



Munich Personal RePEc Archive

# **What policies should be there for employment in urban areas of developing countries?**

Gugushvili, Alexi

The University of Edinburgh - The School of Social and  
Political Studies

09. December 2006

Online at <http://mpa.ub.uni-muenchen.de/2862/>

MPRA Paper No. 2862, posted 07. November 2007 / 02:47

Final Draft



**What policies should be there for employment in urban areas of  
developing countries?**

*Alexi GUGUSHVILI*

*MSc in Policy Studies*

The University of Edinburgh  
Graduate School of Social and Political Studies  
Issues in Employment Policy

December 9

2006

## **Introduction**

In the late 1990s, the International Survey of Mayors (UNDP, 1997) regularly announced unemployment as the world's number one urban problem. Indeed, as world urbanisation intensifies with dramatic population growth, global unemployment problems move further into cities and towns of the developing world. According to on UN Habitat report (2006) from 2007, more people will live in cities than in the countryside for the first time in the history of the human race. Therefore, one of the major questions related to urban development is how these areas do and will cope with the problem of urban unemployment. It is believed that appropriate measures may improve situation. However, the delivery of the best policies is often impeded by political and social complicities that vary across countries. This paper tries to summarise the most valuable findings on the issue. It is divided into four main elements. The first part reviews the nature and causes of the problem; the second and third parts deal with the demand- and supply-side of urban employment policies; while the last section presents empirical calculations on urban informal employment.

### **I. The Nature of Urban Unemployment in Developing Countries**

According to the International Labor Organisation, the definition of 'unemployed' comprises all persons above a specified age, who during the reference period were without work, were currently available for work, and were seeking work (ILO, 2006). Classification of urban areas also varies from country to country, but as a general rule, the concept adopted by governments of developing countries sets 5000-2000 inhabitants as a lower limit of population size for urban agglomerations (Bairoch, 1973: 50). Because unemployment and even urban areas are hard to measure, the especially compelling factor for urban unemployment research is a lack of appropriate data within the majority of developing countries (Potts, 2000: 879). National

statistical agencies, population census sources, unemployment insurance programs, and other national offices all provide some limited information, but after long processing and publication lags (Turnham and Erocal, 1990: 13). Unable to obtain up-to-date statistics on cross-national urban unemployment rates in developing countries I rely on the older and proxy data presented by various authors (see Bairoch, 1973: 48; Todaro, 2000: 259) and agencies (see proxy data on agricultural and manufacture employment from WDI 2005) that show the severity of the problem. Many authors present the urban unemployment problem as an inequality of labour supply and demand on urban labour markets. I follow this approach throughout the essay to stay in tune with traditional economic analysis.

### *Population Growth and Rural-Urban Migration*

Most of the urban unemployment explanations deal with the supply-side. The high rate of urban population growth is the main cause for an abnormally increased supply of labour that in turn triggers imbalance and unemployment on urban labour markets. A whole set of political, social, economic and historical factors had their impact on population growth after the 1950s. This still does not explain why urban population is increasing at a greater pace than the overall population in developing countries. Urbanization, that is the increase over time of the population of cities in relation to the rural population, is partially the result of natural growth. Also, fertility rates are generally lower in urban than in rural areas a larger percentage of young population implies that total crude birth rates are far higher, while deaths are considerably lower (Bairoch, 1973: 39).

Nevertheless, empirical studies indicate that from one-third to half of urban population growth is the direct result of immigration from rural areas (UN 1998: 343). That explains why rural-urban migration has attracted the most attention in urban unemployment studies. The

process, observed all around the world, is assumed to be a historically unique, massive movement of population, resulting in high levels of unemployment (Gaude and Peek, 1976: 329). However, Hobsbawm, in his study of the Industrial Revolution in Great Britain (1964), showed that urban unemployment rates of developing countries, accompanied by dramatic social changes, were comparable to those of industrial countries during the early stages of development. Godfray (1986: 159), based on a case study of Kenya, also argues that rural-urban migration is largely caused by structural changes in society. Socio-economic development leads to transfer of people from one social class to another and those in rural areas who associate themselves with higher classes tend to migrate to urban areas.

Nonetheless, the most influential author on the issue is Todaro. He insists that people move from rural to urban areas because of their private interest in increasing their material prosperity (2000: 267). According to this model potential migrants compare not only current revenues but rather life-time incomes from staying where they are or migrating to urban areas. Later on, Todaro's theory triggered a number of criticisms and was further modified by different authors. Empirical analyses showed that migration out of rural areas does not necessarily imply a reduction of rural agricultural output as the theory suggests (Nguyen, 2003: 3). Besides, and more importantly, Cole and Sanders (1985) showed that the adverse effect of rural-urban migration on urban unemployment rates is probably misleading since conventional models ignore the notion that migrants work in the formal as well as in informal urban sectors.

### ***Structural Changes and Informal Economy***

There are several explanations for the variation of demand on labour in urban areas. Among others, (i) economic growth rates that facilitate the establishment of new enterprises and help existing ones to expand and (ii) technological change that usually decrease the required

amount of labour in production, are the most influential determinants. However, economic growth rates attract slightly less attention in describing urban unemployment, because they are higher in developing countries in comparison with the developed world (WDI, 2005). According to conventional economic theory, countries can only afford job creation that corresponds to the maximum utilization of the resources available in their economy. At the same time, capital intensification, which mainly happens in urban areas, decreases the formal demand on labour, while international competition and changing forms of production lead to smaller and more flexible units, some of which remain unregistered and informal (Chen, 2001: 4).

Informal employment is at the core of understanding urban unemployment problems. In some countries, due to the lack of social safety nets such as unemployment insurance and/or where officially declared wages, salaries and pensions are low, the informal sector becomes a necessary and prime survival strategy for poor populations. Therefore, statistics on the urban informal sector and employment represent a strong mechanism for evidence-based policy-making (Husmanns and Mehran, 2000). As a definition of informal economy, the Fifteenth International Conference of Labour Statisticians suggested using one or more of the following criteria: (i) non-registration of the enterprise; (ii) small size in terms of employment; and (iii) non-registration of the employees of the enterprise. While informal employment was defined as comprising all persons who are employed in at least one production unit of the informal sector (ILO, 1993). The latest data suggests that the informal economy accounts for approximately half (from 40 to 60 per cent) of total urban employment of the developing world (ILO, 2002). Various scholars justified this trend by the fact that these countries had yet to achieve sustainable levels of economic development (Chen, 2001: 3). However, through the 1980s and 1990s urban informal economy and employment continued to expand in all countries for which the data is available.

More importantly, informal employment is the main reason that explains why difference between rural and urban employment rates is much less than the difference between rural and urban unemployment rates. Many of those who are employed in different activities in the urban informal economy (underemployed) desperately search for better formal employment, hiding their current employment status and thus constitute high rates of urban unemployment according to existing definitions. But those employed in the rural informal economy do not search for formal employment due to its unavailability there. This means that the wide-spread perceptions about extremely high rates of urban unemployment in these countries are possibly exacerbated. Governments' policies and interventions into informal employment, justified by equity and efficiency principles, will not only decrease urban unemployment but will also lead to higher job-creating economic growth rates since the sector is more labour-intensive. Of course, traditional policies may indirectly transform informal employment in decreasing urban unemployment rates, though they are not necessarily designed to do so. After the following two sections that describe conventional employment policies, I empirically evaluate their influence on informal employment.

## **II. Supply-Side Employment Policies**

The most important point with urban employment policies in developing countries is that they practically do not exist. However, various policies have direct and indirect consequences on urban unemployment. Any employment policies are really useful if they effectively address the problems of urban labour surplus or deficiency of demand on labour. Effective expanding supply-side policies typically create a supply of labour where the demand on it exists. They affect various types of expenses associated with acquiring skills and searching for jobs, while restrictive policies create obstacles for the labour force to enter urban labour markets. I group all available

options into two large sets of urban employment policies: (i) educational policies and (ii) policies on rural-urban equality.

### *Policies on Education*

This area consists of the largest and in the long-term the most influential set of actions to decrease urban unemployment. In this option I consider acquiring skills by adults, but more importantly the whole educational system, although the later is excluded in the typical employment policy analysis. Unsurprisingly, in many cases the volume of urban employment which can be achieved depends largely on the existence or absence of a labour force with specific skills. Infrastructure development and strategic construction projects (that even indirectly may have beneficial effects on economic growth and employment) may be held up without an appropriately trained workforce, educated engineers and qualified administrators. While for blue-collar workers short-term training opportunities may be sufficient to achieve proficiency, productivity of white-collar workers is a matter of the formal educational system.

Apparently the goal of the best urban employment policies should be attainment of the right proportion of skilled workers and distribution of skills among occupations appropriate to the stage of the country's development (Mouly, 1973: 195). To achieve this goal an increase of per capita expenses on education, fundamental reforms of primary, secondary and tertiary institutions, and a reduction of corruption are necessary. Careful and targeted educational policies across the urban and rural neighbourhoods to avoid migration of rural educated unemployed and an increase of productivity of urban labour force are important (Todaro, 2000: 271). However, the quality of education and inappropriateness of what is learned are the main constraints. The poor quality can be explained by small educational expenses and lack of professional tutors, especially in distant rural areas. The inappropriateness of the curriculum is primarily is the result



of poor management of the system, lack of understanding, statistical calculations and forecasting on rural and urban labour demand.

### *Policies on Rural-Urban Equality*

These policies aim to achieve an equality of conditions and opportunities for those who seek jobs in different regions of the same country. The temptation of national governments to concentrate their efforts and investments on urban areas, which in turn increase rural-urban migration, is a long observed phenomenon (Bairoch, 1973: 60). In urban areas the implementation of policies is easier because the available infrastructure, human and financial resources simplify execution of the projects, while trade unions, pressure groups and lobbies constantly keep pressure on policy-makers. On the one hand such a policy may be justified. Available statistics for most developing countries indicate that the majority of unemployed people do live in urban areas, but solely fighting for employment in there means fighting the symptoms and not the causes of disease. Nor are the administrative measures aimed at restricting physical labour mobility beneficial (Nguyen, 2003: 3). They may even increase unemployment in urban areas, because decreased supply yields higher wages and lower employment.

Obviously, the best policy choice is the implementation of rural development programs that encourage demand on the labour force and improve living conditions within rural areas. It is also assumed that the migration of relatively more prosperous households from deprived areas largely contributes to the persistency of deprivation. After all, migration is not only a lack of employment. Social capital and opportunities to lead productive and creative lives are just as important. Hence policies directed towards creation of social and economic infrastructure, improving institutions, educational centres, libraries, etc, in rural areas lead to a lower urban labour supply and reduced unemployment figures rather than simple creation of some additional

jobs in both areas. Nevertheless the outcome of decentralization policies on urban unemployment levels may vary across countries as Merta (1980: 7) and Renaud (1981: 107) indicated in their cross-national studies.

### **III. Demand-Side Employment Policies**

Demand-side policies are a set of measures intended to increase urban or rural demand on the labour force. These policies may take different forms, but basically they are incentives that simplify the hiring and training procedures of employers and even create new employers. As was shown above, urban unemployment is largely caused by a high labour supply. However, demand-side interventions can and do improve the situation. Three sets of policies are presented below: (i) job creation through economic development policies; (ii) policies on wage flexibility; (iii) direct job creation in private and public sectors.

#### ***Policies on Indirect Job Creation through Economic Growth***

Demand on labour is the function of the demand on output; hence any policy that affects the conditions of production also affects demand on labour (Squire, 1981: 133). Through macroeconomic planning, urban employment problems are considered a part of national development efforts. Effective combination of fiscal and monetary policies, institutional and structural change, and liberalization of trade and capital flows are believed to be the prime weapons for economic development and job creation. International donor organizations and main developed countries generally provide financial resources, skills and expertise for development policies. However, utilization of assistance is the greater challenge. This approach implies that the allocation of resources for urban development is decided by central government, based on sound socioeconomic criteria and a better understanding of the processes of urbanization and

economic growth (USAID 1984: 3-4). An especially important role is assigned to trade and investment-friendly policies that are capable of boosting foreign trade and higher incomes. Beside direct job creation in urban areas, increased exports from rural areas encourage demand on the labour force there and reduce pressure on urban labour markets respectively.

### *Policies on Wage Flexibility*

In regard to urban unemployment, wage regulations must achieve equilibrium between rural and urban areas and among different urban centres by abolishing the distortions of low-paid labour markets. However, according to orthodox economic theory, a binding minimum wage increases the unemployment rate of low skill workers by reducing demand and increasing supply of labour force (Engberg, 1996: 703). While in some sense that cannot be true for many urban areas, since minimum wages set by legislation are very low and far under the average wage in the formal sector, it can still worsen the situation for unskilled labour in the formal economy. The solution lies in the concept of the elasticity of labour demand which shows how sensible the demand is according to the changing wage. Obviously, the best policy choice here is the abolishment of minimum wages, or their establishment on levels that do not significantly affect demand of the labour force in different occupations. Measures directed to municipal trade unions which actively support the increasing of minimum wages may also be considered as employment policy. However, trade unions do not play a significant role on the labour markets of developing countries and their activities are often discouraged, restrained and even prohibited (Salome, 1989: 81) and not always for employment reasons. On the other hand, flexible salary policies will change the structure of employment in different occupations according to demand elasticities.

### *Policies on Direct Job Creation*

For urban areas of the developing world direct job subsidisation policies may have zero or negative overall consequences. First of all, governments in these countries generally lack the ability to mobilize more than 15 per cent of their GDPs and thus always suffer from heavy constraints in financing expensive social projects. Besides, selecting appropriate people from the huge army of unemployed and then monitoring their performance is a technically problematic issue. Furthermore, it is difficult to subsidize marginal urban employment without also subsidizing infra-marginal urban employment. Because the supply of labour is very high in urban areas, many jobs are characterized by high turnover. In fact, the time limit of such subsidisation may even exacerbate unemployment. Due to a lack of social responsibility some employers would generally prefer to pay full wages than hire an individual who is not able to get a job by himself. In extreme cases government can oblige private firms to hire beyond what is needed or impose a medal of honour for the largest employer (Rustavi 2, 2006).

Many developing countries' governments use public jobs as a tool for lowering urban unemployment. Such a policy may reduce unemployment levels and social and political unrest, but it also constitutes sluggishness of the urban public sector, leads to sub-optimal use of public assets and concentrates employment in lower salary groups (Lindauer, 1988: 5). However, if a government designs new projects to provide better urban service delivery, the overall consequences may be beneficial. The policy decision should be based on the evaluation of input and output of the public sector. Merit-based employment is an absolute must for this option. In rural areas, the best policy lies in the selection of projects for low-skilled rural target groups near their neighbourhoods. Nonetheless, there is no continuous supply of these projects and they are restricted to investment in community facilities and repair and maintenance of infrastructure – roads, water, drainage, sewerage, flood protection, etc (Salome, 1989: 85).

#### IV. Empirical Model

To measure how policies presented above affect informal urban employment, I have designed three econometrical models of regression analysis. One or several variables are employed as crude proxies for almost every policy option. The dependent variable is informal urban employment as a per cent of total urban employment. Eighteen developing countries are selected from different parts of the world. The sources of the data are the International Labour Organization<sup>\*</sup>, World Bank, Heritage Foundation, and Transparency International. The full description of the models, applied methodology, all estimated coefficients and the crude data are reported in the appendix. For the models adjusted  $R^2$  equal to .68, .73 and .61 respectively, which means that approximately three quarters of fluctuation in the dependent variable are explained by selected indicators. F-statistics, which measures the overall significance of the equations, is also reliable.

To determine the effects of educational policies the variable of educational expenses in GDP was selected. Contrary to expectations, the model revealed the positive effect of educational expenses on informal employment, though the coefficient is not quite significant. This finding is in line with Dore's (1997) hypothesis that increased education stimulates more demand on education, increases labour supply and exacerbates unemployment problems. However, expenses do not measure solely quality of education which has more importance for urban employment. In the long run, investment in human capital, and as a consequence, a more educated and productive labour force, is capable of leaving the informal sector and entering the formal employment.

---

<sup>\*</sup> Before conducting the estimations, representatives of the International Labour Organization were contacted. However, even for ILO, up-to-date statistics on urban unemployment and employment rates across the different countries were unavailable or restricted.

Government's final expenditure on the national level and the corruption perception index are used as crude proxies for equality policies. In accordance with previous conclusions, an increase in government's expenditure in different rural and urban areas reduces informal employment. Nevertheless, the real difference can produce an improvement of quality and not merely an increase of expenditure within the same institutions and level of corruption prevailed in developing countries. Though, paradoxically the logarithmic function of the corruption perception index revealed a statistically significant positive correlation on informal employment – a fact that has no precise explanation. Theoretically, decreased corruption in the initial stages of development leads to more free entry to informal labour markets and only then gradually affects formal employment.

A higher per capita GDP proved to be associated with the reduction of informal urban employment, but the scale of impact is limited and statistically significant. This association decreases when educational and governmental expenditure are excluded and urbanization and trade policies are included in the second model. Apparently, the richer developing countries can afford the creation of slightly more formal employment. Another valuable finding is strong positive impact of economic growth rates on the increase of urban informal employment. Growth rate is the only variable that is included in every model, though its positive impact remains strong. Actually, economic growth in these countries leads to the creation of jobs in the informal rather than the formal economy and only when growth rates are reflected in real wealth do increases in formal employment take place. An increase of trade's share in GDP also positively correlates with higher informal employment rates.

Contrary to conventional policy recommendations for reduction of urban unemployment, regression estimations reveal that more flexible wage and price control policies and improved overall economic freedom indexes lead to an increase of informal employment, while tighter

governmental intervention discourages urban informal employment. All associations are statistically significant. It is hard to justify such a pattern, but theoretically, liberalization of markets, wages and prices simplify entrance to urban informal markets rather than to the formal economy. The longer time required for starting a business unsurprisingly showed the strong positive impact on informal employment, however it was not statistically significant. Two variables associated with rural-urban migration are in tune with conventional theories. Urbanization has shown the strongest positive influence on informal employment, while higher densities in rural areas are also linked with higher informal employment rates.

### **Conclusion**

Achieving low urban unemployment rates is one of the greatest challenges for the developing world. However, there is no universal remedy for solution of the problem. Various national and local policies may potentially reduce urban unemployment if they are appropriately directed towards qualitatively improved education, equality of conditions throughout the country, flexibility of labour force and direct and indirect job creation. One, and maybe the most, promising way to lower urban unemployment, advocated by this paper, lies in informal urban employment. Available scarce data shows that urban employment rates in developing countries are comparable to those of rural areas, and sometimes they are as high as in the developed world. Furthermore, a majority of the urban population is involved in some kind of activity that classifies them as employed, while on the other hand, they still declare that they do not work, are available for work, and searching for work: in other words, according to existing statistics, they are unemployed. The principle outline of the paper is its suggestion to transfer the attention of urban employment research to the trade-off between formal and informal urban employment.

Moreover, the transfer of employees from informal to formal employment is probably the most feasible way to reduce urban unemployment rates in the short and medium term. In this regard, valuable findings for policymaking are the following empirical estimations: economic growth, urbanization rate, rural density, educational expenses, overall economic freedom, corruption, wage regulation, long procedures for establishment of a business and increased trade, apparently have a positive influence on urban informal employment, while GDP per capita, government expenditure, and government's intervention have a negative impact on urban informal employment. However, the findings surely do not imply that policymakers should encourage corruption, compression of growth rates, economic freedom or trade: quite the opposite, they must concentrate on reforms that will create environment where all positive socioeconomic developments lead to the enlargement of formal urban employment and thus decreased unemployment rates. Further research needs to be done to clarify the exact impact of different policies on urban unemployment and urban formal and informal employment. However, for real policy implications in urban areas of specified countries, individual conditions constituting unemployment should be scrupulously analysed.



## Appendix

### *Models on Informal Urban Employment*

The ordinary least squares regression is employed as a technique for the analysis. The calculations are performed in the econometric software EViews 3.1. Data on the economic freedom, governmental intervention and wages and prices liberalization indexes are derived from the Heritage Foundation; data on the corruption perception index comes from the Transparency International; all the rest data is taken from the World Development Indicators 2005 of the World Bank. The models are constructed as follows:

$$(1) \quad \text{INFRAT} = \beta_0 + \beta_1 \times \text{GDPPER} + \beta_2 \times \text{GRWRAT} + \beta_3 \times \text{LOGGOV} + \beta_4 \times \text{ECOFRE} + \beta_5 \times \text{EDUEXP},$$

where INFRAT is people employed in informal economy as a per cent of total employment of urban areas; GDPPER is the GDP per capita throughout of economy; GRWRAT is the growth rate of national GDP; LOGGOV is the logarithmic function of the share of government in GDP; ECOFRE is the index of economic freedom; EDUEXP is the share of public educational spending as a percentage of GDP;

$$(2) \quad \text{INFRAT} = \beta_0 + \beta_1 \times \text{GDPPER} + \beta_2 \times \text{GRWRAT} + \beta_3 \times \text{URBRAT} + \beta_4 \times \text{WAGRAT} + \beta_5 \times \text{GOVINT} + \beta_6 \times \text{LOGTRD},$$

where URBRAT is the rate of urbanization; WAGRAP is the index of liberalization of wages and prices; GOVINT is the index of government's intervention in economy; LOGTRD is the logarithm function of the share of trade in GDP.

$$(3) \quad \text{INFRAT} = \beta_0 + \beta_1 \times \text{GRWRAT} + \beta_2 \times \text{ECOFRE} + \beta_3 \times \text{RURDEN} + \beta_4 \times \text{LOGCOR} \\ + \beta_5 \times \text{LOGBUS},$$

Where RURDEN is the density of population in rural areas; LOGCOR is the logarithm function of corruption perception index; LOGBUS is the logarithm function of the time (days) required to start a business.

**TABLE 1**  
**Estimated Coefficients for the Models of Informal Employment**  
**Rates in Urban Areas of Developing Countries**

VARIABLE	MODEL (1)	MODEL (2)	MODEL (3)
<b>GDPPER</b>			
β	-.008150*	-.004415**	...
SE <sub>β</sub>	.00257	.00232	...
Prob	.0080	.08410	...
<b>GRWRAT</b>	4.30745*	3.606631*	3.798089**
	1.53045	1.41100	1.75140
	.0183	.02670	.0509
<b>LOGGOV</b>	-40.52446*	...	...
	14.57130	...	...
	.0166	...	...
<b>ECOFRE</b>	-29.82057*	...	-43.76107*
	10.12385	...	14.04423
	.0122	...	.0089
<b>RURDEN</b>	...	...	.060565*
	...	...	.02082
	...	...	.0131
<b>URBRAT</b>	...	4.37994*	...
	...	1.84154	...
	...	.0366	...
<b>EDUEXP</b>	8.83464***	...	...
	4.972634	...	...
	.1010	...	...
<b>WAGRAT</b>	...	-11.016**	...
	...	5.234076	...
	...	.0591	...
<b>LOGCOR</b>	...	...	-37.27451**
	...	...	19.63605
	...	...	.0820
<b>GOVINT</b>	...	-11.54587**	...
	...	6.091166	...
	...	.0846	...
<b>LOGBUS</b>	...	...	9.649173***
	...	...	6.082427
	...	...	.1386
<b>LOGTRD</b>	...	2.470323***	...
	...	8.040195	...
	...	.7644	...
<b>CONSTAN</b>	218.1071	86.53662	170.2878
	36.93024	38.38224	63.91361
	.0001	.0455	.0206
<i>N</i>	18	18	18
PROB(F-statistic)	.00125	.00119	.00372
ADJUSTED R <sup>2</sup>	.68	.73	.61

\* Coefficients are significant at .05 level

\*\* Coefficients are significant at .1 level

\*\*\* Coefficients are not significant

TABLE 2  
The Data Used for Regression Analysis

Country	Year of observation	VARIABLES						
		Informal employment in urban areas (% of total employment)	Urban population growth (annual %)	Government final consumption expenditure (% of GDP)	GDP per capita (constant 2000 US\$)	Index of economic freedom (the lower the better)	Trade in goods (% of GDP)	Wages and prices liberalization index (the lower the better)
Benin	1999	46.0	5	10	352	3.34	49	3
Brazil	1997	27.3	2	18	3,487	3.33	19	3
Cameroon	1997	57.3	4	9	551	3.95	32	3
Ethiopia	1999	50.6	5	19	98	3.68	31	3
Georgia	1999	14.2	0	11	565	3.90	30	4
Ghana	1997	78.5	3	12	238	3.43	67	2
India	2000	51.3	2	13	450	3.93	18	4
Kazakhstan	1996	17.3	-1	13	1,021	4.14	56	4
Kyrgyzstan	1999	29.4	0	19	267	3.68	84	3
Madagascar	1995	57.5	5	7	242	3.74	36	2
Mali	1996	71.0	5	10	197	3.39	54	3
Mexico	1999	29.7	2	11	5,648	3.30	59	3
Nepal	1999	64.8	5	9	230	3.49	40	4
Pakistan	1997	61.2	3	12	515	3.29	30	3
Peru	1999	53.8	2	11	2,018	2.61	26	2
Russia	2001	9.2	-1	17	1,886	3.84	59	3
Turkey	2000	13.2	2	14	2,956	2.68	37	3
Ukraine	1997	4.9	-1	27	595	3.78	74	3

Country	Year of observation	VARIABLES					
		Government intervention index (the lower the better)	Corruption perceptions index (the higher the better)	Public spending on education, total (% of GDP)	GDP growth (annual %)	Population density, rural (people per sq. km.)	time to start a business (day) 2004
Benin	1999	4	3.2	2	5	154	32
Brazil	1997	3	3.5	4	1	57	152
Cameroon	1997	3	1.4	2	4	129	37
Ethiopia	1999	3	3.2	5	5	532	32
Georgia	1999	4	2.3	2	3	294	25
Ghana	1997	4	3.3	4	4	321	85
India	2000	3	2.8	4	7	448	89
Kazakhstan	1996	4	2.3	3	3	31	25
Kyrgyzstan	1999	4	2.2	3	4	232	21
Madagascar	1995	4	1.7	2	5	369	44
Mali	1996	4	3.0	3	7	162	42
Mexico	1999	3	3.4	4	4	101	58
Nepal	1999	2	2.8	3	4	663	21
Pakistan	1997	3	2.7	2	4	426	24
Peru	1999	2	4.5	3	1	191	98
Russia	2001	4	2.3	4	6	32	36
Turkey	2000	2	3.8	4	-5	95	9
Ukraine	1997	4	2.8	4	0	49	34

## References

- Bairoch, P. (1973) *Urban unemployment in developing countries; the nature of the problem and proposals for its solution*. Geneva, International Labour Office.
- Chen, M. A. (2001, November). *Supporting workers in informal economy: a policy framework*. Paper prepared for ILO Task Force on the informal economy.
- Cleaver, T. (2003). *Understanding the world economy*. Routledge.
- Cole, W.E. and Sanders R.D. (1985). *Internal migration and urban employment in the Third World*. American Economic Review, Vol. 75, Issue 3, Jun., 481-94
- Dore, R. (1997). *The diploma disease. Education, qualification and development*. Institute of education, University of London.
- Engberg, J. B. (1996). *Employment policy and urban economic development*. Housing Policy Debate, vol 7, issue 4.
- Gaude, J. and Peek, P. (1976). *The economic effect of rural-urban migration*. International Labour Reviews, Vol. 114, No. 3.
- Godfray, M. (1986). *Global unemployment: the new challenge to economic theory*. Wheatsheaf Books LTD.
- Harris, J. R. and Todaro M.P. (1970). *Migration, unemployment and development: A two-sector analysis*. American Economic Review, Vol. 60, Issue 1, pp. 126-42.
- Hobsbawm, E. (1964). *Labouring men*. London, Weidenfeld and Nicolson.
- International Labour Organization (2006). *Sources and methods, labour Statistics: methodological descriptions of national statistics by source*. Retrieved November 24, 2006, from <http://laborsta.ilo.org/>
- International Labour Office (1972). *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*, pp. 223-232. Geneva, Switzerland:

International Labour Office.

International Labour Organization. (2002) *ILO compendium of official statistics on employment in the informal sector*. STAT Working Paper, No. 1

Jolly, R., Kadt, E., Singer, H., and Wilson, F. (Eds). (1973). *Third world employment*. Cox and Wyman Ltd.

Lewis, W. A. (1954). *Economic Development with Unlimited Supplies of Labour*. The Manchester School, vol. 22, no. 2, pp. 139-191.

Lindauer, D. L. (August 1988). *Government pay and employment policies and government performance in developing economies*. The World Bank, Background paper for 1988 World development Report. Retrieved November 13, 2006, from <http://wbln0018.worldbank.org/Network/PREM/PREMDocLib.nsf/58292AB451257BB9852566B4006EA0C8/5EA2B2FCE14BD0AA852567130004665B>

Merta, K. (1980). *The pattern and pace of urbanization and socio-economic change: a cross-sectional analysis of development since 1960*. University of Tsukuba.

Mouly, J. and Costa, E. (1973). *Employment policies in developing countries a comparative analysis*. London, Allen and Unwin.

Nguyen, B. T. (October 2, 2003). *Rural-Urban migration and unemployment in developing countries*. Retrieved November 15, 2006, from <http://www.georgetown.edu/users/nguyenb/paper1.pdf>

Potts, D. (2000) *Urban unemployment and migrants in Africa: Evidence from Harare 1985-1994*. Developing and Change, vol 31

Renaud, B. (1981). *National urbanization policy in developing countries*. Oxford University Press for the World Bank.

- Salome, B. (Ed). (1989). *Fighting urban unemployment in developing countries*. Development center of the Organization for Economic Co-operation and Development.
- Squire, L. (1981). *Employment policy in developing countries. A survey of issues and evidence*. A World Bank research publication. Oxford University Press.
- Rustavi 2 (Television Broadcast). (2006, December 8). *Saakashvili: we are on economic front line*. Latest news, special report from Rustavi. Retrieved November 30, 2006, from [http://rustavi2.com/news/news\\_textg.php?id\\_news=18527&pg=1&im=main](http://rustavi2.com/news/news_textg.php?id_news=18527&pg=1&im=main).
- The Heritage Foundation. *2006 Index of Economic Freedom*. Retrieved November 16, 2006, from <http://www.heritage.org/research/features/index/>
- Transparency International, the global coalition against corruption. *Corruption Perceptions Index 2005*. Retrieved November 28, 2006, from [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2005](http://www.transparency.org/policy_research/surveys_indices/cpi/2005)
- Turnham, D. and Erocak, D (July, 1990). *Unemployment in developing countries: new light on an old problem*. OECD Development Centre. Working paper No. 22
- UN Habitat (2006). *State of the world's cities 2006/7*. Report. Retrieved November 24, 2006, from <http://www.rrojasdatabank.org/cities0607.htm>.
- UNDP (1997). *International Survey of Mayors*. For International Colloquium of Mayors, 28-31 July. Retrieved November 20, 2006, from <http://magnet.undp.org/Docs/urban/Maysur.htm>
- Unemployment - *Dictionary Definition of Unemployment*. Retrieved November 15, 2006, from <http://economics.about.com/od/economicsglossary/g/unemployment.htm>
- United Nations. (1998). *Population distribution and migration: Proceedings of the United Nations expert group meeting on population distribution and migration, Santa Cruz, Bolivia, 18-22 January 1993*, UN, New York.

USAID policy paper. (October, 1984). *Urban Development Policy*. Retrieved November 19, 2006, from [http://www.usaid.gov/policy/ads/200/urban\\_dev/urbandev.pdf](http://www.usaid.gov/policy/ads/200/urban_dev/urbandev.pdf).

World Bank (2005). *World Development Indicators 2005*. CD version.