

# SURPLUS POPULATION AND MOBILITY OF LABOR

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## I. SPECIAL FEATURES OF ASIAN LABOR MOBILITY

### A. *Labor Force Policy of the Developing Countries*

THE INTERNATIONAL LABOR ORGANIZATIONS Convention concerning Employment Policy (No. 122), which was adopted at its forty-eighth General Meeting in 1964, states in one of its recommendations that "Employment policy should be based on *analytical studies* of the present and future size and *distribution* of the labour force, employment, unemployment and underemployment" (italics by the present writer) [4, p. 1101].

A question that might be asked is what kind of viewpoint is important for developing countries in considering labor force allocation policy.

Similarly, according to another ILO plan (World and Regional Estimates and Projection of Labor Force), the labor force of the developing countries of Asia is expected to increase by 275 million men between the years 1960 and 1980, or from approximately 663 million to 938 million, while modern job opportunities are expected to increase by at most 142 million men during the same period. As can be seen from this, the problem of allocation of the labor force, in the case of advanced industrial countries, is discussed with conditions of full, or very near full, employment in the background, while in the case of the developing countries the same problem is considered against the background of a surplus labor force. In the developing countries, the problem of shortage of skilled labor also exists. The pattern, thus, is one of a shortage in the very midst of a surplus. An intrinsic feature of this pattern is that it, too, is based literally on a surplus labor force.

Labor force allocation specifically entails mobility of labor (not only inter-regional migration but also such shifts as changes from one type of job to another). In the developing countries, however, of particular importance are interregional shifts in the labor force,—a fact which needs to be considered in its relation to surplus population. In this respect special attention must be given the recommendation regarding the ILO convention concerning employment policy mentioned above when considering the labor market policy of developing countries and particularly of those in Asia. In more concrete terms, it would seem necessary to investigate the following specific aspects of migration of the labor force: (1) the cause, (2) the pattern, and (3) the systematic mechanism. This is because the cause, pattern, and systematic mechanism of movement of the labor force are all influenced and changed by social and economic circumstances. It can be said

in the case of the developing countries of Asia that while it is necessary to consider these aspects of movement of the labor force in relation to the fact of surplus population, inquiry into the dual socioeconomic aspect is additionally important. This is because such dualism is considered to work at times as an obstructive factor and at other times as an accelerating factor in interregional population change and migration.

To summarize, it is important that labor force policy of the developing countries of Asia not only deal with such things as the outlook for supply and demand for the labor force and education and training but, in connection with the problem of surplus population and dual structure, also study carefully the problem of mobility of the labor force from the point of view of its three aspects—its cause, its pattern, and its systematic mechanism—with a view to formulating a way for improving the same.

#### B. *The Cause of Migration in the Labor Force*

Generally speaking, there are two well-known theories concerning determinants in the migration of the labor force. One is the so-called neoclassical wage disparity theory (as propounded, for instance, by J. R. Hicks in *The Theory of Wages*, 1932). The other is the theory of employment opportunity, which revises the former (L. G. Reynolds, *The Structure of Labor Markets*). As Reynolds points out, it is probably safe to say.

The view that workers can be redistributed only by changes in wage differentials seems to be mistaken. They are redistributed much more directly and forcefully by differentials in the availability of jobs. [14, p. 244]

However, from their very nature these two hypotheses cannot necessarily be said to be tackling the problem on the same level. It appears that comparison of the adequacy of each of these hypotheses with regard to reality has in itself very little significance, for while Hicks' theory treats of static equilibrium, without regard to time, of disparity in wages and the allocation of the labor force, Reynolds' theory is dynamic, with time as an essential factor.

When considering mobility of the manpower in the developing countries of Asia, it would seem more important to direct one's attention to how the factors of migration of the labor force differ according to the stage of development (the stage of a surplus labor force → the stage of an insufficient labor force) and to expound views on how these factors influence disparity of income.

This allows for definition of two basic patterns with regard to transmigration of the labor force:

- (a) labor surplus . . . . . great disparity of incomes → movement of the labor force (push out).
- (b) labor shortage → movement of the labor force . . . . . small disparity of incomes (pull into).

In the case of (a), surplus population (the potential labor force, or, what is the same thing, the non-labor force) is pushed out of farm communities and goes

in search of higher income, although there is no guarantee that it is to be had. These workers do find their way into the labor market but are subject to under-employment or even unemployment and eventually flow back out of the labor market. In this case, allocation of the labor force is often inappropriate and unstable, and there is great need for income distribution policies that encompass income rates, distribution rates, minimum wages, deciding mechanisms, productivity, etc.

In the case of pattern (b), on the other hand, the labor force is pulled into the cities and settles down after being assimilated into the urban work force. As a result, labor force distribution policy can be suitable and stable.

Basically, pattern (a) seems to accord with the movement of the labor force in the developing countries of Asia. However, it is not necessarily the case that the migration of the labor force is induced by surplus population, *per se*. This is even more so from the fact that in the countries of Asia there are such factors of friction working as a dual labor market and lack of organization. In regard to migration of the labor force, two dynamic facets which must be considered are the circumstances of capital accumulation and the disintegration of the stratum of agrarian workers. This is because the historical processes of capital accumulation and disintegration of the stratum of agrarian workers are the causes of movement of the labor force.

From the above, it can be said that although there are two aspects to movement of the labor force of the developing countries of Asia—a pushing-out of surplus population from farm communities to the cities by the process of disintegration of the stratum of agrarian workers and a pulling-in of the labor force into systematic labor markets formed by capital accumulation—it is an important point that basically the problem of movement of the labor force of Asian countries involves the first aspect, which in turn is based on pattern (a). Since the question has already been dealt with at some length of whether the outflow from the farm communities is a *permanent one* or an incomplete outflow of a certain element of the surplus population that has accumulated in the farm communities (as in the case of *migrant* farm workers who go to the cities for temporary work and then return again to their homes in the farm communities), the matter will not be delved into again here [12]. One can say, however, that in the case of the developing countries of Asia the latter situation would seem to be most characteristic.

### C. *Social Norms of Labor Mobility (The Problem of Barriers to and Accelerating Influences on Mobility)*

More important in the case of the developing countries is the existence of socioeconomic norms that either impede or accelerate migration of the labor force. It is to be expected that in comparison to the advanced countries socioeconomic norms acting as an impediment to movement of the labor force exist on a wider scale and are stronger and more complex.

Some examples of these norms are the village community, the family system,

the *kampung*,<sup>1</sup> the cast, religion, language, conventions, the desire for income, the territory for recruitment, jobber (labor contractor), debts, transportation (distance), and so forth.

$$M = F (W, E, S),$$

where  $M$  is the mobility of the labor force,  $W$  is the disparity in incomes,  $E$  is the opportunity for employment, and  $S$  is the pertinent socioeconomic norms (those impeding mobility).

In the case of the developing countries of Asia, these obstacles to migration often have the important function of removing social unrest and should therefore not be unconditionally negated. Although they may be detrimental to the settling of an urban work force, the role they fulfill should be given its just due. Socio-economic norms that act as an obstacle to migration can be grouped and understood under the following two heads: (a) dual structure and (b) the lack of systematic organization of the labor market.

Besides being considered in its relation to surplus population, it is perhaps even more important, as has already been stated, that migration of the labor force in Asia be considered in relation to dual structure, and therefore it is not appropriate to talk of this relation using the same criteria as are used in the case of the advanced Western countries. This is because even when there is a demand for labor, it is often the case that this demand is not related to the supply of labor in such a way that it will directly pull towards itself that supply. Furthermore, even when the labor force is "pushed out" of the farm community on the basis of a surplus population, the dual structure gives such a movement of the labor force a complicated aspect that includes as well temporary migration to the cities for work and a subsequent back flow of the labor force to farm communities.

Even if we assume that during the process of industrialization surplus population is gradually thinned and that efforts are made to get rid of the dual structure by dismantling traditional kinds of industry, it seems unlikely that the result will be an incorporation of the traditional forms into the modern industrial sector. Also, the organization of the labor market mechanism will go no farther than being a problem internal to the modern sector and will not lead to modernization of the traditional sector. The labor market in the developing countries of Asia is still in an unorganized state in which the so-called labor contractor (go-between) fulfills the informal function of connecting supply and demand. In this sense no labor market mechanism exists, and the movement of the labor force is made peculiarly unique.

<sup>1</sup> The *kampung*, to be found in Indonesia and some other Asian countries, is a kind of communal living unit based on mutual assistance (*gotong royon*) and exists both in rural communities and in the cities. In rural communities the *kampung* serves to hide from sight the bulging mass of the underemployed, and in the cities it has the function of providing a temporary place to stay for that part of the work force that flows back and forth between the country and the cities. The economic function of the *kampung* is more than of a communal living unit than of a communal production unit. It is considered to be of deep significance in this respect from the fact that it guarantees the livelihood of the low-income underemployed [1, p. 189 and pp. 333-512].

The problem of Asia's manpower allocation cannot be solved with only a quantitative approach such as that of the ILO that has been mentioned above. One can say that of greater intrinsic importance are the economic and social causes of migration of the labor force, the frictions and obstacles encountered during such a process, the situation that arise as a result of such movement, and so on. Professor Hisashi Kawada says the following on this subject:

It goes without saying that industrialization requires the procurement and training of an industrial working force. This in turn requires that the workers be made to settle down to a way of life within an industrial environment, a way of life entirely different from that in an agrarian village. When economically underdeveloped countries proceed to industrialize, the process that is followed is that of a drawing out or expulsion of a portion of the rural labor force into the developing industrial cities. In this event, a large number of such workers maintain even afterwards ties with their village or area of origin. Consequently there are difficulties involved in developing a labor force that will accept industrial discipline and urban life that far exceed those of, for instance, simply procuring a labor force.

The source of supply for the labor force is the lower strata of the population of agrarian villages, whose members have become progressively more destitute because of dividing up of the farm land for purposes of inheritance. In search of relatively high wages, they have continued to flow into the cities even when they have no job awaiting them. Their employment has been arranged through the services of a great number of jobbers (go-betweens), and the customary practice is for a commission to be paid to the jobber (at regular intervals) for the purpose of maintaining the job and on occasions such as promotion. In coal mining and some other industries, the jobber also has the role of a manager at the lowest level. [6, p. 207]

To summarize, the trio—surplus population, dual structure, and the unorganized state of the labor market—are the most basic points of departure when considering Asian labor market theory. The three are not independent of each other but rather are mutually related, as can be seen from the fact that surplus population allows for preservation of the dual structure and the dual structure requires a function such as that of the private labor contractor. Nevertheless, they are not of common derivation by any means.

## II. ECONOMIC DEVELOPMENT AND MOBILITY OF THE LABOR FORCE—The Pattern of Mobility of the Labor Force

The general nature of the problem of mobility of the labor force in the developing countries of Asia is as stated above. Let us next consider what sort of flow of the labor force exists in reality and what kind of problems arise in this regard from the circumstances that we have already discussed. Let us get an idea of the transmigration of the labor force by stratifying areas according to certain criteria and considering movements between the strata.

### A. Stratification

The following stratification of regions would seem to be convenient for understanding the migration of the labor force in the developing countries.

(I) Urban areas—workers in the modern industrial sector, workers in the

public sector, workers in commerce and service industries, workers in small and medium-size industries in the periphery of cities, underemployed workers residing in cities.

- (II) Areas of traditional industry—workers in such traditional industries as cotton textiles and sugar refining; dock, railway, and mining workers.
- (III) Development areas—workers in the heavy and chemical industry sector and construction workers.
- (IV) Rural areas—the potentially unemployed residing in farming communities, agrarian and fishery workers, and workers in village industry.

(Above are given the main types of workers included in each regional classification.)

Examples of cities and areas in India which fall under each category are: (I) Delhi, Bombay, the area of Calcutta; (II) Ahmedabad; (III) Bangalore, Jamshedpur; (IV) northern India, central India. Examples for the Philippines are: (I) Manila, the central part of Luzon; (II) Cebu, Bacolod, Iloilo, and other areas in the central part of Visayan islands; (III) northern Mindanao; (IV) northern Luzon, southern Mindanao, and southern Luzon.

Urban areas are those areas where traditionally the concentration of industrial workers has been high and the actually unemployed have been numerous. In comparison to this, areas of traditional industry have been long characterized by well-developed traditional industries, a high degree of trade union organization, and advanced labor relations, including determination of wages in accordance with labor agreements. Development areas are areas where new industry has developed and the area as a whole has shown rapid progress. These had always been areas of low wage levels, but as the supply and demand situation for labor has become tight and it has become necessary to induce a considerable labor force influx, it would seem that the level of wages, too, is rising at a considerable tempo. Rural areas are areas which are burdened internally by a great mass of underemployed workers and the potentially unemployed and which are marked by low productivity.

It stands to reason that economic development from now on will require movement of the labor force between these different areas. Table I shows the rate of increase in the economically active population of each area classification. It is based on estimates of the industrial composition of the population of each area and the rates of change of the same for the period 1955-61 as reflected in population and mining and industrial censuses.

TABLE I  
RATE OF INCREASE OF POPULATION FOR EACH AREA CLASSIFICATION  
(average rate of increase of each country=100)

Country	I	II	III	IV
India	115	92	113	88
The Philippines	129	95	116	90

Source: Estimated on the basis of population census, and mining & industrial census figures. Not all areas are included, only specific areas.

While these figures are not of unquestionable reliability because they represent only a tentative calculation which includes all sorts of estimates and because of data limitations, it is clear from this table that, in contrast to the high rate of increase in population for urban areas and development areas, the areas of traditional industry and the rural areas have shown a relatively low rate of increase in population.

The significance of such a classification of areas becomes even clearer when viewed in terms of the wage structure. Table II shows the rates of increase in

TABLE II  
WAGE INCREASE RATES BY AREA AND WAGE LEVEL FOR THE PHILIPPINES  
(for the period 1957-63) (per cent)

Area Classification	High-grade Workers	Medium-grade Workers	Low-grade Workers
I	129.3	120.2	118.5
II	125.5	123.4	115.3
III	120.1	126.5	113.2
IV	118.1	115.0	111.5

Source: Calculated on the basis of the WAPCO's *Survey of Wages and Salaries*.

Note: High grade—thirteen job types; medium grade—twenty job types; low grade—ten job types. Wages are average real wages per worker (therefore the influence of changes in the employment structure is included).

wages [8, pp. 126-55]. The increase in wages is conspicuous in urban areas and, in a lesser degree, in areas of traditional industry. In all areas the rate of increase becomes higher as the grade of the worker rises, which means that the wage span is widening. In development areas, however, the wage position of medium-grade workers is rising sharply, an indication of the strong demand for this kind of labor in these areas. On the other side of the picture, wage rises have been stagnant in rural areas and for lower grades of workers. A particularly noteworthy fact is that here the rate of increase in wages has not kept up with the rise in prices, which means that real wages have fallen. This trend has caused a lowering of the living standards of hired laborers in rural areas, which in turn seems to have encouraged an influx of the labor force into the cities, with the result that actual unemployment has increased.

Table III gives the same kind of information for India. It reveals that India's case is considerably different from that of the Philippines. The increase in wages is by no means relatively higher in urban areas. Still, wages for unskilled workers are rising. Furthermore, there is a quite conspicuous increase in wages in development areas. A point of similarity with the Philippines, however, is the considerable stagnation of wages in rural areas. Still, all in all there is a stronger trend for the span of wages to contract than in the case of the Philippines.

The following points which reveal the differing characteristics of the labor force in different area classifications have been made clear above: (1) The relative position of wage levels in development areas is rising sharply. (2) The rate of

TABLE III  
WAGE INCREASE RATES BY AREA AND WAGE LEVEL FOR INDIA  
(1957-62) (per cent)

Area Classification	Comparatively High-grade Workers	Medium Grade Workers	Comparatively Low-grade Workers
Urban areas	143.8	138.2	137.5
Traditional industrial areas	147.0	166.7	148.6
Development areas	172.3	162.4	170.5
Rural areas	132.3	124.5	121.6

Sources: *Indian Labour Year Book*, 1941, 1958, 1963.  
The Millowners (Association), *Wage Report*, 1963.  
*Indian Labour Gazette*, 1963.

Note: By comparatively high-grade workers are meant skilled laborers; by medium-grade workers are meant the general average; and by comparatively low-grade workers are meant unskilled laborers.

increase in wages for medium-grade workers is particularly high. (3) The situation in respect to the wage span varies from country to country, there being a slight trend for it to widen in the case of the Philippines and to narrow in the case of India. (4) The situation for low-grade workers has always been very much the same for all area classifications. There is a strong tendency for stagnation in regard to both the absolute level of wages and the level of wages relative to those for other grades of workers. Here the influence of institutional factors is prominent (minimum wages, for instance). (5) The upward momentum of wage levels in traditional industrial areas remains strong. (6) There are marked differences between wage rates for high-grade skilled labor in the different area classifications.

#### B. *Mobility of the Labor Force between the Different Area Classifications*

If one considers migration of the labor force by relating the above stratification of areas to changes in the industrial structure, it is possible to assume the following flows:

- (I) Rural areas to urban areas.
- (II) Rural areas to development areas.
- (III) Urban and development areas to rural areas.
- (IV) Urban areas to development areas.
- (V) Seasonal migration within rural areas.
- (VI) Traditional industrial areas to development areas.

Included herein are (a) seasonal flows, (b) imperfect outflows (with back flows), (c) perfect outflows, etc. An even greater variety becomes evident when one considers the web of flows from small and medium industries to large companies and vice versa. It appears that this would be a matter of considerable practical significance.

In the past ten years (1956-65), the population of Taiwan [11] increased by approximately 46 per cent. The rate of increase for cities was clearly much greater than that for rural communities—62 per cent for the former in contrast to 26 per cent for the latter. It can be plainly said, as does Liu Tchin-ching, that



"there has clearly existed a social decrease (outflow) in the population of rural communities and a social increase (inflow) in the population of cities." It is further worth noting that "Taoyuan County, located next to Taipei County, had the highest increase at 46 per cent of any county in Taiwan Province, and both of these counties have accommodated the spinning industry that has been the backbone of the Taiwanese economy since the war" [11, p. 73]. Also of interest is Liu's following observation:

One should note that the population influx into the cities consists not only of a flow from the rural communities in the proximity of the cities but also of a flow from distant rural communities. In the case of the city of Taipei, for instance, there is a considerable influx from the rural communities of the south-central part of Taiwan. There is a considerable difference in the meaning of the movement of the labor force from nearby rural communities and distant rural communities. While it is true that this leaves some problems, this phenomenon of movement of population from rural communities to the cities is clearly a problem arising from excess population in rural communities. [11, p. 77]

As is clear from the above, movement types I and II of the labor force mentioned above have had an important significance for Taiwanese economic development.

Liu also points out that in Taiwan's case:

Tenant farmers cannot help but end up farming smaller and smaller parcels of land and being socially disintegrated as a class since the way is barred for them to rise to the status of farmers working only their own land or even that of semi-tenants. The increase in non-tilling farmers consists mainly of laborers who are pushed out of the ranks of tenant farmers during the process of social disintegration.

Thus the situation arises that:

The tenant farmers who have lost their tenancies, or, which is the same thing, have been socially disintegrated, not only join the ranks of the non-tilling farmers who have remained in the rural community but even leave farming in considerable numbers for the cities. [11, p. 82]

Further, in regard to the seasonal flow of labor, he says, "these non-tilling farmers and tenants farming only very small parcels of land are the pool from which comes city and farm seasonal labor and it is they that form the vanguard of the farm labor that advances in columns on the cities." In this respect he points out the fact that "the majority of Keelung dock workers (coolies, longshoremen, and other cargo-handlers) are seasonal laborers from nearby fishing villages and farming communities of the south-western part of Taiwan." Thus, in Taiwan the problem of surplus farm population is getting more and more serious. At the same time, with progress in industrialization, advances are being made in the urbanization of Taipei and Kaohsiung. As the mobility of the labor force is increasing, the formation of a labor market is also underway.<sup>2</sup>

<sup>2</sup> The same kind of situation can be seen in the case of the Republic of Korea, which is making advances in economic development in much the same way as in Taiwan. Here the rural population decreased from 72 per cent of the whole population in 1960 to only 66.4 per cent in 1966. Along with industrial progress, something like over a hundred thousand

The Philippines is presently proceeding with a four-year economic plan (1966) that has come on the heels of several earlier ones.<sup>3</sup> The goal of these plans has been to develop both agriculture and industry. The following facts make manpower policy very important within the context of these plans: (a) The population is increasing at a high annual rate of 3.2 per cent. (b) A whopping 12 per cent of the work force consists of unemployed and underemployed workers.

Manila and its environs have long been a hub of industrialization, and at the present time the central part of Luzon and the northern part of Mindanao are becoming increasingly important as development areas. A comprehensive fertilizer plant of the largest and newest type is scheduled to be built in central Luzon by the Marcelo Steel Corporation, and sometime in 1968 an integrated iron and steel works (the Iligan Integrated Steel Mills) started operating in Iligan in the northern part of Mindanao. Also in Iligan there is a fertilizer plant which the Philippines government bought from the former Maria Criatina Fertilizer Corporation and then sold to the Marcelo Steel Corporation in October of 1960. In addition, maintaining their places as traditional industries are the sugar industry of Negros (central part), Manila textiles, Cebu cement, and primary products produced throughout the islands (coconuts, abaca, lumber).

With the above background, there are two major recognized patterns of the migration of the labor force of the Philippines (see, [3], [2], and [5]). The first is a flow from north to south.

This is the movement from the densely populated areas of Luzon and the Visayan islands to Mindanao, Mindoro, Masbate, Palawan, and other thinly populated areas of new development. The major factors behind such a flow are thought to be homesteading based on sale of public land areas where there are broad expanses of virgin land suitable for cultivation, such efforts to bolster the ranks of independent farmers as government-sponsored group settlements, demand for farm laborers as a result of development of plantations for the production of products to be exported, demand for forestry workers that accompanies forest development, and so on.

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people poured into the cities annually. According to statistics on population movement based on residence registration for 1967 as surveyed by the Statistics Bureau of the Economic Planning Board of the Republic of Korea, during the single year 1966, 3,760,024 persons (12.8 per cent of the entire population) changed their place of residence. During the same year the population of Seoul increased by 165,000, that of Pusan by 30,000, and that of Ulsan by 60,000. This speaks of the trend toward urban concentration. Also, data made available in November 1967 by the Welfare Commission of the Health and Social Administration of the Republic of Korea points to the fact that the large family system that has supported production in the rural community that is not reflected in economic statistics is presently disintegrating throughout the country. In the case of the Republic of Korea one can perceive that conditions of employment are at a rather low level from the fact that those desiring to leave their jobs are numerous and the rate of population increase is high, while at the same time the agricultural sector, which accounts for over half of the national economy, is characterized by the small scale of operation, low productivity, and a sharp basic seasonal division between busy periods and slack periods, and modernization of the industrial sector is still at a stage of immaturity [7].

<sup>3</sup> The sequence has been as follows: the 1947's Plan, the 1948's Plan, the 1950's Plan, the Bell Report (1950), the Rodrigues Plan (1954), the Five-Year Plan (1957), the NEL Three-Year Plan (1959), the social and economic Five-Year Plan (1962), and the Economic Four-Year Plan (1966).

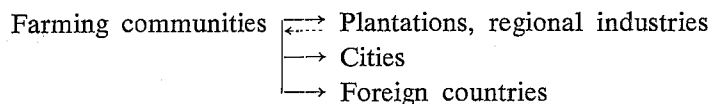
It is also possible to point out the fact that the development of industrialization in the northern part of Mindanao which was mentioned above is becoming an additional new factor drawing labor southward.

The second pattern is the typical flow from rural communities to the cities. In the Philippines there is a particularly marked concentration toward Manila and neighborly areas. Hiroshi Kawano has the following to say in this connection:

From an overall viewpoint, in the Philippines a half of all factories and all employees is concentrated either in the city of Manila or in its suburbs, and the trend is for this concentration to increase. If the city itself and its suburbs are compared, however, the concentration in the former is seen to be decreasing while in the latter it is seen to be increasing. This is an indication of the limit of concentration in the former. From this it would seem that industrialization is advancing while keeping a balance with urbanization. [5, p. 156]

Furthermore, the population problem of the Philippines is considered "to be more a problem of uneven allocation of population than one of excess population" [16]. Although it is a matter shared by other developing countries, mobility of the labor force between different area classifications has particular significance in the case of the Philippines.

Akira Takahashi [17] has tackled the question in an apparently right way and explained the nature of the labor force of the Philippines in terms of the following four categories, making it possible to understand the patterns of mobility of the labor force. The first category is those who remain within the agrarian village. It includes farm laborers and other proletariats residing in the village. Wage laborers in the village other than farm laborers are mainly those engaged in village industries, processing farm produce or doing other traditional handicraft work. The second category is those who commute between the farm village and the city,<sup>4</sup> but their numbers are small. The third category is those who leave their homes temporarily to earn money elsewhere in order to supplement the farming income of their families. Belonging to this category are two types—those who work like this on a seasonal basis and those who go to places far removed from their homes for work. Examples of such seasonal movement are the flows (1) from the Ilocos region to the tobacco farms of the Cagayan Valley; (2) from the Ilocos region to the rice paddy area of central Luzon and the sugar cane plantations of Panpanga and Lagna; (3) from the islands of Panay and Cebu to the sugar cane plantations of western Negros; (4) from the islands of Cebu and Bohol to the coconut and abaca plantations of Mindanao; and (5) from Capias and Batangas to the sugar cane plantations of Mindoro. The fourth category is the outflow from farming communities. It can be diagrammed as follows.



<sup>4</sup> Long-distance commuting is not general in Southeast Asia.

*C. The Gap between Agriculture and Industry and the Outflow of the Labor Force*

In India's case, however, approximately 80 per cent of the whole population resides in farming communities (1967), and mobility of the labor force between widely separated areas is not very great at all except perhaps for skilled and technical workers. The flow from farming communities to the cities, too, is considered to be much smaller than in the case of either Taiwan or the Philippines [17, p. 32]. The reason for this is that social norms of language, religion, caste, etc. have an overwhelming influence. From a general viewpoint it can be said that the flow from farming communities to the cities is not very active, and what little such flow there is often turns out not to be permanent and reverses its direction back to the country.

In the case of India, one's value judgment concerning mobility of the labor force differs according to how one interprets the dual structure of the cities and the farming communities. Because cities have but a very feeble capacity to absorb workers for employment, the trend for the surplus population of farming communities to flow into the cities would very likely bring about active unemployment and social unrest. Neither would this be of any use in getting rid of the dual structure, for it would not serve the function of incorporating the traditional sector centering on the farming community into the modern sector. Industrialization of the farming community itself and thus having the excess labor force absorbed therein would more likely serve to get rid of the dual structure and would also contribute to the prevention of fermentation of acute social unrest.

Katsu Yanaihara says the following on this matter:

Nurkse thought of potential unemployment in the farming community more in terms of a potential source of savings. Even if one accepts his theory, however, the problem still remains how to mobilize into industry the potentially unemployed of the farming communities in an underdeveloped country where savings are still meager. . . . The Indian Economist Ghosh is thinking in similar terms of the type B dual economic structure<sup>5</sup> that I have already mentioned, namely the organized or capitalist sector and the subsistence sector. To the former belong the cities, to the latter the farming communities. Or to the former belongs the north of the country and to the latter the south. Just as Nurkse, he holds that expansion of the organized sector is impossible without making the subsistence sector more dynamic. Only if the great majority of the people who are living within the subsistence sector earn more, save more, and buy more can the process of industrialization of the organized sector be strengthened. [17, p. 49]

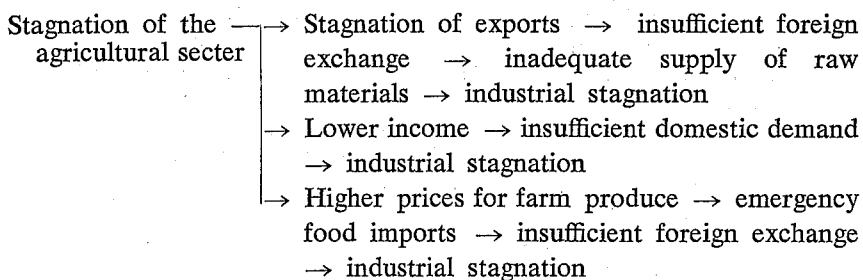
The average annual rate of increase in population of India is about 2.4 per cent (1965-66), which is not so very high when compared with that of other

<sup>5</sup> Professor Katsu Yanaihara analyzes the Indian economy by setting up two models of a dual economic structure. Model A sees the existence side by side of heavy industry and small industry, of capital-intensive industry and labor-intensive industry; in contrast to this, Model B pictures an economic structure the components of which are the cities and the rural communities, areas of heavy industry and areas of small industry.

Asian countries. But since the total population of India as of October 1968 was about 520 million, the absolute annual increase in population reaches the enormous figure of 12.5 million. Such an increase in population presents a rich supply of manpower, but most of it is undeveloped and remains in a condition of incomplete use. With the cycle of employment in large numbers, low wages, and low living standards, this kind of population increase works chiefly to the disadvantage of economic development because it causes an increased demand for food. The majority of the labor force (about 70 per cent) is engaged in agriculture, and a large part of exports and industrial products is related to farm produce. As a result, poor performance in agriculture becomes the direct cause of not only food shortages and reduced exports but also lower incomes, reduced consumption demand, and active unemployment. Thus, the effect that stagnation in the farming community sector has on the development of the Indian economy is very considerable.

Today, in 1970, the Indian economy is in the second year of its fourth five-year plan,<sup>6</sup> which has at last got underway. With the three previous five-year plans, beginning in 1951, the industrialization aspect of the economy was pushed, but because of stagnation in the agricultural sector, these previous plans cannot necessarily be said to have been sufficiently efficacious in the development of the Indian economy. It would probably be more accurate to say that they have rather strengthened the contradictions embodied in the Indian economy—the imbalance between agriculture and industry, the discontinuity of the dual structure, the slight spreading effect of economic measures on the economy as a whole, the lack of an adequate competitive spirit, etc.—and have made even deeper the economic anguish of India, burdened with a poverty that comes from having a population of over 500 million and a national income of one-tenth of that of Japan.

In the case of India, poor performance of the agricultural sector is considered to affect the industrial sector in the following ways.



From the very nature of things, the relationship between agriculture and industry in the economy is one of neither mutually exclusive choice nor competition, but rather one of mutual complementarity. This is particularly true of India, where the relative importance of the agricultural sector is great. In India's case one can say that industrialization, which has made an advance in only one sector

<sup>6</sup> The fourth Five-Year Plan finally got underway in 1969. See Kusuda and Morita [9].

of the economy, has not put the total economy on the track toward development because of the influence it has received in the various ways described above from stagnation in the agricultural sector.

When industrialization has small relative importance in respect to the national economy as a whole and when its capacity to create more employment is small, there is a very good chance that the result will be concentration of wealth. Even if aid given by foreign countries for the industrialization of India were quite active in itself, a continued effect on the national economy could not be ensured without balanced development of industry and agriculture.

Under conditions where the agricultural sector offers almost no demand to the industrial sector, industrialization cannot help much in the development of the national economy. It is possible to say that if efforts are made to strengthen the agricultural sector by raising the capital coefficient for agriculture through expansion of irrigation acreage, wider use of high-yield strains, reinforcement of supply capacity for fertilizers, introduction of tractors, and other means, demand in the industrial sector will also increase. Such a sequence would seem to be a prerequisite for India's economic development.

In colonial days the modern sector of the Indian economy was externally provided as a mechanism for exploitation, and the traditional sector was merely the object of such exploitation and was not incorporated as part of the modern sector. Since the war and independence the colonial pattern of the Indian economy has been considerably revised, but still one cannot say with assurance that the traditional sector has been or is being incorporated into the modern sector even now.

Eighty per cent of the population of India is that of its traditional society. As long as this sector is not made to function in the economy, it will be impossible for India to stand on its own two feet economically. The working-age population has not been entirely mobilized as labor, even that part of it which has remained to a great extent in a condition of extremely low-level employment, engaging in tenant farming, seasonal hired work in agriculture, and work within the family. The flow of such a labor force out of the farming communities and into the cities caused by the unfavorable economic conditions in the farming communities has the effect of aggravating the conditions of unemployment in the outskirts of the cities, for these impoverished sons of the farming communities have not had training whatsoever to make them fit to join the employed labor force, be it physical, mental, or technical. According to Hiroshi Kawano's analysis:

In India there has never been a parallel between increases in urban population and increases in the manpower employed in manufacturing industries or the sector of secondary industry. It seems that there is no close tie between urbanization and industrialization. However, in recent years a tendency has become evident wherein a relationship exists between increases in the urban population and increases in the manpower employed in the sector of secondary industry. [5, p. 154]

Needless to say, this is an interesting fact.

One might say by way of conclusion that a way must be found to incorporate the traditional society of India into the modern sector. It must not be made

simply to collapse. And the way is reform toward a kind of society in which intermediate industries are nurtured which use labor intensively, which do not require high-grade manpower, and for which there is sufficient foreign demand, in which education and training are made widely available, and in which behavior is in accordance with economic values.

### III. THE IMMATURITY OF THE LABOR MARKET AS A SYSTEM AND THE MOBILITY OF THE LABOR FORCE

Up to now we have considered movement of the labor force of the developing countries of Asia in terms of its causes and the patterns of movement between different area classifications. When one wishes to understand mobility of the labor force from the viewpoint of development of manpower, however, an additional serious problem is that of the as yet unorganized state of the labor market. For this reason we will here briefly touch on two aspects of this problem—the role of the labor agent and the settling of the labor force.

#### A. *The Function of the Jobber (Labor Contractor)*

In the developing countries of Asia there is still an inadequate labor market mechanism arranged along modern organizational lines. This being the case, selection of personnel is generally accomplished in the following ways: (1) by referral, (2) by advertising in newspapers, (3) hiring walk-ins, (4) through private agents, and (5) through public employment offices. Of these, (1) through (4) are relied upon the most, and the role of the private labor agent is particularly important.

For example [17], of the 900 persons employed by a certain steel mill in Bombay, India, 500, or over a half, got their jobs through either a jobber working within the mill or a contractor in town. Of the remaining, 200 were hired off the street, 140 were chosen from referrals, and no more than 60 were hired through the services of public employment offices.

Most of those hired off the street (walk-ins) or through the services of a third party are unskilled laborers. What distinguishes between the two is the fact that the supply of walk-ins comes from nearby while those hired through a third party come from other parts of the country. Those hired through personal referral are either highly skilled workers or personnel to work in management, office, or technical sections. Supplied through the government institution (public employment offices) are the technical workers (graduates of Training Centers) who form the backbone of plant personnel. Their level of proficiency, however, is not considered to be high [17, p. 241].

Again, in the example of a certain machinery and tool plant located in Bangalore in southern India, the relative importance of supply through middlemen and hiring just off the street is great. Compared to the north, however, the percentage of walk-ins is high. Hiring both through newspaper advertising and by way of personal referral is done exclusively for personnel in technical departments. All skilled workers come by way of the governments machinery for job security.

As is suggested by the above examples, hiring through middlemen and recruiting off the street are both very important in India. It is the government's intention to facilitate the gearing together of supply and demand for skilled labor through the services of its institutional apparatus, but since there is in general an extreme shortage of highly skilled technical labor, neither for public nor private enterprises does such labor show up in the public employment offices, and the general practice is for such labor to be acquired through direct enticement to change jobs. And the reality in regard to unskilled labor is that most of it has to rely on private middlemen for getting jobs.

For instance, in the case of India's fertilizer industry, rapid expansion<sup>7</sup> has made the absolute shortage of skilled labor a very serious matter, and, as is also made clear by a Japanese Foreign Ministry survey,<sup>8</sup> the incidence of firms "stealing" one another's personnel is becoming quite a problem. The DCM fertilizer plant in Kota (Rajasthan Province), the GSFC fertilizer plant in Baroda (Gujarat Province), and the FCI fertilizer plant in Gorakhpur (Uttar Pradesh Province) are just three examples of plants whose core of technicians has been acquired from other companies with wages 20-30 per cent above their former pay. Here, too, there are agents acting as go-betweens, but there is a considerable qualitative difference between them and the so-called jobbers who supply unskilled labor. In their case no monetary relationships exist among those concerned such as advanced payments, etc.

The role of the private labor agent called the jobber is seen to be that of making possible effective mobility of the labor force by overriding such restraints on labor mobility as the dual structure of the labor market and the incomplete consolidation of the market as a system. In a dual market where a traditional society and a modern capitalist society exist side by side, mobility of the labor force does not occur easily even when demand for labor arises in the industrial sector. This is because there exists here a lack of organization of information and a discontinuity between the two parts of the dual structure in respect to the labor market. The jobber bridges this gap of discontinuity. Jobbers are purported to have such various identities as foremen, work leaders, recruiting agents, traders in human traffic, usurers, and even labor officers [10, p. 248]. As has already been clearly

<sup>7</sup> The production per fiscal year of nitrogen fertilizers has been increasing in the following manner:

1964-65	243,000 tons
1965-66	238,000 tons
1966-67	309,000 tons
1967-68	403,000 tons
1968-69	563,000 tons
1972-73	3,000,000 tons (planned)

Fertilizer plants of medium-size firms have recently started operating in Khanpur, Kota, and Gujarat (all of which rate in the top class of presently operating plants). Also there are plants of the largest scale under construction in Cochin, Madras, Goa, and elsewhere.

<sup>8</sup> *Japan-India Economic Cooperation Preliminary Survey*, February 1969, and *Japan-India Economic Cooperation Survey Proper*, January 1970, [9].



pointed out several times,<sup>9</sup> what presents a problem in regard to jobbers is the relations of pecuniary debt that arise from the process of mediation. The workers who by arrangement go to distant places to work need money to pay back that which they have borrowed for traveling expenses as well as money to meet their living expenses for the time being and money to pay the fee that the labor agent requires. Such money is available in the form of loans from the labor agent. As a consequence, the labor agent finds himself in a position of considerable real power and is even able to intervene thereafter in the internal movement of the labor market. It should also be noted that this makes inevitable the practice of so-called kick-backs.

To summarize, one can list the following as being merits of such a system of private labor contractor:

- (a) On the level of the national economy it serves the function of adjusting supply and demand for labor.
- (b) From the point of view of employers, it can be used as a route for recruiting or "pirating" technicians and skilled labor, and also serves to guarantee the identity and conduct of unskilled labor.
- (c) From the point of view of the laborer, it serves as a means whereby he can get hold of a job that is otherwise hard to come by.

On the other side of the picture, however, what makes the system problematic is:

- (a) its character of forming pecuniary shackles,
- (b) its interference with the formation of a modern labor market mechanism, and
- (c) its unjust intervention in relations between employees and employers.

Although it is true that gradual progress is being made toward forming a labor market mechanism by such means as the creation of more government employment agencies, these private labor mediators will continue having their present function, as long as the low level of income in rural communities and the dual

<sup>9</sup> Mamoria and Doshi say, "Since the jobber has control over the worker with regard to contracts and dismissal, he gets an unofficial commission or kickback, called a 'pasturi', from the worker's wages. The 'pasturi' is paid for contracts, for contract renewals after returning from trips back home, and as a monthly fee." The following illustration appears in a field survey conducted in 1959 by Kyu Kusuda and Yoshio Matsunaga [10, p. 249]. "Adjuster in the rolling department of K steel mill in Bombay. Twenty-nine years of age. Supports family of six. Primary school dropout. Native of Uttar Pradesh State. Started out as a farm helper and then became a blacksmith in a farm implement factory near his home employing fifteen persons. When the factory closed down, he returned to being a farm hand. Next he went to Poona with help from the boss of the village, where he looked for a job through another contractor, but no suitable one was to be found. His next step was to borrow money for living and traveling expenses and head for Bombay, where he got a job as an unskilled laborer with K steel mill which a jobber negotiated for him. After a half year on the job he became a semi-skilled worker, and at the end of 1958 he rose to skilled status. He is still working with the same company. His monthly pay is 170 rupees. He rents a one-room place for 20 rupees a month, and food for him and his family takes 80 rupees a month. He pays 15 rupees a month for debts and interests. The jobber has arranged to have all his debts consolidated into one lump sum of 250 rupees."

socioeconomic structure continue to exist. Such labor mediators also exist in other Asian countries besides India, but it is hard to get a clear-cut picture of their numbers, roles, significance, etc., probably because of the fact that they do not play such a big part in employment on the whole as they do in India. In Indonesia, too, most recruitment and hiring is accomplished off the street, through newspaper advertising, or through referral by friends or acquaintances. It would seem that unskilled labor is hired chiefly off the street or through referral and that technical and skilled labor is hired mainly through newspaper advertising.<sup>10</sup> In the Philippines, too, there exist such labor agents, but they are involved chiefly in the hiring of technical and skilled labor and in enticing the same from other employers. This is because hiring off the street by word of mouth is sufficiently effective in the case of general laborers. And as for hiring those from distant places, this is considered very likely to invite local antipathy and non-cooperation.<sup>11</sup> In Taiwan's case, too, the formation of a labor market is still at a stage of immaturity, and recruitment relies heavily on referrals. The general form for recruitment in writing is newspaper advertising. And as an island-wide means of recruitment of labor, government employment security centers are gradually playing a wider role [11], but it will take some time yet before they become effective.

#### B. *The Settling of the Labor Force*

The immaturity of the labor market as a system is also tied in closely with the problem of settling of the labor force. There are two general problems in respect to the settling of the labor force. One is the problem of the migration of skilled laborers caused by the scarcity of technical labor. The other is the problem of instability in the process of forming an urban industrial labor force which is due to the influence of social norms. The former, which is a problem that has recently been coming to the surface also in Japan, is what might be called a problem of settling of the labor force within the labor market,<sup>12</sup> while

<sup>10</sup> Some examples are given of recruitment and hiring in the field survey report [1]. In the case of the Unilever Co., newspaper advertising is employed for skilled laborers and machinists. For unskilled laborers there is no need to announce openings publicly for present employees often bring their friends when they learn of an opening. At the P. T. Tjibnuar Plant (weaving), recruitment through family and personal connections is by far the most common. There are hardly any instance of hiring being done through employment exchanges. At the Pershan Batik Plant, the most common hiring is of workers who come directly to the plant and of friends, acquaintances, etc., of present employees. Most of those hired are from the neighborhood of the plant. At Bank Negara (Indonesia) new openings are communicated to schools and advertised in newspapers. Also considered are those who send personal recommendations and who visit the bank in person even when the bank has not publicized any openings.

<sup>11</sup> [16, p. 485]. Reasons given for not using the government employment exchanges for recruitment are that (1) because of the problem of living quarters, the first condition for hiring is that the applicants live near the plant, (2) the employers want to avoid eliciting local antipathy, and (3) suitable people are not available through the exchanges, there being no difference in quality between them and people hired locally.

<sup>12</sup> [15]. "Temporary work away from home is a problem when analyzing the Asian labor market. This kind of worker enters the labor market temporarily from the outside and

the latter can be said to be rather a problem of settling between the interior and the exterior of this market. The latter is the problem that concerns the developing countries of Asia [15].

The reason why settling of the labor force is a problem in spite of the fact that there is a surplus of labor and the labor market is a buyer's market is that there comes into play the economic factor of inferior working conditions offered (low income, short work week, insecure employment, etc.) and the social factor of the employee having left his basis for livelihood in the traditional society of the rural community as well as not being able to get promptly used to modern society (in terms of both his living habits and his learning of skills). Furthermore, these two factors in themselves make low wages inevitable and bring about low productivity. Low productivity, in turn, leads to employment in great numbers and, as a consequence of this, ambiguity in labor management itself. This ambiguity, too, becomes an obstacle to the settling of the labor force.

The absolute shortage of demand for employees also causes a paucity in the passing on of skills, for, even if a worker acquires some skill, he is reluctant to pass it on to another out of consideration for his own job security. This obstacle to the spreading of skills is another factor weakening the general formation and settling of an urban industrial labor force. Thus, the problem of the settling of the labor force involves the source that sends out the labor force, the laborer himself, the recipient of the incoming labor, and the market mechanism, and each of these four, in turn, have a lot to do with the social, economic, and industrial dual structure and pre-modernism that are characteristic of the developing countries.

Non-settling of the labor force includes not only such clear-cut forms as a back-flow to the rural communities but also such internal forms as lay-offs and high absenteeism. There are some claims<sup>13</sup> that the rate of job attendance in the developing countries of Asia is gradually improving, but the overall view is that the incidence of absenteeism is still very high. One is able to get a good idea of what conditions are really like from the fact that in Pakistan and India the substitute for work absentees, the so-called Badli Worker, has become a regular institution in labor management [10] and [13]. Although the high incidence of absenteeism and illness and the low level of desire to work and to make more income may be due in part to climatic factors (the heat), they can also be attributed in large part to seasonal trips back home as well as those for religious purposes. The seasonal trips back home should be understood in the context of the busy season in agriculture.

What has become clear from the above discussion is the fact that expectations for effective results in the movement of the labor force cannot rely solely upon

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later makes his exit again. In this sense, the relation of the labor market to the outside—put in other words, entry into and exit from the labor market—is the most important problem concerning the labor market.”

<sup>13</sup> Data that the author got from the 1970 Study of Actual Conditions in Indo-Japanese Economic Cooperation indicate that work attendance in fertilizer plants, steel mills, power plants, machinery plants, etc. is clearly improving, although only a little at a time.

organization of a labor market along the lines of the placement networks of the Western countries but require also consideration of such matters as formation of better information networks and improvement of the forms of education, training, and labor management so as to effect among other things a more equitable arrangement in regard to the expense involved in the movement of labor as well as changes in living habits.

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