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December 2010

Online at <http://mpra.ub.uni-muenchen.de/27479/>

MPRA Paper No. 27479, posted 17. December 2010 / 08:52

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Abstract

Labour market is a multi-dimensional entity, with inexorable institutional affiliation. Therefore, the studies on labour market fail to evolve a logical framework to its structure with satisfactory consensus to the theoreticians in totality. It is very interesting to examine the various dimensions of labour market. This paper reviews certain research contributions on labour market structure, segmentation and vulnerability issues.

Keywords: labour market, labour market structure, labour market segmentation, gender concerns and vulnerability in labour market

Introduction

As a social institution (Solow, 1990), labour market explains the dynamics of poverty and social exclusion (Heady, 1997). The manner in which the labour force is allocated in the production processes and the rewarding system of job determine how the human element of an economy is utilised. As Standing (1999) states, 'labour market is a means of assisting the allocative process of the means of production and that of realising human development, through facilitating work as a creative social activity.' However, studies underscore deplorable plight of labour market ever since globalisation (see Deshpande & Deshpande, 1998; GoI, 2002; Jose, 2002; Munck, 2002; Naidu, 2003; Rama, 2003a; 2003b; Das, 2004; Morin, 2005). Labour vulnerability and displacement are the unpleasant outcome of competitive structural changes in the economies across the world.

This paper attempts to make a condensed review of the contributions of some researchers on labour market. The report follows content writing style. The reviews have been organised into three major heads (studies relating to labour market structure, studies relating to labour market segmentation and studies relating to gender concerns and vulnerability issues in labour market) and presented chronologically.

Structural Studies

Phelps (1955) writes market structure is the set of formal rules, which determines how people qualify for jobs, get jobs, hold their job or advance in and what their rights are while employed. The knowledge of the market structure is the key to understand the labour market. He observes employment problems are a function of size. The larger the employing firms, the greater the number of problems per employee it will have to deal with. The small organisation has the tremendous advantage of the personal approach.

Hunter and Robertson's (1969) research is concerned with the part played by labour in the operation of the economy, and the issues which arise in trying to ensure that labour's contribution is effective, appropriate and suitably rewarded. They point out that the supply of labour is not simply a matter of the allocation of an inanimate resource without opinions. Moreover, labour supply is highly differentiated by education and training, ability, location and other factors. The demand for labour has to take account of human strengths and weaknesses, and reflect society's view of the appropriateness of the tasks that may be given to workers. The individual's well-being is more closely related to the fortunes of his own particular category of employment, so that the wage or income structure is quite as relevant as the average movement of wages. The study also stresses that workers are to be treated as households rather than individuals, because while men and women come in to labour market as individuals, they belong to households. Hence labour supply is a matter of individuals. The authors emphasise that employer-employee relationship is the basic assumption of current thinking and experience on labour matters.

An edited volume by Burton Jr. *et al.* (1971) is a set of articles and excerpts from the available analytical literature. It has a wide coverage of aspects of labour market behaviour; it offers the reader analytical possibility of labour supply and demand functions, decisions concerning investment in human capital, migration, and the reflection of market adjustment mechanisms in the behaviour of occupational inter-industry and racial and geographical wage differentials, as well as the role of unions in the creation of wage differentials. The text deals with crucial methodological issues in labour market. Information networks in labour market and labour mobility are thoroughly discussed in the text. In addition the public policy implications of minimum wage policy legislations are presented objectively. Minimum wage

legislation is stated to have two objectives: the reduction of employer control of wages and the abolition of poverty. The minimum wage legislation asserts that it may very well have the effect of redistributing income in favour of labour, thus creating a tendency towards less inequality in the personal distribution of income. He points out that workers do not act rationally in labour markets. They do not make comparisons of net advantage in alternative employments. Their decisions stem more from habit than from rational calculation. Workers, in general, value security highly. They prefer present employment at lower prices to other employment at higher prices, because moving will diminish their security. Therefore, workers are unresponsive to differentials in prices in alternative employment.

Vincent and Robinson (1974) have made an investigative research on labour market behaviour. They have analysed the market forces elaborately to arrive at their conclusions. They define the quantity of supply of labour in three ways: by the type of labour supplied, by the place where it is supplied and by the employer to whom the individual applies for a job. The decision unit is individual or the household, which means that the study of labour supply becomes an analysis of the behaviour of the individual or household. The behaviour of labour supply is also explained by making a comparison between the acts of which it is composed and the personal characteristics of the workers; age, sex, marital status and number of children, diplomas and certificates, level of skills etc. Regarding information in the labour market they observe a market cannot operate unless the suppliers and demanders have adequate information. Information has been considered as a means to enable suppliers of labour to make their choice in the light of their existing preferences. In a market where information is not perfect, trial, error and adjustment are inevitable. They argue what a worker really wants is not job information but information about himself. His aim is to discover what he wants. It is opined in the study that the search for security is often regarded as one of the principal motives upon the worker. A worker who is anxious to safeguard his security may prefer a provisional and unstable job in an enterprise, which will provide him with another occupation to follow, to a regular job with another employer whom he does not know. The attraction of a government job is explained in part by a desire for security. The authors believe the existence of the ILM depends on the benefits which workers and enterprises expected from them. The internal market of an enterprise consists of a set of rules which regulate access to the

various jobs in the enterprise, the career conditions of the worker, and the procedures for any adjustments considered unavoidable, in particular the order of redundancies. They insist that a worker who belongs to a well-structured internal market is not inclined to leave the firm because he runs the risk of losing his seniority.

Krimpas's (1975) book is based on an empirical study. The findings are analysed by statistical methods, to test the association between the new measure of labour input and a variable interpreted as the supply price of labour. He observes, whereas supply refers to a specific person, demand is concerned with an impersonal role holder. Supply refers to a totality of commitment and a totality of social relations. Demand refers to a specification of the job, which is satisfactory for the organisational and other objectives of the firm, whose pay is also satisfactory from the viewpoint of the firm. He states that in the modern labour market physical effort has largely been replaced by decision-making; and if the decision can be measured, labour input can be redefined to provide a new approach on the operation of the labour market. The book is divided in to two parts; the first dealing mainly with theory while the second is largely a report of the empirical evidence. He points out labour input, which is demanded, supplied and measured, always in an organisational context, is designated as a complement or a substitute in the process of capital accumulation; precisely as labour power is appropriated and integrated in to the life of the organisation. Explaining labour market dualism and technology he writes 'at low ranks of the labour hierarchy manpower is a strict complement to the capital capacity installed.' In a world where investment, technology and the structure of the industry are the prime movers, labour is a substitute not a complement in the process of accumulation. However, in the process of accumulation the demand for high-level manpower is not a substitute but a complement. This is because the process of accumulation requires managerial manpower to occur at all.

Addison and Siebert (1979) analyse the labour market in microeconomic perspectives. They explain how empirical research is used in testing economic theory and deriving rules for policy making. The authors assert that potential mobility rather than actual mobility plays a crucial role in the competitive model of the labour market, because workers invest more to the most attractive jobs to eliminate wage differentials given the job. They have discussed market structure and the efficiency of labour market in detail and made an analytical treatment on discrimination in labour market.

Lindbeck and Snower's (1988) work is an anthology of self-contained and independently comprehensible articles on Insider-Outsider approach of labour market theory. It focuses on how 'insiders' (experienced incumbent workers) get market power and how their activities affect the outsiders (unemployed). The study theoretically and empirically examines the impact of insiders' activities on wages, employment and unemployment and discusses associated policy implications. The insider-outsider theory presented here attempts to rationalise simultaneously the existence of wage norms, involuntary unemployment and the economic role of labour unions. The theory suggests why insiders receive significantly higher wages than outsiders. Due to the prevalence of a clear-cut insider-outsider dichotomy, demand for labour falls short of supply of labour, by leaving the labour market in the interest of incumbent workers. The involuntary unemployment is also analysed in the text through efficiency wage theory.

A collection of Solow's (1990) three lectures on the Royer Lecture Series at the University of California in 1989, on labour market analyses it as a 'social institution'. Solow perceives labour market is a market for a very different kind of commodity with many special characteristics. Social institutions define acceptable and unacceptable modes of behaviour in weighting contexts like the labour market. In the second lecture entitled 'Persistent Unemployment' Solow sets out the implications that arise from the view of labour market as a 'social institution.' Solow observes that there is something special about labour as a commodity, and therefore about labour market too, as 'labourer has some control over his own productivity.' He also opines "one important difference between the labour market and the market for fish is that the performance of the worker depends on the price paid for her service" (p. 33). His perception of job itself is slightly different from that of traditional theorists. To him job is a 'status as well as a source of income'. In this text Solow uses two approaches (Insider-Outsider approach and Prisoner's Dilemma approach) for asserting his claim 'labour market as a social institution.' The insider-outsider approach is used to show labour market can work with the persistence of pretty clearly unemployment. Using a version of Prisoner's Dilemma, he suggests how social norms may develop and why, in periods of unemployment, there is no active competition for a limited number of jobs and why that competition does not force down wages. He points out that job seekers, in their isolated islands, guided by their own naïve wisdom, are prone to

exploitation. But if they have a chance of preliminary communication and capacity to make binding commitments about which strategy each will choose, they can easily overcome the adverse market threat. Experience and reason lead to the emergence of a social norm. In repeated Prisoner's Dilemma game co-operation is the ultimate outcome. In fact, labour has not an exact market (where commodities or factors are traded) as such, as propounded in the traditional theories. Labour hires out only his/her productive capacity by retaining his/her identity in exchange of wage received. It cannot be supplied like a commodity. Likewise, labour is not demanded either, but only sought. The employer is not sure about the exact productivity of the labour that he is going to employ, until it is turned out at the firm. Therefore, the notion of demand for labour is also absurd in the pure sense. "A sort of complication that arises just because the 'labour market is a social institution' and not a machine for matching supply and demand," Solow comments (1990; p. 76).

Segmentation Studies

Doeringer and Piore (1971) have made an elaborate analytical attempt to the theory of ILM. At the very outset they state that the volume is the off-shoot of labour market studies conducted over mid sixties. The concepts developed in their research output are derived primarily from a series of interviews with management and union officials in more than 75 companies during the period 1964 to 1969. It has been argued that the ILMs are a logical development in a competitive market in which three factors such as enterprise-specific skills, on-the-job training and customs are present. Enterprise skills are those, which can only be utilised in a single enterprise in contrast to general skills that can be transferred among many enterprises. Managers favour ILM so as to retain their competitive position in both product and labour markets. Incumbent workers will do so in order to protect or enhance their employment security and promotion opportunity. The authors point out that once these markets are prevalent, workers and managers will seek to stabilise the work relationships and to reinforce further the ILM. They point out that stability of employment is the most salient feature of the ILM. Therefore, each ILM structure reflects a compromise between management's concern with efficiency and workers' interests in enhancing job security and advancement opportunity. Analysing wage determination within the ILM they summarise that wages are administratively determined either by the formal procedures of job evaluation, community surveys, merit rating, and industrial engineering studies

or through less highly structured procedures, which, nonetheless, appear to be similar in character and in effect. It has been argued that the ILM operates through a series of adjustments to reconcile imbalances between the supply of labour on the external market and the labour requirements of the internal market.

International Institute for Labour Studies (1980) has brought out some technical papers exploring the interrelationships between labour market structures and their implications for unemployment and distribution of economic opportunity in major urban areas of the developing world. A technical paper on the ILM describes a rational ILM becomes a necessity if only for neutralising the cost raising effects of all these environmental pressures. The ILMs have also risen from management's anticipations about these pressures. Paternalism is the word that has often been applied to management's anticipatory action leading to the institution and improvement of an ILM. The paper comments that the military service structure in particular, with its extensively developed administrative rules and procedures governing recruitment, training and promotion that almost look like a well ordered ILM. Market segmentation becomes a regular feature of the internal labour market in practice. Where the segmentation of the ILM is extreme, there is no way for any temporary worker to be co-opted into permanent work force. Naturally, segmentation through the ILM framework is economically inefficient because it is clear that the firm is employing the permanent employees for the jobs which temporary workers could perform equally well for lower pay and poorer benefits.

Villa (1986) presents an empirical analysis into the issues of labour market segmentation. It makes a comparative study of the steel and construction industries in Italy. The study focuses on the forces that determine the structuring of labour markets and investigates how and why workers with similar characteristics are treated differently in different segments of the labour markets. The author demonstrates that the structure of jobs, employment conditions and the rules governing recruitment, training, career structure and work force mobility are determined by market conditions for the product, industrial structure and current technology. She also shows that these factors alone are not sufficient to explain the structure of labour markets. The social interaction of employers, workers and unions within this economic and technological framework is an important element too. In the analysis of labour market, she observes the basically competitive labour market model has been

modified by taking in to account the existence of imperfections, rigidities and costs associated with labour mobility and imperfect information, and finally the process of acquisition of information. Explaining the dual labour market theory the author argues the labour market is no longer perceived as a unified phenomenon, but as a plurality of markets, each distinct in its structure and characteristics. The theory is developed around the idea of the ILM, defined as an administrative unit. Here dualism is interpreted as the result of divergent development in the industrial sector, given heterogeneous technological evolution and its interaction with the structure in the product market.

Gender Concerns and Vulnerability Studies

Datta (1998) observes that millions are socially excluded and have been suffering from persistent deprivation associated with generally low standards of living and various kinds of social insecurities. He asserts that labour market institutions have played a significant role in the achievement of social security by the organised sector. The conceptualisation of social security, in a broader perspective, implies the social protection ensured by the society. It is realised through a series of public measures against social and economic distress, that otherwise would have been caused by the sudden stoppage or substantial reduction in income resulting from specific contingencies like sickness, work place injury, maternity, invalidity, disability, old age and death. He exhorts the necessity of public action in establishing ample social security measures in unorganised sector.

Deshpande and Deshpande (1998) attempts to highlight the favourable and unfavourable impacts liberalisation has had on the labour market in India, in the short run. The authors use the results of the 50th Survey Round (1993-94) of the NSSO to compare the actual outcomes in the labour market before and after liberalisation, the study shows that the demand for labour increased after liberalisation, but the increase was not shared evenly in rural and urban India between men and women, and regular and casual workers. Men were economically more active after liberalisation; in both rural and urban India. Female participation shows a slightly different pattern. Urban women were economically as active after liberalisation as before, but rural women were less active after liberalisation. However, their weekly status and daily status participation was higher after in both rural and urban India. In villages, the rate of

unemployment for men and women was lower after liberalisation than before it. In cities, men experienced a tighter and women a looser labour market after liberalisation. The study observes that it would be wrong to expect the product and labour market to be much affected both quantitatively and qualitatively by liberalisation. If at all, it would be affected indirectly by the impulses set in motion by the liberalisation of trade and industry. Increase in demand for labour caused by liberalisation is likely to be reflected in increase in casual employment defined by the weekly status rather than by the usual status. The study points out that the relentless pressure of international competition in domestic and export markets prompted employers to substitute women for men workers in existing employment and prefer them to men in new employment. The conclusions of the study are counter to the apprehensions of most critics of liberalisation, that is, it will reduce wage employment.

Pointing out the significance of unorganised sector, in the context of the changes in the world economy and the consequent decline of the notion of welfare state, Jhabvala (1998) argues, there is considerable debate on the need to provide social security to the informal sector. The author borrows the broad classification of the ILO such as social insurance and social assistance based on the type of social security given to the working class. Social insurance covers workers of various categories; and social assistance covers persons with various disabilities like old age, sickness etc. The research paper attempts to strike a balance between social security and economic security. Economic security is the primary means by which persons are able to obtain their social security needs. On the other hand, social security is a means to increase and maintain the productivity of the worker; so as to increase economic security. The paper concludes by highlighting that the right to work and the right to social security are complementary to each other.

Bradley (1999) explores the pattern of relations between men and women in contemporary work places, tracing out continuities as well as changes. The author carried out interviews with 198 employees, women and men, in five organisations in the North east of England. These were supplemented by additional discussions, formal and informal, with managers and with union officers and representatives responsible for organising the work force within the five organisations. He points out that British employees work the longest hours in Europe and have the shortest number

of holidays. Rather than en-skilling and empowerment, capitalist development brings continued task of degradation and tightened managerial control. Wage labourers face casualised forms of employment; they experience greater powerlessness, partly because of the diminished influence of trade unions, partly because of new technology and new managerial techniques offer the chance of increased surveillance of individuals. The book also explores inequalities between men and women at work, focusing on the sexual division of labour in the work places. Although, all the organisations were developing promising equal opportunities, patterns of gender segregation persisted. He has highlighted a number of effects of globalisation at work place. He has argued that the relations of wage labour have been affected by the increased competitiveness. He points out that this has brought an increasing sense of insecurity to hitherto more protected groups of employees, such as office staff and public sector professionals, as organisations restructure their employment hierarchies and down-size to get rid of slack.

An investigative paper by Vanamala (2001) examines the impacts of reforms on female workers in the informal segments of a formal sector industry such as engineering. The new economic reforms have contributed to the faster growth of informal sector resulting in informal work relations in the formal sectors. This informalisation and casualisation of work relations in the industries have opened some opportunities for women. The study points out that while concessions have been provided towards concessions on capital investment, the state has not made it obligatory for industry to provide statutory welfare benefits and good working conditions for its workers. The author criticises the state saying that it is indifferent to violations of labour rules and regulations. The study points out that to grab maximum profit under deregulated and liberalised market systems engineering industries have introduced changes in their organisational, managerial, technological and operational set up. These changes are, in turn, so designed that they prefer low skills female workers and opt for informalisation and segmented employment. The author points out that financial vulnerability of family acts as a source of cheap labour (female workers) to the industries. The study sums up that extraction of surplus is changing more to the disadvantage of workers in general and female workers in particular.

Breman's (2001) article is on the plight of the ex-mill workers in Ahmedabad, which were closed down as a direct consequence of the liberalisation of the industry and the

economy at large. He points out that the textile mill closures in Ahmedabad cost over 10000 jobs, and resulted in the informalisation of a vast majority of the sacked workers. Unable to comprehend why they were expelled from the formal sector of the economy, the former mill workers in Ahmedabad feel disillusioned and alienated. Some of the victims of the policy of informalisation have been unable to accept their fate and have sought early retirement. He states that security of employment is a distinctive feature of the labour system in the formal sector of the economy. He opines that the 'labour welfarism' during the period immediately after the colonial regime in the country is now in the reverse, so as to restrict the over protection of formal sector labourers. A permanent job implies a whole range of rights and entitlements, such as guaranteed wage, index-linked to the prices of basic necessities, paid holidays and a range of bonuses and contributions for social provisions. It is reviewed in the study that the World Bank in particular has been a fervent supporter of a policy aimed at ending the dualism in the labour market, not by formalising but by informalising the employee-employer relationships. The informal sector is defined in the study based on the nature of the employment relationship rather than that of the economic activity. The informal or casual workers do not have any claim on legal minimum wage or other provisions. By replacing the regular workers, they work as disguised informalisation of work in the formal sector. He asserts that the informalisation process has not fostered the growth of employment. As policy prescription, he observes that regulation by the government and restriction of the working of the free market are necessary to put an end to the exclusion from a decent standard of life of the huge and still growing army of labour in the informal sector. He concludes that regulation by the government and the restriction of the workings of the free market are necessary to put an end to the exclusion from a decent standard of life of the huge and still growing army of labour in the informal sector, which is in many respects used as a reserve.

The most striking issue in the labour markets of developing countries – informalisation – has been studied empirically by Unni (2001). It addresses the question of informality and women's employment in South Asian countries. Increasing trends in feminisation and informalisation of workforce in the countries such as India, Pakistan, Bangladesh, and Nepal are reviewed in the paper. The researcher observes that informalisation is an inevitable element in the emerging

labour market scenario. The process of globalisation, export oriented industrialisation and relocation of industries from developed to developing countries are cited as the reasons for informalisation of work force. Expressing the difficulty of getting secondary data, regarding informality, the author points out that the traditional job classification schemes do not distinguish the worker on the basis of the degree of informality of the enterprise in which one works. However, the study presents the composition of employment and earning differentials as two measuring rods of the extent of labour market informalisation in an economy. Informalisation is reviewed empirically based on ILO's Labour Statistics, *inter alia*. The study adds new developments in the labour market such as out workers, informal employment in the formal sector and domestic works as clear evidences of informalisation and vulnerability. It also shows the clear testimony of the link between gender, informality and poverty in the labour market in South Asia.

A research paper by Singh (2001) explores the various informal activities that revolve around tourism based on field survey from two prominent tourism cities in India - Agra and Jaipur. The areas he attempted to study are Accommodation, eating places, transportation and tourist guides. The author finds that the work force in the sector is largely informal and does not enjoy the benefits of decent work environment. Also, the working hours are long and competition is intense and there are no trade union activities in the sector. The work force has a low level of education, and training and consequently productivity and wages are very low. Being temporary employees they do not have job security nor are social and welfare measures applicable to them. The author suggests that the employers' organisation should play a vital role in providing social protection and guaranteeing minimum rights to the workers. The skill augmentation of the workers is stressed in the study particularly in hotel and transport sectors. Despite the dismal working conditions the author makes a strong case for the growth of informal tourism sector because of its high labour absorptive capacity.

Bercherel and Cooper (2002) observe the driving force of globalisation has impacted upon human resource management in a variety of ways. On the supply side, the penetration of technology, particularly the use of the internet, in tourism has demanded different skills and competencies on behalf of employees and also impacted upon education and training needs. On the demand side, the emergence of 'new tourist' also has implications for human resource management. Globalisation of

the tourism sector has brought a significant expansion in scope of work force management and a host of organisational changes. The article has attempted to identify the key impacts of globalisation on the tourism sector and to analyse the consequent implications for human resource management. He concludes that the issue in tourism is the need to protect vulnerable categories of employees both in the informal sector and in non-standard employment as well as attempting to put into safeguards and strategies to ensure that small/medium sized enterprises prosper in the face of international competition.

In his research paper D'souza (2002) opines there are two systems of managing the labour force of a firm; such as internal strategy and external strategy. In the internal strategy there is direct organisation of the work force, whereas the external strategy is associated with a reliance on sub-contracting. He argues that high debt firms have a greater incentive to employ workers on a temporary and part-time basis so that labour expense can be reduced quickly and at low cost during periods of slack demand. High debt thus puts the earnings and job security of the workers at risk. He also reviews that with liberalisation product market policies of licensing have been done away with and producers have begun to face competition which has restricted their ability to pass on the costs of worker privileges such as job security. Firms have tried to get around this difficulty by resisting the demands of organised labour through attempting to relocate, sub-contracting and putting pressure on labour via lockouts.

Roychowdhury's (2003) article discusses some of the changes in the position of labour in the era of globalisation. In particular she focuses on the numerical decline of the organised workforce, informalisation of labour, inadequacy of social security nets and the changing dynamics of trade union functioning. All these have led to the disempowerment of labour on several dimensions. The author points out that the loss of jobs in organised sector employment consequent to economic liberalisation is not only a regional or national phenomenon, but a global trend. In India, the article reviews, the decline of employment in the organised sector may be due to reasons which predate liberalisation, but it has created an enabling environment for cutting down regular salaried jobs through VRS, contractual employment, subcontracting, outsourcing and so on. The shrinking of the organized sector has been accompanied by the expansion of the informal sector. The process of informalisation raises several social security issues like insecurity of jobs, long and unregulated hours of work,

absence of insurance etc. With respect to the decline of unions, the author notes, as the organised sector has shrunk, concomitantly the numerical strength as well as the bargaining power of unions has been eroded. As concluding remark the author observes neither the left political parties nor the trade unions have provided a viable alternative policy perspective that could address the issues of public sector profitability as well as that of labour welfare. This ideological disarray is an important factor in labour's disempowerment in the current context of globalisation when the logic of the market appears to have an increasingly powerful hold over the public political imagination.

Three prominent issues of globalisation upon labour market have been explored by Rama (2003). The three issues addressed for the study are: whether globalisation affects labour market outcomes, whether domestic labour market policies are effective tools for mitigating or offsetting these effects and whether labour market policies have important side effects on economic efficiency. The study followed an analytical survey of literature. The author finds that globalisation has affected labour market outcomes heterogeneously. Skilled workers are most likely the gainers and unskilled and old workers are the losers. Public sector employees and workers in protected industries are the two groups that lose from such reforms like trade liberalisation, market deregulation and privatisation of state owned enterprises. In the long run, labour market interventions may have little impact on economic performance. The study stresses the importance of education policies in mitigating the adverse effects of globalisation by reducing the dispersion in earnings.

Conclusion

The reviews done aforesaid signify the multi-dimensional nature of labour market. The studies on labour market structure unfold various elements of labour market such as labour supply and labour demand, human capital, migration, information networks, wage legislation, ILM and insider-outsider approach. These various issues discussed by the authors convey the difficulty of configuring a market structure with general consensus. The studies on segmentation narrate very vividly the different methods of discrimination in the labour market. The studies on gender concerns and vulnerability issues explain the various kinds of social insecurities, which have been intensified due to liberalisation and globalisation.

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