostly been interpreted as the problem of low earnings and low productivity among the employed population. The argument we develop in this paper supports a broadening of this idea so as to give unemployment more attention as an important part in the complex of employment problems affecting the labour force as a whole.

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PREFACE

Some 20 years ago the Development Centre published a series of monographs on the theme of development and employment. The initial volume in this Employment Series was *The Employment Problem in Less Developed Countries — Review of Evidence* (Turnham, 1971). It was among the first efforts to summarize and interpret data and other information on what was rapidly to become a major theme in the development discussions of the 1970s.

The Centre's early study concluded that unemployment was important, but mainly as a problem affecting special groups within the labour force. In contrast, the central "employment problem" in the developing countries was the poverty afflicting much of the working population. This was because the poor could not afford to become unemployed and had to survive of the basis of low earnings and productivity, often in occupations involving long hours and arduous tasks.

In this paper, a considerably expanded body of new and more recent evidence on the unemployment question is reviewed. The paper concludes that the problem of unemployment is a more important part of the overall employment problem than generally thought, and that the unemployed have been unduly neglected, by researchers and policy makers. As part of a new cycle of work in this area, the authors suggest that there is much to be learned from recent work in the OECD countries, work that was stimulated by the sharp rise in unemployment experienced in the developed world in the 1980s.

Louis Emmerij
President of the OECD Development Centre
June 1990

UNEMPLOYMENT IN DEVELOPING COUNTRIES

NEW LIGHT ON AN OLD PROBLEM

Introduction

Measured unemployment has led a chequered life in the hands of development economists and has mostly been given scant attention by them. There was early interest in the immediate post World War II period matching the preoccupations of western policy makers who believed that avoidance of the mass unemployment of the 1930s was the most critical of all their problems, but what might have been a flourishing business among applied development economists was blighted by a penury of data. There was some limited information about unemployment from population census sources but these usually became available only after long processing and publication lags and the data was subject to large distortions due to differences in the definitions used and in the field practice under which the questionnaires were administered[1]. Other sources, such as the records of employment offices, unemployment insurance and the like were almost entirely lacking in the developing countries. So while development plans continued to pay lip service to the need to create productive remunerative jobs to deal with the problems of unemployment and poverty, very little was known about the volume of unemployment, its incidence within society, or how it was related to poverty.

Serious empirical work followed the introduction of labour force sample surveys in the developing countries, a move largely stimulated and supported by the US Department of Labour and mostly affecting countries subject at the time to US influence. Thus, such surveys became a regular part of the statistical work of South Korea, the Philippines and China (Taiwan) well before they were in common use in Europe. India was also an early practitioner, with employment and unemployment measurement carried out under the National Sample Survey (NSS) beginning in the 1950s. Including a few others, such as the city of Santiago, Chile, there were altogether perhaps six or seven developing countries with surveys being carried out on a regular basis by the end of the 1960s, plus others undertaken occasionally[2].

While the labour force sample survey technique has spread since then to become one of the standard tools of a large and increasing number of national statistical systems, this was not because the results of the early surveys were greeted with rapture. Writing some 20 years ago, Gunnar Myrdal's attack (in the South Asian context) on the use of "Western concepts" in development studies singled out the concepts of labour force and unemployment for special critical attention, primarily on the grounds that these concepts, particularly unemployment, afforded such an incomplete and misleading perspective on labour utilisation as to be worse than useless[3].

Writing at a later date, and with a different perspective in mind, Michael Piore reviewed literature that discusses the historical evolution of the concept of

unemployment in France and in Massachusetts[4]. He notes in both cases, in the pre-modern economy of agriculture, small workshop and crafts, that unemployment meant no more than generalised idleness, without the connotation of lacking work or seeking work. As work moved off the family farm and out of the household into factories, so different kinds of work activities became more clearly separated one from another and from other activities, specialisation developed, and when work of one kind dried up for one reason or another, finding something else to do became a distinct and sometimes difficult process. The time spent in this process became increasingly described as unemployment in the more formal and different sense as is now generally used and understood.

Elements of this same transformation are central to what is going on today in the developing world. Ambiguity and imprecision in the application of the concept of unemployment in developing societies is a reflection of this state of transition. Thus Myrdal's scepticism about the usefulness of the conceptual framework is appropriate. But there is a danger of throwing the baby away along with the bath-water. In our view, the ambiguities are serious only in particular areas/activities, notably in rural areas characterized by peasant farming.

In connection with the much debated notion of 'disguised unemployment' in the older development literature, Jacob Viner[5] once remarked that he could not conceive of circumstances in peasant agriculture where one could not go on adding to total output by some form of additional effort. Such households are often bound by cultural or societal obligations to look after household members, whether they are employed or unemployed. Hence Viner's extra product does not have to be very large if the effort is to come from someone who has to be given his or her food and lodgings in any event. However, even if working on a very intermittent basis for short periods, or being in the workplace but with very little to do, the labour force survey will tend to record the individuals concerned as employed rather than as unemployed. Hence among the members of households owning or operating a peasant farm, measured unemployment may be low, at least so long as the obligation to provide support persists, while a lack of work is in great evidence.

Quantitatively even more important as a source of ambiguity, is the measurement of the labour force of rural women whose activities evolve from the typical mixed, traditional pattern as home and farm worker combined with housewife and mother, towards one in which work takes place in a distinct, separate workplace, and is increasingly associated with distinct, life-style phases: a full-time, post-school phase in the workplace and perhaps a return after intensive child-rearing is completed or when such responsibilities can be passed to others. Difficulties in applying labour force concepts to this situation are cogently illustrated by recent experimental survey work carried out under the auspices of the International Labour Office (ILO). These surveys show a labour force comprising anything between 10 and 80 per cent of the total number of such farm housewives, depending on the assumptions chosen[6]. Self-evidently, in relation to such definitional dilemmas, measures of unemployment are indeed highly ambiguous.

Clearly, one must accept the need to consider carefully the circumstances in evaluating the results obtained by application of the standard labour force and unemployment concepts[7]. For this reason, much of the analysis and discussion of this paper relates to those parts of the "labour market" which can reasonably be described as well developed, *i.e.* the labour markets of the urban areas. Of course, in urban areas too there may be opportunities for disguised unemployment in family enterprise just as there are in peasant agriculture. Possibly, too, there are systemic tendencies in this regard, *i.e.* that there are more such opportunities the higher the proportion of family enterprise activities in total work activities. But the importance of the type of household enterprise that permits ready absorption of family members into "make work" types of activity may not be too great. While there is very little data on this question, the Indian labour force surveys do describe the activities of household members by type of household (where type is defined according to the household's primary source of income) and the results, shown below, are quite instructive:

India, Unemployment by Household Type, 1983 data.

	Self-Employed Households	Other Worker Households
	- unemployment rate -	
Rural Areas	3.3	15.2
Urban Areas	9.5	9.5

Source: *Sarvekshana,* Vol. 11, No. 4, April 1988, Table 31.

The rural data conform very well to the disguised unemployment story, but the urban data not at all. Perhaps in the urban areas most such enterprises are too small (the one-person sales-type business is common) or -- as in artisan workshops -- special skills are needed. Further research is needed to show whether the Indian result holds in other countries, but there does not appear any huge volume of unemployment disguised as low intensity working in the urban areas.

Since the urban areas account for an already large and by far the most rapidly growing fraction of the total population, the limitations of the analysis are not too inhibiting. Within this universe, there is much to be learned through application of the standard tools, and indeed, much has been missed by the failure to learn from the sorts of reality that carefully researched unemployment analysis based on well conducted surveys can help to clarify.

Bourgeois Unemployment ?

To return to our story, for Myrdal, far more important in understanding labour utilisation than unemployment and similar concepts was the waste associated with low productivity working and low earnings and income, in turn associated with poor health, low efficiency of work and limited opportunities. In a much-quoted passage he

dismissed measured unemployment in the following way : "...unemployment is a luxury few save the better-off members of the population of working age can afford ... Unemployment is primarily a bourgeois problem and is most pronounced among those who have been accustomed to drawing support from their families -- persons with some education and new entrants to the labor force."[8]

There was a measure of support for Myrdal's hypothesis in the results of surveys carried out in several other developing countries in the 1950s and the 1960s. They also suggested that measured unemployment was largely confined to urban areas, to youth and to those who were looking for a first job, and that it was associated with the status of dependant within the household and a high level of education (relative to the labour force as a whole)[9]. In many instances, high unemployment among such groups was coupled with what seems remarkably low levels of unemployment among other groups -- typically the workers of prime working age. All this tended to reinforce views that the unemployed were a special group seeking entry only into privileged corners of the labour market such as white collar jobs in the government and well paid jobs in large-scale public and private urban enterprise.

For those able to afford Myrdal's bourgeois unemployment, it was the value of the extra income and other net advantages (status, job security, long-term earnings prospects, etc.) that made it seem worthwhile for the individual or supporting family to bear the costs of looking for the right job. In a celebrated model, Harris and Todaro[10] developed an explanation of rural to urban migration decisions based on the rural-urban earnings differential and the rate of unemployment. In effect, the argument was that at a given earnings differential migration stops when the chance of getting an urban job (indicated by the unemployment rate) is low enough to discourage more workers from moving.

The argument was later generalised to cover a broader class of what came to be called search unemployment models[11]. These characterize the unemployed as searchers exploring an array of possible job openings at differing entry wages, job security and longer-term career development prospects. As part of the exploration, such seekers may have to weigh employment offers versus possible high-wage work obtainable through extending the search. They may also have an option of immediately available low-wage work, without search. Writing at a later date on the case of Chile, Sebastian Edwards[12] described this form of unemployment as quasi-voluntary on the argument that those experiencing it refuse work in an open low-wage sector but cannot get it in the favoured sectors.

The essential role of the wage differentials (or, more broadly, differentials in net advantages) in encouraging job search led naturally to enquiry about the rationale for the existence and persistence of wage differentials. Much of the discussion was about differentials between what increasingly became known as the formal or modern and high-wage sector of the economy -- primarily medium- and large-scale industrial enterprise and related business services and the government -- and the informal or traditional sector of family business including small workshops, various types of sales and other commercial enterprises, and family farms[13].

Many early writers, mostly influenced by Latin American and African experience, emphasized institutional explanations for the persistence of high-wage "segments" in the modern sector, including weak resistance to institutional pressures as in the early post-colonial African public sector, or because of union power and social legislation (e.g. the modern sector in Latin America). In the late 1970s, an increasing number of writers, particularly those with Asian experience, stressed efficiency considerations such as the need for employers to offer incentives to stabilize what might otherwise be a migratory work force, and consistent with the care and handling of valuable business property, high-wages to attract and retain persons with above average general honesty, sense of responsibility and who are more or less self-managing[14].

The distinction between this and the previous explanation is an important one: payments of premiums to shield the company against the uncertainties of labour quality is not a "distortion" but a mechanism to enable it to cope with imperfect knowledge and transaction costs. Such efficiency wage differentials are not confined to any particular activity or sub-sector, though they may be more worthwhile where the number of employees is large and the assets are valuable, *i.e.* in so-called formal sector activities.

Yet a third explanation for unemployment associated with high-wage segments in the economy was related to the rapid spread of formal education. As the newly educated sought entry into the labour market, so there would be either an erosion of the scarcity premiums paid for education in particular types of job or the education qualifications would be increased to re-balance applicants and jobs at a higher level of education. To the extent that the expectations of the current entrants are built upon the experience of the earlier generation, disappointment would frequently be met and adaptation to new realities would be continually necessary. According to this argument, the problem is one of transition -- albeit perhaps of long duration and strung out by employer prejudice in selecting an employee according to educational diploma, whether useful or not in performing the job (so-called credentialism).

The Legacy of the 1970s

To summarize the discussion thus far, by the early 1980s work on unemployment in the developing countries was dominated by widespread acceptance of three propositions : (a) the poor cannot afford to become unemployed (this is sometimes called the "luxury" unemployment hypothesis[15]), (b) labour markets in developing countries are always sufficiently open and flexible for work to be found, so that (c) unemployment was a reflection of the search for jobs with high earnings (net advantages) in favoured sectors "segmented" or slow to react to the pressures from applicants that would otherwise compete to reduce or eliminate the differentials.

Since the unemployed were, apparently, not the unfortunates seeking but unable to find work in accordance with the classic Great Depression paradigm, the upshot of the "luxury unemployment" interpretation was to direct most analytical and empirical work from the early 1970s into a broader framework of human resource and social issues. Unemployment data, even where available, became little used either as a social indicator (*i.e.* indicator of the difficulty or ease of obtaining employment

generally or in helping to identify particular groups suffering from high rates of unemployment), or as an economic indicator of wasted resources. For example, the World Employment Programme of the International Labour Office (ILO), following a series of important and influential country and other studies in the early 1970s, had by the middle of the decade moved on to make "basic human needs" the centrepiece of its development message. Similarly, when the World Bank summarized a decade of operational and research work on the theme of poverty and human development in the World Development Report of 1980, there was only one reference to unemployment -- in the form of a box on unemployment among the educated[16].

One other legacy has been to treat the problem as political rather than as social or economic. If unemployment is a problem of unemployment of educated young and largely urban people, then, if there are enough of them, there is a potential to provide active support to (or to constitute) an opposition. Moreover, the possibly well-to-do families that support the unemployed youth may themselves be a client group of those who hold power. Either way, to the extent that measured unemployment threatens the survival of the political authority or runs counter to a vital interest of the authority's clientèle, it will command a lot of attention. So, somewhat paradoxically, in the discussions of economists, the distortions and burdens imposed on an economy by unemployment were -- and often still are -- seen as flowing from the attempts to satisfy unemployed groups (Egypt's provision of government jobs to all graduates is often cited as a case in point) rather than stemming from the social and economic wastes directly associated with the condition. In other words, unemployment is not the problem -- government attempts to deal with it are.

In fact, however, all three of the propositions listed above are subject to serious challenge. Many questions were left unresolved in these early analyses of unemployment and indeed, some issues were scarcely posed as questions at all. For example, how much unemployment is really to be characterized as a search for high-wage jobs ? Empirical studies of job search, recruitment, selection and retention of workers were almost entirely lacking in the developing countries. Studies in the developed countries (see next section) tended to cast doubt on the search hypothesis and raised new questions. It is obvious that job openings (vacancies) in the high-wage sector are filled not only by the unemployed (*i.e.* those actively seeking work) but by others such as those who move into employment from outside the labour force, or who move to the high-wage from the low-wage sector. These flows too were studied very little. So how does being unemployed actually help in obtaining such jobs ? And how many of such jobs are there anyway? If, as seems quite possible, few from the ranks of the unemployed have any realistic prospect of a high-wage job, then it is also less likely that they are unemployed *because* they are seeking a high-pay job.

Similarly, the foundation for the luxury or bourgeois characterization of unemployment was itself extremely shaky: in particular, the socio-economic status of the unemployed was not directly measured. The high education level of the unemployed was sometimes quoted as indirect evidence, but this phenomenon needed to be seen against a background of what was often a rapidly changing average educational attainment in the population as a whole. In other words, the unemployed might be educated to higher levels than the labour force as a whole

simply because the unemployed were young and the young had more education than the rest of the population. Data to indicate that the unemployed were highly educated within their own age cohort, and thus likely to be relatively well off, were usually lacking.

Moreover, the assertion that the poor cannot afford to be unemployed can surely be challenged. Large sections of the low-income population manage on the basis of multiple sources of earnings contributed by many earners to the living of a household. The societal obligation to look after family (often extended family) is a strong one. So unemployment on the part of individual household members in poor households *is* sustainable if there are others to contribute earnings to the shared resources of the household, albeit at the cost of dragging the entire family deeper into poverty.

However, if some work is always available in the flexible low-level earning section of the labour market (proposition 2 above), would not such poor people always undertake it rather than burden other members of the family? Again, the answer may very well be that the openness and flexibility of the labour market also turns out to have been incorrect or at least greatly exaggerated. This too is discussed in a later section of the paper.

New Work on the Developed Countries

For the developing countries, unemployment has remained more or less a dead issue in the 1980s[17]. Indeed, somewhat unusually, it may be said that the data collections and availability of information about unemployment have begun to get ahead of the interest in using it[18]. In contrast, in the developed countries, after attracting little attention throughout the 1960s and 1970s, a good deal of new work has been done involving both empirical understanding and the conceptual framework.

Stripped of the overtones of disapproval, there is much in Myrdal's treatment that was consistent with some new thinking on unemployment among developed country analysts in the late 1960s -- particularly in the United States. In effect, these analysts also stressed the voluntary element in job search activity. Moreover, they stressed a positive aspect : purposive search helps to match aptitudes and experience with job vacancies better and is thus productive both for the individual and the economy. Job sampling and careful shopping is -- by this view -- particularly appropriate for entry-level workers. Thus, relatively high youth unemployment, which was found to be a feature of developed as well as of developing countries, seemed consistent with neo-classical explanations that interpret unemployment -- at least under normal circumstances -- as a largely voluntary phenomenon.

This view of unemployment has been much modified by the more recent experience of high unemployment, especially of long-term unemployment, in many OECD countries[19]. There were two sets of facts to challenge the appropriateness of the early search model. Even in normal times, with low unemployment, studies showed that a large fraction of unemployment is associated with particular groups of vulnerable workers seemingly not bettering themselves through job search, but

engaged in a protracted process of multiple bouts of short-duration unemployment and employment (*OECD Employment Outlook*, 1985, Chapter 6). Moreover, most unemployed workers become unemployed by being fired and most job search seems to be done from an employment or from an out-of-labour market status, not while unemployed. Thus, job search models seem more helpful in explaining job changes among the *employed* population rather than as an explanation of unemployment or the duration of unemployment.

Second, in the period of high unemployment ushered in by the recession of the early 1980s, unemployment rates were so high among certain groups that one would seriously question the plausibility of individuals from such groups voluntarily leaving jobs to look for better ones. In most of the OECD countries, youth unemployment rates are typically twice those of the labour force as a whole (and therefore often threefold or more in comparison with rates among older workers). Thus, when the general rate of unemployment is high, youth unemployment rates tend to be very high indeed. In recent years, in Italy, Ireland and France the rate of unemployment among youth has exceeded 30 per cent (*OECD Employment Outlook*, 1988, Chapter 2)[20] and the share of youth unemployment exceeds one-third of the total, rising to about 50 per cent in Italy and Spain (*OECD Employment Outlook*, 1988, Chapter 1). Among particularly vulnerable groups (identified by locality, ethnic origin, education etc.), rates may be much higher even than these. The example of black teenage males in the United States is a well-known case. Thus, in the most recent cycle, when the overall rate of unemployment peaked in late 1982 at close to 11 per cent, among black teenagers unemployment exceeded 50 per cent. Even in late 1989, the rate was still over 30 per cent, while the overall rate had fallen to 5 per cent[21].

As well as a generally high incidence of unemployment among youth, high levels of long-term unemployment, commonly among older workers, were seen in many countries. For example, in 1987 in a group of countries that included Australia, Belgium, France, Ireland, the Netherlands, Portugal and the United Kingdom, between 40 and 70 per cent of the unemployment among the prime age work force involved people -- more often men than women -- who had been seeking work for a year or more[22]. The evidence is that once such mature workers fall into unemployment, a significant fraction find it difficult ever to find work again. Many eventually fall out of the labour force into the discouraged worker category or they retire (*OECD Employment Outlook*, 1988, Chapter 2).

If it is not the desire to find a better job that explains why most people become unemployed, clearly job search does accompany unemployment once it has happened. Recent empirical work has shown that there are important differences among the unemployed in the intensity of the desire for work (among other things, as indicated by the intensity of their search activity) and in the selectivity of their job search. Not surprisingly, intensity and the selectivity affect the chances of getting work. In most OECD countries, probably only a few job seekers are in fact ready to accept *any* (legitimate) work, perhaps -- as Blinder surmises[23] -- because the status of work and status relativities are much more important than economists are willing to recognise. In the same vein, some have speculated that unemployed workers themselves have become more choosy about the jobs sought (*i.e.* they are

increasingly unwilling to accept low pay/low status work) in part because social security arrangements have become more accommodating. In regard to the latter point however, the evidence seems to be to the contrary (*OECD Employment Outlook*, 1988, Chapter 4); moreover, the conclusion that workers have become more choosy seems sometimes no more than a rationalisation of the analyst's failure to explain the 1980s secular rise in unemployment.

High unemployment in developed countries has also been juxtaposed with continuing increases in real wages. This too has attracted the interest of analysts[24]. High-wages and labour costs encourage employers to opt for innovation in new techniques and investment in labour-saving equipment, they reinforce the pressures for strict economy in the hiring of new workers, and generally dampen any employment expansion that otherwise accompanies growth.

As in the developing country discussions of an earlier generation, in explaining sustained wage increases in the presence of high unemployment, a lot of emphasis is given to factors that serve to insulate or segment the earnings of the already employed workers from the competition of the unemployed, who might both be able to do the work and be willing to accept lower wages. Like some of those writing about developing countries, many analysts cite evidence and arguments in support of efficiency wage hypotheses -- e.g. the considerable costs associated with unfettered hire-fire policies, and that new workers involve training costs, higher supervision and their quality may be difficult to judge. Other factors -- again rather similar to the debate in the developing countries -- include social legislation aimed at protecting workers' rights (so adding to the costs of hire and fire), and workers' associations and unions who make it their business to capture as much as possible in higher earnings for their employed members, starting from the widespread provision in labour agreements that requires the pay of the newly recruited experienced workers to be set at rates very close to those paid to the established workers.

One variant within this cluster is the "insider-outsider" model[25] according to which insiders (workers already in employment), from self-interest, would not co-operate with, or would even harass, any newly employed workers (the outsiders) who undercut the prevailing wage. Hence hiring outsiders at below prevailing wages will only become an option if the outsiders' offer wage is so low as to overcome efficiency losses due to non co-operation from the insiders. Insiders' power is likely to be a function of job-related skills and is conditioned by ability to pay as perhaps determined by profitability and the share of labour costs in total costs. Meanwhile outsiders, under such conditions, experience a higher disutility of work effort (because of the harassment) than do insiders and are thus less likely to take jobs at sub-standard wages than they would be otherwise, even if they are offered them. Outsiders may shop around or queue for a vacancy at prevailing insider wages and are unemployed while doing so. Since insiders are not undercut, so the prevailing wage is -- by definition -- set above market clearing levels and insiders enjoy an above market insiders' rent.

Intuitively, the insider-outsider model seems likely to work best in the circumstances of large, well established firms, where the benefits of co-operation are

also large and the scale of any likely addition to the workforce through new entrants is relatively small (this set-up also best fits the preconditions for efficiency wage models). The phenomenon of large enterprises (and sometimes other enterprises) paying wages and providing better working conditions well above local market levels across the entire spectrum of occupations within the enterprise, is well established as part of a pattern of inter-firm differences that are not well explained by conventional human capital theory. Thaler[26] suggests that fairness conventions, plus insider reactions if companies try to buck the conventions, may account for the differentials : in effect a body of high-wage workers pull up the wages of all the other workers in the enterprise.

In developing countries too there are an array of circumstances where insiders may have some power to react to lower paid newcomers in ways that might give employers cause to hesitate before taking on new workers at low pay. This is also most obvious in the larger enterprises and there is widespread evidence that wage workers are treated better and are better paid in larger than in smaller firms. Mazumdar's survey in the mid-1970s of male wage workers in Bombay is still the standard reference. He writes[27] "Workers in factories employing 500 or more workers earned 60 per cent more than workers in factories of 10-99 workers. The wage difference between the latter and workers in small establishments with less than 10 workers was about 40 per cent". Mazumdar attributed the Bombay market differentials in part to considerations that are very close to the spirit of the insider-outsider model (though he was writing before the term came into common parlance), for example "Suppose stable labour is in elastic supply to the formal urban sector at a certain wage. It is not in scarce supply at this wage. A certain body of workers is selected (more or less at random) to provide a stabilized work force. The subsequent increase in wages is not due to the prior scarcity of workers of a certain quality. It is due to the pursuit of a high-wage policy within a firm dealing with an exclusive body of workers -- which produces net profits to be shared between management and workers."

In such firms the recruitment of new workers is often a jealously guarded privilege of the insiders, one that is widely used to hire relatives, members of the same village or caste, through what is sometimes called "clan corridors". There are numerous recent empirical writings that emphasize the large variety of networks and connections that influence access to the labour market, not limited to the scale of operation of the case described above. Harriss[28], in the context of a review of Indian studies, describes as the "principle of particularism" the overriding influence of personal connections in the acquisition of virtually any jobs and in the opportunities to move within and between jobs. The suggestion is of barriers to entry that vary according to sets of connections such that types of job and employer are accessible in a highly variable way according to group, family and individual characteristics. The corresponding transaction costs (including the time and effort needed to locate job openings) will vary from low to effectively infinite. Perhaps the term "micro-segmentation" might be used to describe these phenomena.

Protagonists of segmentation models in developed country labour markets typically distinguish between a high-wage "primary" sector, with stable job prospects,

attractive fringe benefits, opportunities to acquire job-related skills progressively to earn a high return on education etc., and a low-wage "secondary" sector lacking such opportunities. Based on their econometric analysis of 1983 US population panel survey data (adult males), Dickens and Lang[29], report that "an individual with the average characteristics of a non-union worker would receive $11.45 per hour in the primary sector but only $6.92 in the secondary sector" (union workers do even better with a wages mark-up of 25 per cent on primary sector workers). Such models are criticised as lacking theoretical foundations -- for example, why should a primary-secondary dichotomy be preferred to threefold, fourfold or multiple-micro segmentation? Others argue that "missing data", *i.e.* unquantified human capital attributes, account for the primary-secondary differences, not discriminatory labour market practices. Still, there is a segmentation hypothesis, and the econometric model derived from it explains more than does the simple human capital model.

Thus far, the type of model estimated by Dickens and Lang using US data, has not been emulated or modified for application in a developing country. Yet the primary-secondary framework is clearly rather close to the fundamental idea of the formal-informal sector dichotomy with the added flexibility that application of the model does not require prior separation, *i.e.* specification of the primary-secondary activities along industry, occupational or size of establishment criteria.

A further suggestion in the OECD segmentation literature is that while the primary sector firms may have an interest on efficiency grounds to provide long-term and stable employment (hence, for example, will tend to retain workers over cyclical movements), firms operating in the secondary market may make a virtue of necessity in taking advantage of cost savings through quick response hire-fire adjustments; indeed, primary sector firms may use the capacity of such secondary firms to deal with their own short-term fluctuation problem[30]. Here too, there are analogues in the developing country cities through the use of outworker systems, and other modes of sub-contracting from the formal to the informal sector.

Unemployment in the 1980s -- A Review of the Evidence.

Table 1 shows aggregate data on developed countries and developing countries and, where available, the recent trends. Except where otherwise noted, the data shown for the developing countries relates to urban areas. This is for reasons described earlier about the problems of defining and measuring the rural labour force (especially the female labour force) in what are only partially monetised regional economies. In addition, we report only labour force sample surveys (*i.e.* ignoring material based on more difficult to control Census enquiry) and these surveys are commonly confined in the developing countries to large cities or to urban areas. For the developed countries, urban data is rarely reported but since the population is largely urban and, if rural, often commutes to work in urban places, the national data can be thought of as relating to urban areas.

Although our approach takes care of some problems, many remain to affect comparability and introduce spurious variability in the estimates. The measurement of unemployment is sensitive to questionnaire design and developing countries in

particular take different approaches, despite the ILO's best efforts. The discouraged worker phenomenon is worth special mention. In the presence of heavy unemployment, passive unemployment -- which describes those willing to take work if it becomes available, but who are not actively seeking it -- may be very large, reflecting the futility of job search. Some surveys, including those following the now largely standard approach taken by the OECD countries, require an "active" job search in order to be counted among the unemployed. Particularly for groups such as women, older and younger males, the effect of availability versus active search often seems enough to add a half or even to double the measured unemployment rate. The findings reflect an underlying reality which is that the attachment to the labour force is itself a variable reflecting how individuals weigh the alternative uses of time, the varying degree of compulsion regarding the need to earn, the disutilities associated with types of work on offer, etc[31]. The conclusion to be drawn is that there is no single correct measure of unemployment; rather, the variability in the compulsion to work, and thus in the intensity of the search effort, is of great significance and policy relevance and is worthy of special study.

Among the main features indicated by Table 1 are:

(a) High levels of measured unemployment are found not only in many developed but also among the developing countries[32]. Among the entire sample of 56 countries, 23 show a rate in 1988 or the most recent available year of more than 10 per cent. Some 19 developing countries are included in this high unemployment group. In a large number of cases, unemployment has been at or above 10 per cent for many years, and these countries may be described as suffering a chronic and persistent problem. Finally, the unweighted average rate of unemployment among the developing countries for the most recent period (33 countries with data from 1985 or later) is 9.7 per cent.

(b) Where data is available over several years, sizeable inter-temporal change is in evidence both in the developed and among developing countries. Looking at the whole data set available to us, including data for years between those reported in Table 1, many countries have experienced swings in unemployment of between 5 and 10 percentage points over some period since 1970. The big changes were mostly associated with the impact of the recession in the early 1980s which clearly affected many developing countries in much the same way as the developed ones. Rates in many developed countries and some developing countries, notably in Latin America, rose sharply in the early 1980s but have now fallen back from peak levels.

(c) There is considerable variability in the rate of unemployment both between and within the country groupings. While data problems are doubtless partly responsible, *grosso modo*, high unemployment characterizes much of Latin American, Africa and the Mediterranean, but is much less in many Asian cases. But the variability is still large among the developed countries, where there

have been efforts to ensure comparability in survey approach. Differences in measured unemployment suggest interesting questions for developed and developing countries about the impact of economic structure, policy and performance.

What evidence is there of a secular trend in unemployment in developing countries? The facts point in the following direction of a considerable secular increase. For the 16 developing countries where there are observations in 1970 (1975 in three cases) and where there are observations for 1985 (1986 in two cases), the unweighted average rate of unemployment increased from 5.9 per cent to 8.7 per cent; from 1970 to the latest available year (*i.e.* 1987 or 1988 in most cases), the increase was to 8.0 per cent for the same sample. The average rate is 11.6 per cent among the 17 countries where there is 1985 or later data, but no early 1970s data, *i.e.* rather higher than for the countries where early data is available. Perhaps the unemployment rates among these 17 countries would also have been around 11 per cent (or even higher) in the earlier period, but this does not seem very likely.

Taking into account the rather unreliable data, the cyclical influences on the trend etc., the balance of information suggests quite strongly that unemployment rates most likely have also risen significantly in the urban areas over the last 20 years. A further point seems relevant. *Grosso modo*, the urban labour force in developing countries was increasing at about 3.6 per cent per annum over this period, a rate twice as high as in rural areas[33]. Under these conditions, a constant urban rate of unemployment but one that is systematically higher than the rural rate, would imply a rising total rate. Even allowing for measurement problems, for example, by taking into account only the unemployment rates for men, urban unemployment is usually substantially higher than rural unemployment. Thus, due to rapid urban growth, whole-country measured unemployment in developing countries was almost certainly rising sharply over this period.

On all counts -- severity, variability (by country and over time) and secular features -- the findings are clearly at variance with at least the cruder versions of the luxury unemployment hypothesis just as they tell against the theory of unemployment as a search phenomenon propounded with reference to the developed economies. Indeed, in general, the extent of common ground between the developed countries and the cities of the developing world is striking.

Much evidence from the 1980s is also available on the incidence of unemployment, confirming the persistence of features found in earlier periods as well as some new ones. Many of the same features also apply to the developed countries.

Unemployed Youth

This continues to be dominant especially in the developing countries where unemployment rates among older workers are much lower than in the developed countries. Table 2 shows considerable variability in the ratio of young to older age groups of unemployed, with an overall simple average that suggests youth

unemployment is typically four times higher than among older workers. Regional patterns of youth unemployment are similar to the patterns of the overall rates (shown in Table 1). Thus, youth unemployment is very high in the Mediterranean area and in sub-Saharan Africa and mixed in Asia and Latin America.

A simple average (calculated for 22 countries) shows that close to 20 per cent of urban young people in the labour force are unemployed; it is a reasonable speculation that the average might be 30 per cent or even higher if allowance were made for discouraged and idle youth and "additional students" who would not be in school if work were available. Thus, among young males (in a sample of 16 developing countries), the participation rate averaged 57.5 per cent of the age group; among 12 major OECD countries, the corresponding average rate was 62.1 per cent of the age group. If this difference is due to discouragement (it seems reasonable to suppose that it is at least this difference) it is equivalent to 10 per cent of the young labour force[34].

While not always easy to detect, there is enough data to identify a widespread phenomenon of vulnerable groups. Thus, depending on the country in question, there may be large variations in youth unemployment by sex (e.g. Bogota, Colombia), ethnic group (Sri Lanka, Malaysia), city type and size (Côte d'Ivoire, the Philippines) and even by religious affiliation (India -- Christians and others). Further, there is limited evidence based on studies by the ILO's Regional Office for Latin America and the Caribbean (PREALC)[35], that indicate sharply higher rates of unemployment among dependants (these are normally young people) in poor households relative to dependants in better off households.

This data is for only three cities, but it is broadly consistent with other recent information about unemployment and household income considered more generally, *i.e.* without specific reference to youth (see below). It seems plausible that the poor, ill-educated young person will often lack the connections, qualifications and/or cash for entry even into the small workshop or market stall as trainee or apprentice. While seeking work in the most precarious trades and as casual workers, they have neither the experience nor the contacts of the older workers already established there. These are arguments for expecting high unemployment among the young from poor households. However, one might also suspect that much of this type of unemployment is typically experienced in short spells not easily picked up in standard labour force surveys -- some data from Indian surveys is considered later on that tends to bear this out. Probably therefore, the incidence of open unemployment among the young from poor households is understated by the available data.

Finally, there is also limited data (for five countries, shown in Table 3) about the young unemployed matched against education level. These data suggest that unemployment is considerable among the young less well educated (and presumably poorer) groups, as well as among the comparatively well educated. Thus, although unemployment is higher among the more educated young workers, the tendency by no means seems so pronounced as thought by some earlier writers who were working without such age specific data.

Unemployment among the Educated

The link between unemployment and education is, second to youth, the most widely discussed feature of unemployment in the developing countries. Protracted search unemployment, buoyed by unrealistic expectations, has been the traditional explanation, as discussed in an early section of the paper. Much of the argument favouring this view stems from the apparent high rate of unemployment among the educated labour force, but as we have already noted, the limited data of Table 3 suggests that the problem of the educated unemployed is a problem associated as much with youth as it is with education. Interestingly enough, a relatively early survey for Nairobi, Kenya, reported that unemployment was actually higher among the less educated of the young job seekers[36].

Even if unemployment among the educated youth is substantially higher than among the uneducated, it is possible that the "educated unemployment" paradigm would still be a misleading view of the problem. Firstly, much youth unemployment seems to be associated with labour market entrants in search of a first job. Since the more educated enter the market at later ages, following completion of their education, so a higher proportion of them -- relative to the entire cohort of young workers -- will be first-time job seekers. If there is on average a significant lag between labour market entry and finding the first job, then (everything else being equal) the rate of unemployment among educated youth would be relatively high for no other reason than the higher proportion of first-time job seekers. For plausible values, it is possible to construct models that show this late entry effect to be quite large. Indeed, if the "real" data show little difference between the educated and the less educated in terms of rates of youth unemployment, it is suggested that some other effect involving a combination of longer duration or (more likely) more pervasive unemployment must be operating with greater severity among the less educated young workers!

There is a second reason why a higher unemployment rate among the more educated young workers as compared to less educated young workers might have nothing to do with the more educated being more selective about the jobs they are willing to accept. Mazumdar[37] in his detailed study of a 1973 sample of secondary school leavers in Malaysia, gave considerable weight to the reluctance on the part of the private sector employers to hire the most recent school leavers when they were able to recruit older ones who had left school two or three years earlier. Because of this, many school leavers had, in effect, a lengthy waiting period after leaving school before the chances of getting a job became more favourable. The question is whether such secondary school leavers could as an alternative to waiting, have found work in the informal sector, or in casual labour markets.

On the basis of the prevalence of networking in finding jobs that was discussed earlier, it seems possible that there is a type of reverse micro-segmentation, whereby entry into informal urban labour markets may be thwarted by the networking of those

already established there[38]. In other words, there is an explanation for educated unemployment which emphasizes not the reluctance of the educated to take low-wage, informal sector jobs but that some among them face special difficulties in getting such jobs because they lack connections with the informal sector employers.

Some suggestion of such an effect is furnished in an econometric study by Fallon (1983) based on a sample survey of male registrants at Indian employment exchanges in Delhi 1974/75. His estimations show the duration of job search while unemployed to be only weakly related to level of education but to be more strongly conditioned by various background factors, among which are father's level of education (more education, longer unemployment) and family self- employment (which reduces the length of unemployment) -- both of which could be indicative of, and proxies for, ease of access to the informal sector.

It also seems possible, even probable, however strong the incentive to engage in prolonged job search may have been in earlier times, that the incentive has now been diminished. There have been widespread cuts in both private sector rates of pay in manufacturing and in government wages, including those at entry level[39]. These are the formal sector, high-wage activities that are the object of the search unemployment, according to the usual paradigm. Moreover, while some may face difficulties in getting into the informal sector, there is evidence of a rather numerous group of young, educated people that are in fact at work in the informal sector. In India as in sub-Saharan Africa there are a number of studies of the informal sector that indicate that it absorbs many educated youth[40].

Similarly, the foundation of the arguments based on unrealistic expectations may also have been weakened along with the considerable progress in many countries involving the attainment of close to universal primary education, as well as large numbers of secondary school graduates among the most recent generations of new entry cohorts to urban job markets. It is hard to accept *a priori* arguments for unrealistic expectations unless there are good reasons why such expectations should be systematically biased.

Finally, nowhere in the urban areas is there evidence of unfilled vacancies or of types of job that have no takers. Many exponents of the luxury unemployment hypothesis in the past were able to quote evidence in the form of scarcities of labour for various tasks in agriculture, typically in rather menial and usually highly seasonal work in tea, sugar, rubber and similar plantation enterprise. Perhaps this is still the case, but whatever the relevance of this in the past, the urban labour force today is more stable and settled, and most of the entrants now comprise young people born in the city and increasingly remote from rural enterprise and agriculture.

In conclusion, it is certainly possible, notwithstanding the arguments developed above, that a substantial number of educated young people do attempt to search for the most attractive types of job and remain unemployed in the process of job search. One should be sceptical, failing new evidence that this accounts for more than a fraction of a much wider problem of access to employment. Of course, the point is that we know far too little about the activities and selectivity of the young job seekers,

employed as well as unemployed, because of the neglect of such labour market studies over the past decade. Special enquiries are needed to throw more light on these issues, e.g. to include comparisons of the experiences of more versus less educated young job seekers, and tracer studies about job search and employment pathways. But no recent studies seem to have been conducted (and not many older ones either)[41].

Unemployment Among Older Workers

In developing countries, long duration unemployment remains largely a phenomenon affecting young first time job seekers (plus older women seeking to enter the labour force for the first time or return to it after a long absence) and, in general, high rates of unemployment among older workers are rare. However, they are not unknown as is shown in Table 2. In some instances, principally in the Latin American cities, high rates reflect the impact of a highly adverse macroeconomic environment in the early 1980s.

There may be a connection between the emergence of significant unemployment among older workers and the finding of some recent surveys which, in direct contradiction to bourgeois unemployment ideas, indicates that the unemployed in general are disproportionately drawn from poor households[42]. This is a limited body of evidence -- partly because information about income or consumption status is still not usually collected as part of regular labour force surveys. Much of this data concerns a handful of cities in Latin America; however, similar findings are reported for Sri Lanka and Malaysia, which are also countries where adult unemployment is high. And important information from India -- a country not strongly affected by world recession -- also suggests that unemployment falls most heavily on the poor, especially when account is taken of part-time unemployment of a type mostly affecting casual labourers.

A recent report of the Inter-American Development Bank (1987) analysed the poverty unemployment connection in some detail. Table 4 is reproduced from this report.

The report, on pages 128 and 129, assesses the significance of the connection in the following way:

> '... the scope of poverty is much greater than that of open unemployment' and 'an employment policy as a means of combatting poverty cannot be limited to jobs for the unemployed but must also be designed to increase the productivity and income of the underemployed.' Nevertheless '... the unemployment rates among the indigent and poor are, in practically all cases for which the necessary data are available, well above the unemployment rates among workers belonging to families whose income is above the poverty line.' Hence 'unemployment can be interpreted as an important cause of indigence and poverty...'.

Self-Employment, the Informal Sector and Unemployment

We referred in the introductory section to the significance of informal or household enterprise in influencing unemployment and measures of unemployment. In the employment literature, the idea that the informal sector acts as a kind of low earnings absorbent sponge for workers who find no other place and who are too poor for unemployment has been of major importance in forming views that there are always jobs to be had for those that are willing to take them. In fact though, this seems to be another field where discussion of ideas has by far outrun empirical study of them.

Estimates of the current role and recent growth of the informal sector has been the subject of considerable study in Latin America but only on a much more scattered basis in other regions. Charmes[43] has recently collected and screened much of the available material and his findings suggest that the informal sector accounts for about 30 per cent of *non-agricultural* employment in Latin America and 30-60 per cent in a scatter of other countries, the higher figures mostly in Africa. Taking account of a deduction for rural "informals" and allowing for the proportionately greater role of the formal sector in urban as compared to rural areas, these estimates may be on the high side as a measure of the importance of the sector in the urban areas, but this is a minor correction compared to broader definitional ambiguities.

A more readily available and uniform approximation for an urban labour market estimate may be the share of self-employment and family workers in urban areas together with an adjustment to include the wage workers in these generally small-scale enterprises. Data on the share of self-employment and family workers is shown for a range of cities in Table 5. These data suggest that the share ranges from 60-40 per cent of total urban employment in the low income countries down to 35-25 per cent in the higher income countries.

The share of the wage workers in the informal sector has been little studied: Charmes *op. cit.* reports a few African case studies that indicate wage workers to be in a small minority (generally 10 to 20 per cent); wage workers seem more important in Asia and Latin America, *i.e.* 30-40 per cent of the informal sector total, but, as Charmes notes, this may reflect differing treatment of young apprentice workers, (treated as unpaid in Africa but as low-paid wage workers elsewhere).

These data thus suggest that, on average, most informal sector enterprises are essentially family affairs with probably a small minority hiring in non-family wage workers. Hence from the perspective of an unemployed or potentially unemployed person without access to work in a family business a critical question is the ease with which new enterprises can be established.

It is sometimes argued that any potentially unemployed person can "disappear" into self-employment through setting up a new business. In general though, evidence on the role of self-employment in mitigating unemployment is not well researched[44]. There is a good deal of evidence from recent surveys of movements between self-employment and wage work, for example, of a movement from skilled wage worker

in the formal to self-employment in the informal sector. This connects with another very common finding in recent surveys that the earnings among entrepreneurs in the informal sector are by no means lower than for manual workers in the formal sector -- in fact, they are often substantially higher.

This sort of evidence is consistent with the notion that in starting up most businesses, there is a need for prior job experience, training and education, some form of material capital requirement -- including access to land (including farmland in the case of would-be farmers), and market opportunity. Thus, most new opportunities for entrepreneurship will require in some measure skills and capital, as well as entrepreneurial flair, and it would seem much more likely that they be taken up by the employed rather than by the unemployed. It is often argued that the informal sales sector offers an elastic market for self-employment. Here too, though, on closer inspection, the so-called easy entry self-employments such as shoe-shine boy or single cigarette salesman usually turn out to be heavily guarded by "insiders" who hold all the desirable pitches and who operate their business on a long-term basis.

The limited information from labour force surveys concerning the jobs actually held by young people suggests a mixed picture; everywhere it seems that self-employment is a good deal less important than wage employment, but in some cases, self-employment is nevertheless an important employment source.

Recent surveys from the Côte d'Ivoire and Peru[45] are of interest in this regard since they suggest sharply contrasting situations in these two countries. The Côte d'Ivoire survey reveals very high rates of unemployment among young men living in Abidjan. Using exactly the same survey methodology, measured unemployment rates among young men are found to be much lower in Lima[46]. At the same time, self-employment is much more important in Lima both in general and among the young, and the greater absorption into self-employment in Lima relative to Abidjan accounts for much of the difference in the rates of measured unemployment, as indicated in Table 6.

It is suggested in the cited study that in Peru (but not in Abidjan), job search is continued by many who are at work, but in less preferred jobs. It could be that it is relatively easy to continue to look for preferred jobs from self-employment and less so from other work. In the study by Fallon, cited above, he notes that the duration of job search including the search time of those looking while they are employed (as well as search while unemployed), tends to be of longer duration among the less educated, which may be a facilitation effect of having a low-income job while continuing to look. In Africa, many entry-level jobs, including those in the informal sector, involve some training commitment since a common entry route is in the form of an apprenticeship. Clearly once committed (African-style apprenticeship involves a contract and often payments from the apprentice to the master), opportunities to keep looking for better jobs from employment may indeed be very limited. This could be an argument for remaining unemployed if there is hope of getting something better than an apprenticeship; or it could be that not everyone among the unemployed can afford an apprenticeship!

The Peru-Côte d'Ivoire comparison prompts the question -- but supplies no answers -- as to how young and generally inexperienced individuals seem to be able to manage as self-employed workers in one case but not in the other case. A related question is the extent to which the young self-employed move directly into self-employment, without passing through unemployment. Almost certainly there are a host of special factors (experience in a family business and backing from the family among others) that make the setting-up and operation of a business a more viable option for some than for others. Finally, it is of interest to understand how some cities, such as Lima, seem to provide a more supportive environment for self-employment than others, such as Abidjan.

Perhaps it may not be too far-fetched in most cases to suppose that the condition of being unemployed actually signifies an inability to operate as an entrepreneur or to gain access via a family connection. To the extent that this is true, the unemployed are, in effect, only competing for work in the wage labour market. It may be more revealing to describe their circumstances by reference to an unemployment rate computed as the ratio of unemployed to *wage* workers plus unemployed. Clearly, such an adjusted unemployment rate is systematically (and in many cases dramatically) higher than the conventional measure, especially where share of self-employment is large.

If self-employment is a difficult route for the unemployed, then the relevant labour market for most of them is the wage labour market -- probably the formal sector for the more educated (or for the better connected) who are able to qualify for or otherwise obtain regular wage work, and informal sector wage work (much of it casual and intermittent) for the others. Charmes' overall estimates reported above, suggest that informal sector wage employment is important; much the largest element among young workers is in the form of apprenticeships where, however, the wage element is very small -- even negative in the early years. Evidence is reported below that when underemployment is taken into account, it is of significant magnitude among casu workers.

Underemployment and Unemployment -- Some Indian Insights

We remarked earlier that the Indian labour force sample surveys have benefited from being the target of close scrutiny and criticism from the 1950s onwards. The basic decision was to move to a quinquennial format which, for given cost, allows considerable detail to be obtained (including data on such matters as household expenditure and landholding) in what is a large sample format[47]. The richness of this source thus affords insights into topics not so readily studied in other regular labour force surveys, and of course, India is an enormously important country in its own right -- indeed, a substantial fraction of the totality of the development problem. Finally, as the data source around which much of the original bourgeois argumentation was constructed, there is also a special interest in the Indian case.

In the Indian surveys questions are asked about main activity (or "usual status") in the year prior to the enquiry, so that different groups of workers can be categorized by what is in effect longer-term employment status. The survey also tabulates current

status according to activities during a reference week, in line with standard international practice. Thus for India, one can categorize the unemployed according to their long-term status, *i.e.* as regular wage workers, casual wage workers, the self-employed and the family workers, in addition to those whose usual status is that of unemployment -- *i.e.* the long duration or chronic unemployed. Table 7 shows some features for urban India.

The long duration unemployed (*i.e.* those whose usual status in the previous year was unemployment) account for a large share of those unemployed in the reference week. Among the long duration unemployed, other data confirm that some 85 per cent were in the age range 15-29, that they were an educated group (relative to the labour force as a whole, especially the unemployed females), and that they were mainly unmarried, first time, job seekers[48]. These are the classic patterns revealed by many investigations. More interestingly, a comparison with household expenditure data also shows a remarkably even distribution of the long-term unemployed across expenditure classes : for males, expenditure ranges accounting for the lowest expenditure, 49 per cent of the population, also accounted for 50 per cent of the male unemployed; for females, the egalitarian spread of unemployment is rather less, with the lowest, 51 per cent of population, accounting for 40 per cent of the unemployed and the lowest, 21 per cent of households, for only 13 per cent of the unemployed. This is still some way from bourgeois unemployment.

Comparing unemployment rates among the experienced labour force (*i.e.* where the usual status is that of worker), the comparatively high unemployment of *casual* wage workers is particularly significant. This is masked in most conventional aggregations of sample data by the combination of such a group of workers with regular wage earners. In India, it is striking that the regular wage earners seem to constitute a remarkably stable group, little affected by unemployment. It seems plausible that this could also be true elsewhere in the world -- were the data to be recorded and presented in this form. Other groups identified by usual status -- such as the self-employed -- also show very low rates of unemployment, a finding in line with our earlier discussion of self-employment.

Among the other issues on which the Indian surveys throw considerable light is that of underemployment; as noted above, by the standard approach used in labour force surveys, anyone working for as little as one hour in the reference week (the "current status" definition of unemployment) counts as employed. As is almost implied by the definition, casual workers are as likely to suffer from intermittent, daily unemployment, as much or more than from more continuous, or weekly unemployment. In recognition of this point, the Indian survey also allows the computation of an unemployment rate that takes into account additional work sought on the part of those with partial employment in the reference week (the quantum of such additional work sought is sometimes described as "visible underemployment"). In effect, this is a measure of the unemployment of available labour time on a daily basis in contrast to the weekly measure[49].

The daily unemployment rate so computed is substantially higher than the conventional measure based on full-time unemployment, *i.e.* for urban areas, 9.5 per cent versus 6.7 reported above as current unemployment (see Table 8). Moreover, the "part-time" unemployment falls almost entirely on the casual workers, so resulting in a high unemployment rate for this group.

These daily data also suggest little difference between the urban and the rural areas as regards the incidence of unemployment among casual workers (the corresponding daily unemployment rate for rural casual workers is 11.7 per cent). Rather, in urban and rural areas alike, a substantial fraction of such workers seem to be locked into a grim game of musical chairs so that at any one time sizeable numbers will find themselves without work.

Turning again to the expenditure data, it surely is no surprise to find that casual workers are over-represented among the bottom one-third of households (households ranked by per capita household expenditure) and distinctly under-represented among the top third of households (Sarvekshana, 1988, *op. cit.*, Table 37). Thus these data unequivocally establish a relationship between high unemployment and casual worker status on one hand, and between casual workers and poverty on the other.

As regards other developing countries, while the information on underemployment of the form shown by India's daily status measures is typically much more limited, many surveys do nevertheless collect information on hours worked and the desire/availability for more work. An early review, based on data for urban areas dating from the 1960s, concluded that the full-time equivalent of such "visible" underemployment was about 2 to 3 per cent of the urban labour force, *i.e.* typically well below the level of open unemployment (Turnham, 1971, *op. cit.*). Based on more recent surveys, this conclusion still seems about correct. The important point missed in these aggregate comparisons however, but captured in the Indian data, is the possibility that -- like unemployment -- underemployment is highly concentrated among relatively small sections of the labour force, such as the casual workers.

Conclusions

We first summarize the conclusions from the review of unemployment data and studies presented above as they relate to the propositions that we characterized as the conventional wisdom about unemployment.

As regards poverty and unemployment, the recent evidence does not confirm the idea that the poor are too poor to be unemployed. This is true both for conventional measures of unemployment based on the reference week and (according to the Indian data) for measures that take visible underemployment into account. The suggestion is that this proposition was never likely to be true except in special circumstances; but the extent to which poor households are affected by unemployment may have grown along with the secular increase in unemployment rates and the tendency for unemployment more and more to affect experienced workers of prime working age as well as young workers. Finally, the evidence from India strongly suggests that measuring unemployment so as to take into account

underemployment, and combining this with a focus on vulnerable groups such as casual workers, would demonstrate a further poverty-unemployment link.

Second is the proposition about the universal availability of work for those willing to take it. This too confronts the evidence of high and widespread unemployment -- evidence that is a good deal stronger than was the case two decades ago. Urban unemployment averaging close to 20 per cent as measured and perhaps equivalent to a 30 per cent rate taking into account discouraged workers, is a fact of life of great importance for young people from a broad spectrum of socio-economic groups and affecting both the well and the less well educated. Regular wage work seems to be in very short supply both in the private sector and perhaps even more so today in the public sector, though the public sector was in times past a major avenue and these activities still account for a very large share of urban employment in the "primary" high-wage sector. Access to regular wage work seems everywhere to be largely controlled through insider connections, nepotism and other forms of segmentation device. Self-employment and family enterprise work is one avenue that obviously does provide a continuing stream of new work opportunities for many, and in the small businesses that the more successful families operate there is also a number of new wage jobs and apprenticeships for non-family members. Here, also, the entry barriers in the form of skills and experience, capital etc., are formidable for most unemployed people.

Our conclusion is that a substantial fraction of the youth from low-income backgrounds and limited education have to scramble for work and to settle for casual employment with intermittent unemployment, much of which is not captured in labour force sample surveys. In general, we conclude that the notion of easy access opportunities, is or has become, a stylised myth, to change the usual idiom.

One other consideration is the growth of the labour force. It bears repetition that like the population growth from which it derives, recent labour force growth in the developing countries is a phenomenon with few historical precedents; in the past, only during periods of peak migration (such as that experienced by North America during parts of the nineteenth and early twentieth century), has the labour force expanded at the rates now commonly experienced among the developing countries. On average, their labour force grew at 2.0 per cent per annum over the period 1955-85 and at a more rapid rate in the urban areas due to continuing migration. Growth is expected to continue at similar rates for the foreseeable future. By way of contrast, in the developed world, future labour force growth is expected to be at a rate of 0.4 per cent per annum, only a fifth as large[50]. Without entering the debate about the long-term impact of population growth on economic development, it is clearly very plausible that the large excess of persons seeking entry into the labour market over the numbers leaving it in recent years has contributed to a secular rise in the urban unemployment rate. Continuation of growth at about the same rate will surely exacerbate the impact of other generally adverse factors affecting youth unemployment in the future.

Our third proposition from the conventional wisdom is that unemployment comprises search unemployment on the part of those able to afford it and motivated to undertake it by the prospect of a high-wage job. The rebuttal of this proposition is

partly in the foregoing discussion. We also argued that much of the relatively high unemployment on the part of the educated may be apparent rather than real, so that their experience is not intrinsically different from that of other young people who have less education. And we made the point that the evolution of the labour market for educated entrants in recent years would probably have encouraged more realistic expectations and discouraged overly choosy behaviour.

This said, where one starts in the job market is often hugely important as regards where one can subsequently expect to go. Almost all the very numerous studies show that educated people earn more than the less educated for all levels of education and those that attempt to measure the rate of return to education suggest that the return is high[51]. In the great majority of countries, young job seekers emerge from school with a relatively high level of education compared with that of their parents and with hopes to parley this education into a well-paid, regular job with good career prospects. This could be expected to provide a motive for a measure of selectivity in job acceptance and a high and long duration of entry level unemployment in some cases. Finally, there is a secular process at work that systematically shifts the relative attractiveness to employers of educated and uneducated youth in favour of the former. At the top end of the development spectrum, it is the least well educated part of the youth cohort that has the greatest difficulty in finding work (as shown by high unemployment rates) even in countries such as the United States, where the creation of apparently unskilled jobs has been very rapid. We do not know how fast this transition occurs but, at least in the urban areas, it is possibly happening in cities at lower levels of income than has hitherto been thought.

Questions such as the extent of selectivity (and the extent to which jobs are actually rejected), the reasons (if any) why young people need to be unemployed to search for jobs (perhaps largely confined to those without a convenient family or self-employment to provide part-time employment), and how expectations are adjusted (if this is necessary), all afford much scope for conjecture.

In general, we think it is more likely that the high levels of unemployment among youth reflect the combination of an increasingly less open jobs market for youth of all kinds (and the spread of at least primary education to most youth), and the generational crowding effect associated with a gross mismatch between the entry cohorts of young people on one side and the limited offer of new entry-level positions in the labour market on the other. Such offers may have been in particularly short supply in recent years due to the impact of adjustment (structural or otherwise) and lost growth in the 1980s. Indeed, there is evidence that this has spread significant unemployment to older age groups of workers though, in general, job scarcity is perhaps mostly keenly felt as a strong encouragement among mature employed persons to cling to the work that they have. The effect is thus to put even more pressure at the initial entry points of the labour market and therefore on youth.

The implications that flow from these conclusions are (a) that there is a need for a general revision in the conventional view of urban unemployment in developing countries, the principal focus of the paper, and (b) that there is also room for a considerable amount of new research, both to clarify the many questions that are still

unsettled and to test the applicability of some approaches whose use thus far has been confined to the developed countries. The type of reassessment of urban unemployment indicated also implies a third conclusion: that the role and direction of employment policy may also need to be reconsidered.

In the developing countries, a new generation of analytical work is still at an early stage and remains hampered by the lack of the sort of panel data on individuals that facilitates the testing of hypotheses through econometric work as it is practised in the developed countries. There remains a dearth of studies that would describe and analyse entry/exit labour market decisions, occupational pathways, mobility within and between formal and informal sectors, how and which young people strike out into self-employment etc., and the links between such decisions and earnings differentials (prospective as well as current). Nor, for example, do we know much about the family influences on occupational and activity outcomes -- though we do know that personal connections and "know who" networks are very important in gaining initial access to employment, not least in the informal sector.

Basically, an approach is needed that seeks not only to understand the determinants of employment, unemployment and similar conventional categories, but which also throws light on the multiple types and intensities of attachment to the labour market and the ways in which such attachments are influenced or can be influenced through economic and other instrumentalities -- wages, labour market regulations, net advantages, etc., together with programmes and services such as training for youth, small business promotion, job market information services etc. For these ambitious purposes, the labour force survey data will need to be related to wider data sets, *inter alia,* for earnings and the determinants of labour demand.

Through the labour force sample survey a good deal of information is already available and it is increasing at a very rapid rate. However, much of it -- for different reasons -- remains largely inaccessible. Some surveys are not published and are available only to those with the wherewithal to visit the country and the agency carrying them out. Most others are published, but in a form that shows only a fraction of the material collected and that permits only the sort of rudimentary analysis attempted in this paper. Still others appear with considerable detail, but years after the field work was done. Finally, there seems to be little encouragement for the scholarship that would be required to track down the subtle and the not-so-subtle changes of questionnaire design and field practice which are necessary if valid time series are to be constructed.

Clearly, these are not insuperable problems. The most considerable expense is the carrying out of the surveys themselves and this a very large number of developing countries are now supporting, sometimes as often as four times a year[52], but this enterprise needs support if even a fraction of the true value of the work is to be captured. This implies funding and an institution to take command in obtaining and making useable reproductions of unpublished surveys; in processing materials into

computer-readable format for ease of manipulation and analysis; and at the field level, in reviewing design issues with the responsible authorities and supporting efforts to speed up processing. And finally, to support work in developing consistent time series of the major aggregates.

Finally, we noted the possible policy implications of a revised view of the unemployment problem. This is a large subject and one that we see as a challenge that needs to be addressed rather than as an issue for which we see any immediate settlement. In our view, it surely does matter that unemployment is a bigger problem than most people have thought, that it is a problem affecting a wide class of the citizenry in the urban Third World, and that the secular trend may be rather sharply adverse. Politicians in developing countries have for quite a long time been inclined to give the unemployment problem more attention than have the economists. It is time to redress this imbalance.

NOTES

1. Durand's painstaking analysis of census materials in the developing countries relating to employment structures and participation furnishes a number of dramatic illustrations of pitfalls among these early data. See John D. Durand, 1975, *The Labor Force in Economic Development. A Comparison of International Census Data, 1946-1966*, Princeton, Princeton University Press, especially Annexes B. 2, F., and G.

2. See David Turnham and Ingeles Jaeger, 1971, *The Employment Problem in Less Developed Countries. A Review of Evidence,* OECD Development Centre Studies, Paris, OECD Development Centre, for presentation of results and discussion of these early labour force surveys.

3. Gunnar Myrdal, 1968, *Asian Drama. An Inquiry Into the Poverty of Nations,* in Three Volumes, New York, The Twentieth Century Fund and Pantheon Books. See in particular, Chapter 21.

4. See Michael J. Piore, 1987, "Historical Perspectives and the Interpretation of Unemployment", *Journal of Economic Literature,* Vol. 25, No. 4, December, pp. 1834-1850.

5. See Jacob Viner, "Some Reflections on the Concept of 'Disguised Unemployment,'" in *Contribuições a Análise do Desenvolvimento Económico,* Rio de Janeiro, Livraria Agir Editora, 1957, quoted in Gerald M. Meier, *Leading Issues in Development Economics,* New York, Oxford University Press, 1964, pp. 79-80. There is in fact little evidence that disguised unemployment in household enterprise commonly takes the form of short working hours; rather, it seems that once in the household enterprise, very long hours are worked by everyone who does not have other household duties.

6. The table shown below is derived from a survey carried out in districts of rural Egypt in 1983. It illustrates the extreme sensitivity of measures of participation in the labour force of rural women according to the time and activity mix criteria:

Alternative criteria for labour force membership, rural women

	Hours of work in the reference week	
	One hour or more	15 hours or more
Labour Force definition	per cent included in the labour force	
1. Paid LF	11.9	9.3
2. 1, plus other market-related activities	37.0	23.7
3. 2, plus subsistence related activities	79.0	42.3

Source: Dixon-Mueller and Anker, 1988, page 41.

7. Modifying the standard concepts to take into account special factors is also a challenge. Interestingly enough, this type of modification had gone furthest in India, the locus for much of Myrdal's early criticisms. This is discussed in a later section of the paper.

8. See Gunnar Myrdal, *op. cit.*, page 1123, Chapter 23, Volume II. The empirical basis for Myrdal's view of measured unemployment was mainly the very early labour force sample surveys carried out in India, including one conducted in Calcutta in 1953. As other writers were to point out later, while Myrdal made much of the ambiguities and definitional explorations typical of these early surveys, the difficulties led to a progressive evolution of techniques to better capture and measure a reality whose importance in the overall scheme of things "could not be evaded". See Raj Krishna, 1984, *The Growth of Aggregate Unemployment in India: Trends, Sources and Macroeconomic Policy Options,* World Bank Staff Working Papers No 638, Washington, DC, The World Bank.

9. For reviews of unemployment as measured in sample surveys in developing countries and discussion, see David Turnham, *op. cit.*, 1971; Albert Berry and Richard Sabot, 1978, "Labour Market Performance in Developing Countries, A Survey", *World Development,* Vol. 6, No. 11/12, November/December, pp.1199-1242; and Alan Udall and Stuart Sinclair, 1982, "The 'Luxury Unemployment' Hypothesis: A Review of Evidence", *World Development,* Vol. 10, No. 2, January, pp. 49-62.

10. See J. R. Harris and M. P. Todaro, 1970, "Migration, Unemployment and Development: A Two-Sector Analysis", *The American Economic Review,* Vol. 60, No. 1, March.

11. See the paper by John R. Harris and Richard H. Sabot "Urban Unemployment in LDCs" in Richard H. Sabot (ed.), 1982, *Migration and the Labor Market in Developing Countries,* Boulder, Westview Press. For a more recent and more general review see D. T. Mortensen, 1986, "Job Search and Labor Market Analysis", (Chapter 15) in Orley Ashenfelter and Richard Layard (eds.), *Handbook of Labor Economics,* in Two Volumes, (Handbooks in Economics Series No. 5), North-Holland, Elsevier.

12. See Sebastian Edwards and Alejandra Cox Edwards, 1987, "Unemployment and Income Distribution" (Chapter 6) in *Monetarism and Liberalization, The Chilean Experiment,* Cambridge, Massachusetts, Ballinger Press.

13. On the problems of defining the informal sector, see the discussion by Jacques Charmes, in his paper "A critical review of concepts, definitions and studies of the informal sector", in Turnham, Salomé and Schwartz, (eds.), 1990, *The Informal Sector Revisited,* (Development Centre Seminars), Paris, OECD Development Centre.

14. These arguments are developed by several writers, including Dipak Mazumdar. In the Indian context, Mazumdar dismisses the institutional [union] argument by appeal to evidence that differentials within the private sector in India were in existence long before the Unions. See Dipak Mazumdar, 1983, "Segmented Labor Markets in LDCs", *The American Economic Review,* (Papers and Proceedings of the 95th Annual Meeting of the American Economic Association), Vol. 73, No. 2, May, pp. 254-9. Other versions of the efficiency argument have appealed to a link between work effort and sound nutrition. While explaining employers' offers of "free" meals taken on the job in the context of hard physical work, special pleading is necessary to trace the rather indirect connection between worker nutrition, work effectiveness and regular family income.

15. Udall and Sinclair, *op. cit.*

16. See The World Bank, 1980, *World Development Report, 1980,* New York, Oxford University Press for The World Bank, page 51.

17. However, a few important studies were carried over from the 1970s such as Peter Gregory's study of Mexico, published in 1986, Dipak Mazumdar's study of Malaysia, published in 1982 and Michael Lipton's report on labour and poverty, published in 1983. These mostly draw on statistical enquiries of the early and mid 1970s; by the late 1980s, in the age of the micro-computer, early results from the World Bank's new programme of Living Standards Measurement Studies (LSMS) based on data collected in 1985/86, were making

possible some new types of analysis as reflected in the LSMS Working Papers. These studies are discussed in the text.

18. Data availability problems have been eased due to the spread of standardized approaches (based on international agreements arrived at through the Conferences of Labour Force Statisticians sponsored by the ILO) and as more and more countries have adopted labour force sample survey techniques of measurement. By the late 1980s, about 30 developing countries were carrying out such surveys, on a regular basis, with a fairly broad coverage for Latin America, Asia and the countries of the Middle East. In addition, there are the regular surveys now conducted in all the OECD countries (in Turkey urban surveys only). Not surprisingly, there are few survey sources yet for sub-Saharan Africa although Ghana, Nigeria, the Côte d'Ivoire and Kenya (all these surveys are for urban areas only) and Lesotho have recently begun them.

19. The text discussion draws heavily on the series of OECD studies summarized in the 1985 through 1989 issues of the annual *Employment Outlook,* published by the OECD Manpower and Social Affairs Directorate. In particular, see the papers on long-term unemployment in the 1987 and 1988 issues, on women's activity in the 1988 issue, on discouraged workers in the 1987 issue, on youth unemployment in the 1986 issue, on the discussion of interactions of education and labour market activity in the 1989 issue, and on recurrent unemployment in the 1985 issue. In the text references are given to the year and chapter of the OECD Employment Outlook source.

20. Along with high unemployment, there may also be surprisingly large numbers of young people who are neither in school nor reported as looking for work, *i.e.* who are out of the labour force. For example, in Belgium in 1986, about 40 per cent of out-of-school teenagers were not counted in the labour force. If half of this group were willing to take work had it been available, the teenage unemployment rate for out-of-school youth would have been about 45 per cent in 1986 rather than the 26 per cent actually shown (see *OECD Employment Outlook*, 1988, pages 57 and 60). Moreover, high enrolment rates in school or college (especially when these are easy to get into and are subsidized) may also serve to conceal or disguise a lot of discouraged workers rather than reveal committed students.

21. See the section on "Current Labor Statistics: Employment Data," in US Dept. of Labor, *Monthly Labor Review,* Vol. 106, January 1983, and Vol, 112, December 1989.

22. However, not all OECD countries are like this -- in Austria, Finland, Sweden and the United States, for example, the similar group of prime age workers suffering from long-term unemployment accounted for less than 10 per cent of the unemployed in that group.

23. See Alan S. Blinder, 1988, "The Challenge of High Unemployment," *The American Economic Review,* (Papers and Proceedings of the 100th Annual Meeting of the American Economic Association), Vol. 78, No. 2, May, pp. 1-15.

24. For a recent summary of the issues from an empirical perspective, see "Greater Flexibility in the Labour Market," Chapter 2 of *Economies in Transition,* Paris, OECD, 1989a. For econometric modelling incorporating recent theoretical developments, see the articles by C. Pissarides and J. Dreze, and related discussion, in *Economic Policy,* October 1986, and Robson's article "Unemployment and Real Wages in Great Britain," *Oxford Economic Papers,* October 1989. For a general review see also Karl-Heinz Paque, 1989, *Micro-Macro Links in West Germany's Unemployment,* Kiel Working Papers No. 378, Kiel, Kiel Institute of World Economics.

25. See Assar Lindbeck and D. Snower, 1988, "Co-operation, Harassment and Involuntary Unemployment: An Insider-Outsider Approach, "*American Economic Review,* Vol. 78, No. 1, March, pp. 167-88.

26. See Richard H. Thaler, 1989, "Interindustry Wage Differentials," *Journal of Economic Perspectives,* Vol. 3, No. 2, Spring, pp. 181-93.

27. Dipak Mazumdar, 1983, "Segmented Labor Markets in LDCs", *The American Economic Review,* (Papers and Proceedings of the 95th Annual Meeting of the American Economic Association), Vol. 73, No. 2, May, pp. 254-9. Gregory, 1986, *The Myth of Market Failure. Employment and the Labor Market in Mexico,* Baltimore, The Johns Hopkins University Press for The World Bank. (Table 7-3, p. 232) reports similar findings for Mexico; in 1975, workers in establishments with 500 workers or more earned 61 per cent more than those in establishments with 26 to 100 workers, and those in turn earned 43 per cent more than those in establishments with less than 26 workers.

28. See John Harriss, 1989, "Vulnerable Workers in the Indian Urban Labour Market," Chapter 10 in Gerry Rodgers, (ed.), 1989, *Urban Poverty and the Labour Market. Access To Jobs and Incomes in Asian and Latin American Cities,* Geneva, International Labour Organization. For other examples see Alan Stretton, 1983, "Circular Migration, Segmented Labour Markets and Efficiency: The Building Industry in Manila and Port Moresby", *International Labour Review,* Vol. 122, No. 5, September-October, pp. 623-39. Networking is also the dominant factor in accounting for a common finding that migrants to cities often seem to experience lower unemployment rates than persons native to the city. Dipak Mazumdar comments on India that "the market for recruitment to formal sector jobs is located much more in the rural areas than in the urban informal sector" (quoted by Harriss, see reference above).

29. See William T Dickens and Kevin Laing, 1988, "Labor Market Segmentation and the Union Wage Premium," *The Review of Economics and Statistics,* Vol. 70, No. 3, August, pp. 527-30, and literature cited therein.

30. These arguments have not -- so far as we are aware -- been used in the European context although there seems obvious scope to apply them in several countries. However, there is an argument contrasting the experience in job

creation of the United States and certain European countries which also recalls the formal-informal characterisation. Thus Paque *op. cit.*, presents evidence that the Federal Republic of Germany's sustained high rate of unemployment relative to the recent falling trend of unemployment in the United States, is due to the greater difficulty of expanding labour-intensive low-skill service activities in the Federal Republic of Germany, because of uniformly high labour costs resulting from centralised wage bargaining. Centralised wage bargaining may help to reduce extreme wage demands from particularly powerful groups of unionised workers and emulation on the part of others; on the other hand, if the centralised agreement extends over all sectors -- including the small enterprise, less organised and more open (*i.e.* informal) activities, where the power of employed workers is weak and wages would otherwise be lower -- this may not be so advantageous from the viewpoint of expanding employment.

31. For additional discussion in the OECD context see OECD, *Employment Analysis,* 1987, Chapter 5.

32. Definitions of developed and developing countries follow the conventions used by the World Bank in its *World Development Reports of 1979/81, i.e.* roughly at the centre of the period covered by our data. These definitions are based on adjusted GNP per capita converted to dollars using a moving average of dollar/national currency exchange rates. As a result of per capita income growth and exchange rate changes, a few countries have moved up to be classed among the industrial market economies (*i.e.* non-centrally planned developed countries) in the World Bank's most recent data (1989 World Development Report), e.g. Hong Kong, Singapore, Portugal, Spain, and Greece. However, for the purposes of describing unemployment experience from 1970 onwards, we preferred a classification which reflects the status of the countries at around 1980 rather than later. Income estimates for Taiwan, China, are not reported by the World Bank; we have treated Taiwan as a developing country in Table 1.

33. These are growth rates of the agricultural and non-agricultural labour force in developing countries over the period 1965-1980 as derived from labour force estimates prepared by the World Bank. See the World Indicators (Table 31) of the World Bank, 1988, *World Development Report 1988,* New York, Oxford University Press

34. Among females, the difference in participation rates between the OECD countries and the sample of developing countries is much greater. There is also a suggestion that this form of disguised unemployment is higher in the cities of the low income developing countries (a sample of eight countries) compared to the middle income ones (also eight countries). The complete data are as follows :

	Males	Females	Total
OECD	62.1	56.4	59.3
Developing	57.5	34.0	46.2
-Low Income	[54.5]	[24.0]	[40.4]
-Middle "	[60.5]	[44.1]	[51.9]

35. See various country tables reported in PREALC (International Labour Office), 1987, *Pobreza y Mercado de Trabajo En Quatro Paises: Costa Rica, Venezuela, Chile y Peru,* document No. 309, Santiago, PREALC.

36. See International Labour Organisation, 1972, *Employment, Incomes and Equality. A Strategy for Increasing Productive Employment in Kenya,* Geneva, International Labour Organisation, page 59.

37. See Dipak Mazumdar, 1981, *The Urban Labor Market and Income Distribution. A Study of Malaysia,* New York, Oxford University Press for the World Bank. Based on a tracer study of secondary school leavers from public schools, this is still the bench mark reference. The sample was not of an especially privileged group -- the fathers were mostly blue collar workers, with only 10 per cent from administrative and clerical occupations; overall, parental income is reported as in line with the national average.

38. This possibility is mentioned, for example, by Kannappan. See Subbiah Kannappan, 1988, "Urban Labor Markets and Development," *The World Bank Research Observer,* Vol. 3, No. 2, July, pp. 189-206. See also the earlier discussion of segmentation and references cited. The role of connections and nepotism in occupations where formal education would not normally be expected to play a strong role, e.g. in construction work, seems to be quite powerful.

39. See Luis A. Riveros, 1989, *International Differences in Wage and Nonwage Labor Costs,* The World Bank Policy, Planning, and Research Working Papers (WPS) No. 188, Washington, DC, The World Bank, for a discussion of recent trends in manufacturing earnings. Evidence on the compression of starting salaries in the African public sector is given in David L. Lindauer, Oey Astra Meesook, and Parita Suebsaeng, 1988, "Government Wage Policy in Africa: Some Findings and Policy Issues," *The World Bank Research Observer,* Vol. 3, No. 1, January, pp. 1-25. Some analysts are now arguing that public sector wages may now be too low, thus encouraging government servants in the practice of "moonlighting". For an analysis of survey data from Peru and Côte d'Ivoire see van der Gaag, Stelcner and Vijverberg, 1989, *Public-Private Sector Wage Comparisons and Moonlighting in Developing Countries, Evidence From*

Côte d'Ivoire and Peru, LSMS Working Paper No. 52, Washington, D.C., The World Bank. The authors show that evidence for the view that public sector pay is too high may be illusory, *i.e.* public sector pay may appear to be substantially above the private sector but when more sophisticated estimation techniques are used to compensate for differences in worker attributes "public wage offers are lower than private wage offers for workers with average characteristics, throughout the working lifetime". Errors arise in estimating wage equations because what one can observe statistically is computed on the basis of jobs actually held, not jobs that might be held, *i.e.* those *on offer* from the other sector. Thus, if the public sector recruits for relatively high-level jobs, the average wage of its entrants may be higher than in the private sector; however, the public sector entrants might also have received higher wage offers in the private sector than is true of the average acceptor of a private sector job. Hence between the sectors, the pattern of wage offers and the average wage associated with the offers will be different from the pattern and average of wages for jobs accepted. The Ordinary Least Squares estimation does not take this into account and is likely to result in biased estimates relative to those derived using Full Information Maximum Likelihood methods.

40. Harriss (see Rodgers, *op. cit.*) shows factory workers to be 79 per cent literate in Bombay versus 68 per cent among causal workers -- not such a big difference; casuals are aged 27 on average versus 37 among factory workers.

41. Peter Gregory's study of Mexico is a relatively recent in-depth country study. However, he reports the absence of any link between education and rate of unemployment. See Peter Gregory, 1986, "The Underutilization of Labor: Unemployment and Underemployment," Chapter 3 in *The Myth of Market Failure. Employment and the Labor Market in Mexico,* Baltimore, The Johns Hopkins University Press for The World Bank.

42. See the discussion and data summarized in Chapter 1, Gerry Rodgers (ed.), 1989, *Urban Poverty and the Labour Market. Access To Jobs and Incomes in Asian and Latin American Cities,* Geneva, International Labour Organisation.

43. The most up-to-date survey of the informal sector is the review paper by Jacques Charmes in the collection contained in Turnham, Salomé, and Schwartz, (eds.), 1990, *The Informal Sector Revisited,* (Development Centre Seminars), Paris, OECD Development Centre. Charmes' paper also has evidence on comparative earnings as do other papers in the cited publication. The paper by Victor Tokman in the same volume also reports some illuminating data from a survey in Costa Rica on movements between the formal and informal sectors.

44. There is more evidence on many of these questions from the developed countries, though how relevant this is seems doubtful. The available data there tend to underline the importance of wage work as far and away the most important avenue for the unemployed to obtain work: e.g. from data on 11 OECD countries from the early 1980s, among those who had reported

themselves as unemployed one year earlier, from zero (Luxembourg) up to no more than 3.9 per cent (Greece), reported themselves to be self-employed at the time of the current survey (*OECD Employment Outlook*, 1986, Table 24). Similarly, comparing the entry into wage paid employment using this same data, it seems that in most OECD countries, the chances are 20:1 or better of a move from unemployment into wage employment rather than into self-employment. See *OECD Employment Outlook,* 1986, Paris, OECD, Chapter 2.

45. See John L. Newman, 1988, *Labor Market Activity in Côte d'Ivoire and Peru,* LSMS Working Paper No. 36, Washington, DC, The World Bank.

46. Moreover in Abidjan, the proportion of young men outside the labour force was 55 per cent of the total age group versus only 33 per cent in Lima. If the difference is disguised unemployment in the form of discouraged workers, including some who remain as students that would be in the labour market were conditions better (in Abidjan in the age cohort 20-29, 72 per cent of the male students and 67 per cent of the female students were reportedly in secondary school), then unemployment in Abidjan would be a colossal 56 per cent.

47. Unfortunately, there remains a considerable problem in getting the data published in a timely fashion. The latest available data is from the Third Quinquennial Survey on Employment and Unemployment. The main results at the all-India level and for urban and rural areas separately are published in *Sarvekshana, Journal of the National Sample Survey Organization,* 1988. These, as well as the earlier surveys, are actually averages of four separate enquiries held at 3-monthly intervals; the results for each 3-monthly sample are also available for certain tabulations.

48. See *Sarvekshana,* 1988, *op. cit.*, Tables 37, 45, 47, and 50, pp. S-120-49.

49. The Indian data are based on labour time measured in half-day units such that work for at least an hour but less than 4 hours counted as half a day, and of more than 4 hours as a full day. The procedure still probably implies some underestimate of underemployment since an individual could (for example) work on for five hours a day for six days and be counted as working for 6 full days. Indeed, an effect of this type seems to be implied by the extraordinarily long work week reported among all classes of workers: thus, the rural labour force (including those unemployed and underemployed) was working an *average* of 6.19 days per week (see Table 27, *Sarvekshana,* 1988). Some 77 per cent were working 7 days a week [in the urban areas, 79 per cent); and the group of partially employed wanting more work (9.3 per cent of the total rural labour force) were working an average of 3.8 days and on average wanted an extra 2.8 days of work, which indicates that they too wanted to work for more than 6 days a week.

50. Data are computed from International Labour Organisation (ILO), 1986, *Economically Active Population Estimates and Projections, 1950-2025,* Third Edition, in Six Volumes, Geneva: International Labour Organisation.

51. There is an immense literature measuring -- or 'critiqueing' measures of -- the rate of return to (various levels of) education in the developing world. A recent compendium of estimates covering over 60 countries suggests high private and social returns to all levels of formal education. See George Psacharopoulos, 1988, "Education and Development. A Review", *The World Bank Research Observer,* Vol. 3, No. 1, January, pp. 99-116. Of course, education is of value in a wide variety of activities in addition to comparatively high-wage government and big business, notably in farming and probably to an increasing extent in the informal sector. The latter is an emerging conclusion from an ongoing ILO/World Bank/OECD Development Centre study of the informal sector in urban areas in Africa. See also Reuben Suarez-Berenguela, 1988, *Informal Sector, Labor Markets, and Returns to Education in Peru,* LSMS Working Paper No. 32, Washington, D.C., The World Bank -- especially pages 48-49.

52. In most instances, the quarterly labour force survey seems an unnecessary luxury; indeed, there is a strong case for a restricted scope annual survey plus a detailed survey every four or five years.

TABLE 1. UNEMPLOYMENT RATES (as a percentage of the labour force) (+)

Country	Year	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988
Developed Countries												
Ireland	G	5.8		7.3					17.4			16.7
Belgium	G	1.9		7.7					12.0			10.0
United Kingdom	G	2.2		5.6					11.5			8.2
Netherlands	G	1.0		6.0					10.9			8.3
Canada	G	5.6		7.4					10.4			7.8
France	G	2.5		6.3					10.2			10.1
Italy	G	5.3		7.5					10.1			11.0
Germany F R	G	0.6		3.3					8.3			7.9
Australia	G	1.6		6.0					8.2			7.1
Denmark	G	0.7		6.5					7.3			8.6
United States	G	4.8		7.0					7.1			5.5
Finland	G	1.9		4.6					5.0			4.5
Austria	G	1.5		1.6					4.1			3.5
New Zealand	G	0.2		2.2					4.1			6.0
Sweden	G	1.5		2.0					2.9			1.6
Norway	G	0.8		1.6					2.6			3.2
Japan	G	1.1		2.0					2.6			2.5
Luxembourg	G			0.6					1.8			1.4
Switzerland	G			0.2					0.9			0.7
Developing Countries:												
THE MEDITERRANEAN												
Spain	G	2.5		11.2					21.4			19.5
Turkey									15.0			
Morocco									13.5	15.5		
Tunisia				10.6								
Egypt												10.4
Portugal	G	2.5		7.7					9.0			5.6
Greece	G	4.2		2.8					7.8			7.6
SUB-SAHARAN AFRICA												
Botswana								31.2				
Lesotho									22.3			
Zambia										19.2		
Tanzania									17.7			
Kenya										14.1		
Nigeria (a)								7.9	9.8	10.0	12.2	10.0
Cote d'Ivoire									9.2			

+) unless otherwise indicated (by G) rates are for urban areas.

a) Nigeria: figures are for December in 1984-85 and September in 1986-88.

TABLE 1. (continued) UNEMPLOYMENT RATES (as a percentage of the labour force) (+)

Country	Year	1970	1975	1980	1981	1982	1983	1984	1985	1986	1987	1988
ASIA												
Sri Lanka			20.7		14.2				19.4			
Philippines (b)		5.2	5.0	8.2	8.3	9.8	9.3	10.7	11.0	11.5		
Malaysia (Penins.)			7.2	5.0					6.2			
Indonesia										7.3		
India			6.4	7.8			6.8					
Singapore	G	4.8		3.0						6.5		
Thailand (c)		1.4	2.3		5.7					5.2	5.7	
Pakistan		2.9	2.7	5.2			5.8	5.7	5.0	4.5		
Korea, R. of (d)		7.4	6.6	7.5	6.5	6.0	5.4	4.9	4.9	4.7	3.8	3.3
Bangladesh									3.2			
Hong Kong (e)	G						4.5	3.9	3.2	2.8	1.7	1.4
Taiwan	G		1.8	1.2	1.4	2.1	2.7	2.4	2.9	2.7	2.0	1.7
LATIN AMERICA												
Chile (f)						25.2	23.8	19.8	17.3	14.4	13.3	11.9
Venezuela (g)				6.7	7.0	7.8		13.8	15.3		10.6	
Colombia (h)		10.6		9.7	8.3	9.1	11.7	13.4	14.0	13.8	11.7	10.2
Uruguay (Montevideo)	(i)						14.7	13.5	12.8			
Ecuador		4.2		5.7	6.0	6.3	6.7	10.5	10.4	12.0	12.0	
Costa Rica				6.0	9.1	9.9	8.5	6.6	6.7	6.7	5.9	
Argentina (j)		4.9				4.6	3.9	4.4	5.9	5.2	5.7	6.5
Bolivia				7.5	6.2	7.5	8.2	6.6	5.7	4.2	5.9	11.5
Brazil (k)		6.5		6.2	7.9	6.3	6.7	7.1	5.3	3.6	3.7	
Mexico (l)		7.0		4.5	4.2	4.2	6.6	5.7	4.4	4.3	3.9	
Peru (Metro Lima)									4.2			

+) unless otherwise indicated (by G) rates are for urban areas.

b) Philippines: 3rd quarter of each year
c) Thailand: the definition of unemployed has been changed in 1983 to include "available for work" in the category. Figures for 1970-81 have been adjusted to take that into consideration.
d) Korea, R. of: Non-farm household
e) Hong Kong: new definition adopted in 1985.
f) Chile: September of each year
g) Venezuela: 1st semester of each year
h) Colombia: average of Bogota, Barranquilla, Madallin, and Cali, quarterly averages.
i) Montevideo: 2nd semester of each year
j) Argentina: October of each year. The figures for 1985-88 are preliminary.
k) Brazil: six largest urban areas
l) Mexico: average of the metropolitan areas of Mexico City, Guadalajara, and Monterey

TABLE 2. CONCENTRATION OF URBAN UNEMPLOYMENT ACCORDING TO AGE

COUNTRY	GDP/capita (1985 PPPs)	Urban Unemployment Rates (%) Date	Over-all	Age Group 15-24	25+	Ratio of age group 15-24 to Over-all	25+
DEVELOPING MEDITERRANEAN							
Morocco	1221	1986	15.5	31.6	10.3	2.0	3.1
Turkey	2533	1985	15.0	31.7	10.2	2.1	3.1
Portugal G	3729	1988	5.2	11.5	3.6	2.2	3.2
Spain (a) G	6437	1988	18.5	37.7	13.0	2.0	2.9
SUB-SAHARAN AFRICA							
Kenya	598	1986	14.1	38.1	8.2	2.7	4.6
Cote d'Ivoire (b)	920	1985	9.2	17.6	3.5	1.9	5.0
ASIA							
Bangladesh	647	1984/85	3.2	7.7	1.4	2.4	5.4
India (b)	750	1983	6.8	13.3	2.2	2.0	6.0
Pakistan (c)	1153	1986/87	4.5	7.8	2.3	1.7	3.4
Indonesia	1255	1986	7.3	23.4	2.6	3.2	9.1
Philippines	1361	1983 IV	9.0	18.6	5.6	2.1	3.3
Sri Lanka	1539	1985/86	19.5	40.2	11.5	2.1	3.5
Thailand	1900	1986	5.2	12.3	3.0	2.4	4.1
Korea, R. of (d)	3056	1984	4.9	9.6	3.7	2.0	2.6
Taiwan (Taipei)	3581	1984July	3.1	8.2	2.1	2.6	3.8
Singapore G	9834	1986	6.5	9.4	5.5	1.5	1.7
LATIN AMERICA							
Bolivia (e)	1089	1988	11.5	15.2	7.0-10.0 (f)	1.3	
Peru (b)	2114	1985/86	4.2	8.3	1.7	2.0	4.8
Colombia (Bogota)	2599	1988Dec	9.3	14.2	5.1	1.5	2.8
Costa Rica	2650	1987July	5.9	11.8	3.6	2.0	3.3
Brazil	3282	1985	4.4	8.4	2.5	1.9	3.3
Venezuela	3548	1987-2	9.1	17.6	6.5	1.9	2.7
Simple Averages			8.7	17.9	4.9	2.1	3.9

G indicates unemployment rate for all country.

a) Spain: the youth age group is 16-24.
b) For Cote d'Ivoire, India, and Peru the age groups are 15-29 and 30+.
c) Pakistan: 19.7 % of over-all urban unemployment is reported as "apprentices with no guaranteed job".
d) Korea: non-farm household.
e) Bolivia: Weighted average of 9 cities. Age groups are 20-29 and 30+.
f) Bolivia: rate for 30+ is unavailable. Rates for sub age-groups are: 30-39= 9.3; 40-54= 7.0; 55+= 10.0.

TABLE 3. CONCENTRATION OF URBAN UNEMPLOYMENT ACCORDING TO EDUCATIONAL ATTAINMENT

Country	Date	Urban Unemployment Rates (%) Level of Educational Attainment (a) A (b)	B (b)	C	D
Total Labor Force					
MIDDLE EAST AND AFRICA					
Morocco	1986	13.3	20.8	28.1	16.1
Kenya	1986	11.4	14.0	19.0	2.6
Turkey	1985	27.0	13.9	17.8	7.0
Nigeria	1983/84	0.0	3.2	11.1	0.0
ASIA					
Sri Lanka	1985/86		12.5	22.4	3.1
Singapore (c)	1986		7.5	5.1	6.5
India	1983	3.1	5.6	10.1	8.6
Philippines	1983IV	1.1	4.9	11.0	10.9
Pakistan	1986/87	4.2	3.9	5.7	4.0
Korea, Rep. of	1983Nov		3.9	6.0	5.0
Indonesia	1986		3.3	12.7	8.3
Bangladesh (d)	1984/85	2.3	2.6	6.1	3.1
Thailand	1986	2.2	2.5	7.1	8.3
LATIN AMERICA					
Venezuela	1987-2	7.3	9.8	9.5	5.9
Bolivia (e)	1988	6.7	7.5	13.4	13.1
Colombia (f)	1988Sept		7.4	10.9	8.4
Costa Rica	1987July	5.2	5.9	7.0	2.9
Simple averages		7.0	7.6	11.9	6.7

Youth Labor Force (ranges indicate age groups) (b)

		GDP/capita (1985 PPPs)			
Indonesia 15-24	1986	1255	9.9	34.6	47.0
Sri Lanka 15-24	1985/86	1539	25.8	43.9	44.6
Colombia 15-29 (f)	1988Sept	2599	11.9	15.6	12.9
Korea 15-24	1983Nov	3056	8.4	11.0	16.8
Singapore <30	1986	9834	10.2	6.0	15.9
Simple averages			13.2	22.3	27.4

a) Key to categories used: A: Illiterate or none, B: Primary, C: Secondary, D: above Secondary.
b) in five countries which have youth rates, lowest attainment category (B) represents Primary and less.
c) Singapore: data refers to all country.
d) Bangladesh: rate for "Primary" includes 10 years of schooling and less.
e) Bolivia: weighted average of 9 metropolitan areas.
f) Colombia: Bogota only.

TABLE 4. LABOUR FORCE AND INCOME DISTRIBUTION IN FIVE LATIN AMERICAN COUNTRIES, 1985
(in percentages)

Country	Income Quintiles					Total
	First	Second	Third	Fourth	Fifth	
I. Distribution of the unemployed by income quintiles						
Brazil (a)	40.4	24.5	16.7	13.2	5.2	100.0
Colombia (b)	31.2	25.7	19.7	14.7	8.4	100.0
Costa Rica (c)	31.1	21.9	25.6	14.4	6.8	100.0
Panama (d)	33.6	29.9	22.0	12.9	1.4	100.0
Venezuela (e)	21.9	25.6	23.5	17.2	11.3	100.0
II. Unemployment Rates Per Income Quintile						
Brazil (a)	9.3	4.8	3.3	2.7	1.1	4.2
Colombia (b)	22.1	18.3	12.9	9.0	5.3	13.2
Costa Rica (c)	10.0	7.3	6.0	3.9	1.8	5.6
Panama (d)	19.1	12.3	8.8	4.9	0.6	8.2
Venezuela (e)	13.2	12.4	10.6	8.0	5.5	9.7

a) Area of Sao Paulo.
b) Seven pricipal cities.
c) Nationwide.
d) Panama City area, 1984
e) Caracas.

Source: PREALC, based on ECLAC data obtained from household surveys.
Quoted in Inter-American Development Bank, 1987, Table VIII-8., p. 129.

TABLE 5. SELF-EMPLOYMENT IN URBAN AREAS OF DEVELOPING COUNTRIES

Country	GDP/capita (1985 PPPs)	Self-Employment/Labour Force Date	(%)
DEVELOPING MEDITERRANEAN			
Morocco	1221	1986	24.1
Turkey	2533	1985	31.9
Portugal (a)	3729	1987	16.5
Greece (a)	4464	1987	33.2
Spain (a)	6437	1987	23.3
SUB-SAHARAN AFRICA			
Nigeria	581	1983/84	59.0
Cote d'Ivoire (Abidjan)	920	1985	28.9
ASIA			
Bangladesh	647	1984/85	43.3
India	750	1983	37.3
Pakistan	1153	1986/87	53.0
Indonesia	1255	1986	34.0
Philippines	1361	1983IV	31.5
Sri Lanka	1539	1985/86	35.8
Thailand	1900	1986	35.1
Korea, Rep. of (a)	3056	1984	30.4
Taiwan (Taipei)	3581	1984July	28.7
Singapore (all island)	9834	1986	14.6
LATIN AMERICA			
Bolivia (b)	1089	1988	45.0
Peru (Lima)	2114	1985/86	37.9
Colombia (Bogota)	2599	1986	28.4
Costa Rica	2650	1987July	23.2
Brazil	3282	1985	24.9
Chile	3486	1986Sept	21.1
Venezuela	3548	1987-2	25.8

a) for Greece, Korea, Portugal, and Spain rates are for non-agricultural labour force
b) Bolivia: weighted average of 9 metropolitan areas

TABLE 6. EMPLOYMENT CATEGORIES AND UNEMPLOYMENT: ABIDJAN AND LIMA, 1985/86 (in percentages)

City and age group	Work for Others	Self Employed	Unemployed	Others	TOTAL
Abidjan					
Males 15-29	54.4	8.8	34.6	2.2	100.0
Males 30+	63.8	22.0	8.8	5.5	100.0
Lima					
Males 15-29	64.7	26.4	7.5	1.3	100.0
Males 30+	55.7	38.7	1.5	4.1	100.0

Source: John L. Newman, 1988, Tables B-1 and B-2, pp. 60-3.

TABLE 7. DISTRIBUTION OF USUAL LABOUR FORCE STATUS BY CURRENT STATUS IN URBAN INDIA, 1983

	Current weekly status (in percentage)				
Usual status	Self-employed and family workers	Wage workers	Casual workers	Unemployed	Total Labour Force
Self-employed and unpaid family workers	97.7	0.6	0.7	1.0	100.0
Wage Workers	0.4	98.8	0.3	0.5	100.0
Casual Workers	2.2	1.0	92.0	4.8	100.0
Unemployed	3.6	2.4	3.9	90.1	100.0
Total Labour Force	37.2	40.5	15.6	6.7	100.0

Source: Computed from Sarvekshana, 1988, Table 54, page 172.

TABLE 8. DISTRIBUTION OF WEEKLY LABOUR FORCE STATUS BY DAILY STATUS IN URBAN INDIA, 1983

Weekly status	Daily Status (in percentage) Self-employed and family workers	Wage workers	Casual workers	Unemployed	Total Labour Force
Self-employed and unpaid family workers	98.6	0.1	0.1	1.2	100.0
Wage Workers	0.2	99.5	0.0	0.4	100.0
Casual Workers	0.5	0.5	85.9	13.1	100.0
Unemployed	0.0	0.0	0.0	100.0	100.0
Total Labour Force	36.8	40.6	13.2	9.5	100.0

Source: Computed from Sarvekshana, 1988, Table 58, page 180.

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All per capita GDP figures are for 1985 (at 1980 Purchasing Power Parities (PPPs)--in US$) and are taken from Robert Summers and Alan Heston "A New Set of International Comparisons of Real Product and Prices", *The Review of Income and Wealth,* series 34, number 1, March 1988, pp. 1-25.

Key to Dates: Except where the figure is a yearly average, Month (e.g. 1987 Nov), Quarter (1986IV), or Semester (1987-2) is indicated.

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