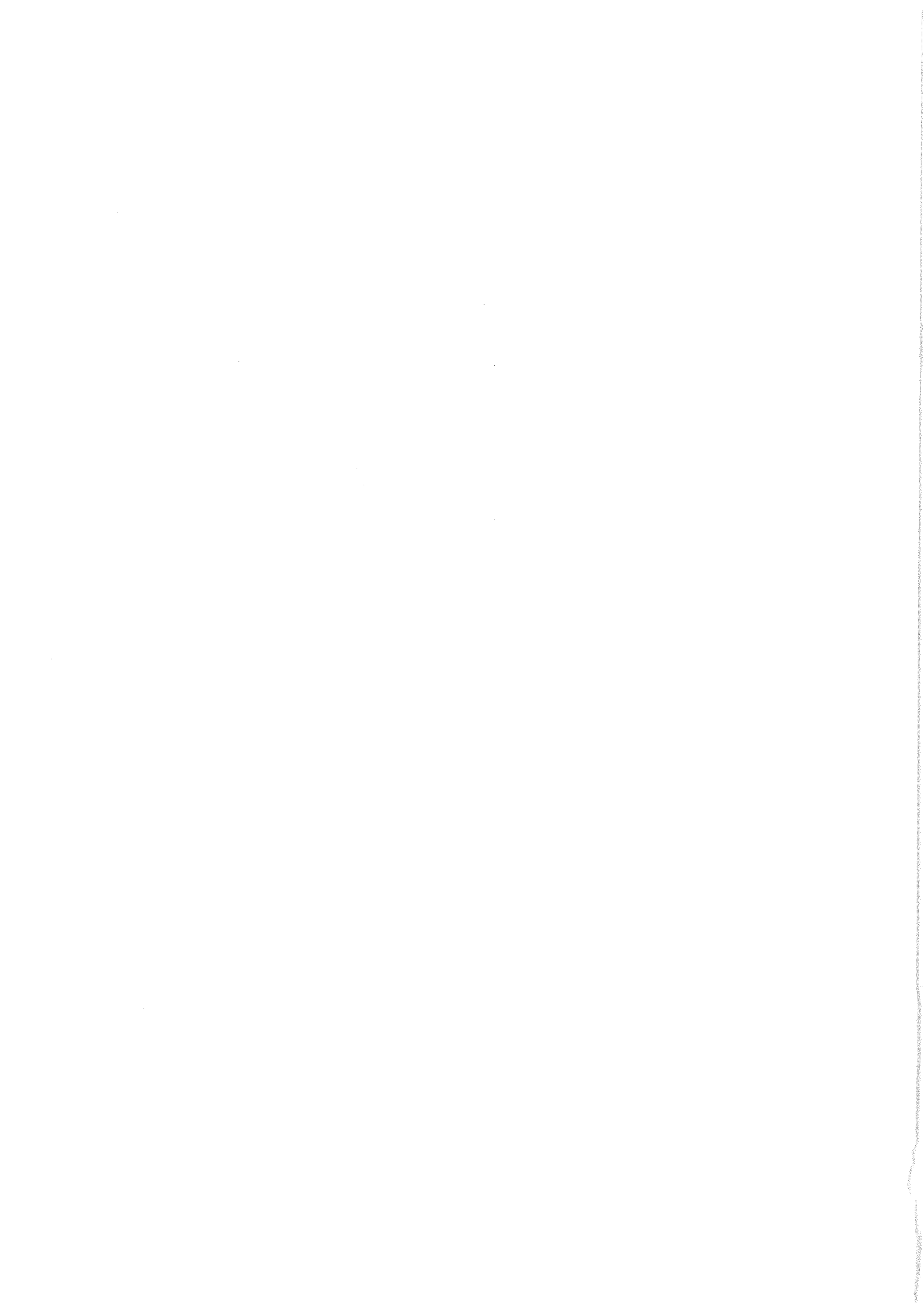


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**LABOUR AND WORK IN SMALL-SCALE ENTERPRISES**

Henk Thomas  
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# LABOUR AND WORK IN SMALL-SCALE ENTERPRISES

Henk Thomas  
Institute of Social Studies, The Hague

## I. Introduction

This paper aims at clarifying labour aspects in small-scale labour intensive enterprises, with an emphasis on industrial production. Conditions of work in industrializing countries have generally become a matter of concern as can be concluded from a report which notes that

...the extremely difficult conditions in which many workers labour are increasingly giving rise to concern and even charges of exploitation. Moreover, the accidents, occupational diseases, fatigue, absenteeism and low productivity associated with poor conditions have serious costs for the worker, the enterprise and society as a whole (Kogi, 1985).<sup>1</sup>

In general, the labour situation in small-scale enterprises are worse than in medium- or large-scale plants. The differences show up in lower pay, longer working hours, absence of pension arrangements, poor quality of health insurance (when it is available) and lack of organizational possibilities. All these add up to 'appalling conditions' (Olanrewaju, 1986).<sup>2</sup>

A most alarming dimension concerns the employment of children, sometimes at a shockingly young age. One of numerous examples of this is the match and fireworks industry in Sivakasi, India where one study found some 45,000 children employed in small enterprises. The youngest was only about four years old (Kothari, 1983).<sup>3</sup>

In spite of this small-scale enterprise development policy has become an important part of development studies. Such enterprises create much employment and so a wide range of policies has been designed to try and foster their growth and accumulation potential. The argument goes that it is better to have work providing some income in conditions of poverty and in the absence of a welfare state.

It is recognized that small-scale industrial employment makes up a high proportion of the employment in the entire industrial and manufacturing sector. Figures indicate that this proportion is often at least 50%.

Given this favourable developmental role, analysis is usually concentrated on the economic aspects of small-scale production, such as growth potential, sectoral information and indicators of efficiency, without looking more deeply at the labour situation.<sup>4</sup>

From a policy perspective, too, the labour dimension calls for a closer examination than is usually given to it. Small-scale enterprise promotion policies in many countries focus on the alleviation of bottlenecks through measures such as provision of special credit lines, promotion of management training programmes, establishment of industrial estates and creation of other necessary infrastructure.<sup>5</sup> At best the labour dimension emerges as part of human resources development policies that focus on training the owner/entrepreneur.

Conditions of work and employment are ignored as if favourable outcomes for employees are to be taken for granted. And yet, from a developmental perspective one would expect that the well-being of the people involved would form the central motivation of developmental policies.

The labour aspects extend beyond creation of jobs or provision of some education to entrepreneurs. The level of earnings, labour market segmentation, lack of legal protection and irregular nature of work all call for attention since they provide insight into the labourers' welfare.

Labour issues are too complex to deal with fully here. The scope of this paper would not allow an analysis of the numerous points which need to be raised. Therefore, the analysis will concentrate on an examination of how scale of production is related to labour relations in small enterprises; and perhaps *vice versa*. In other words, does scale of production hold implications for labour relations within production? If so, what are the specific characteristics of this relationship within small-scale production?<sup>6</sup> As a result of this analysis, the general situation of labour within small-scale enterprises can be sketched quite precisely.

This investigation will be carried out from the perspective of insights provided by the labour economics literature. Different domains of literature will provide a framework of study in this search for analytical clarity; thus, instead of adhering to a specific school of thought, insights from different approaches will form the core of the argument. Reference will be made to analyses that focus on countries that have completed the process of industrialization as well as those that are undergoing deep structural changes.

The central beacon will be the question as to whether developments that promote small-scale enterprises have implications specific to a labour perspective. Or, putting it differently, do small enterprises represent a special segment of the overall labour market rather than being just an integral part of the highly mobile urban and rural labour markets?

The first section will briefly introduce the different schools of thought. Next will follow a historical sketch of the fundamental concept of our analysis: segmentation of labour. In industrialized countries segmentation will be seen to be linked closely to patterns of discrimination in the labour market. In developing countries the overriding issue will be shown to be the shortage of work in the so-called formal sector while an informal urban labour market is dominated by small to very small production units. Here, a multi-disciplinary approach will permit a tentative answer to the dilemmas addressed in the section. The final, concluding, section will present the outlines of a comprehensive theory of labour in small-scale enterprises.

## II. The Different Approaches

Labour economics is comprised of a remarkable balance of neoclassical, institutional and radical positions, all of which have had a strong impact on it.

The major labour problems of the late nineteenth century forced all schools of thought to examine the role of this production factor. Today, when in a large part of the world masses of people cannot find employment or earn a decent living, labour continues to be important.

The study of labour in small enterprises lends itself to outspoken ideological positions



and it is thus justifiable to devote attention to these approaches in the context of our analysis. Some authors, for example, view the behaviour of small entrepreneurs as a fine illustration of highly competitive markets while others are inclined to focus on aspects of extreme forms of labour exploitation.<sup>7</sup> And again, at times the wider context of political economy is ignored in the literature.

A brief exposition of the main approaches within labour economics is therefore necessary.

## II.1 Neoclassical analysis

Within a typically neoclassical framework, much of the analysis focuses on the rather abstract study of the demand and supply sides of labour markets. The demand side of labour market analysis is strongly embedded in the marginal productivity approach which reflects the behaviour of profit-maximizing entrepreneurs within highly competitive market structures. Supply side analysis is based in essence on individual preferences between work and leisure or between work and education.(investment in human capital).<sup>8</sup>

In this way one obtains a coherent, rather abstract, analytical framework that yields seemingly precise outcomes for wage structures and employment levels. And, as a corollary, these wage differences reflect true variations in productivity and compensate for the differences in disutility which are associated with all kinds of work. In the framework of human capital these differences in earnings are the benefits of the investments which have been made.<sup>9</sup> Thus, employment outcomes and conditions of the labour contract are the result of competitive market forces.

The micro-economic neoclassical analysis was complemented after the Second World War by the results of the Keynesian Revolution. Till then the neoclassical emphasis on the functioning of markets had led to what at best may be called a meso-approach towards the existence of labour markets at sectoral and regional levels.

The new macro-economics gave an important labour problem, unemployment, a central role in its analysis. Various categories of unemployment were identified: structural, cyclical, seasonal, and frictional. The Keynesian analysis asserted that the neoclassical approach of labour market clearing mechanisms did not hold in a world where a deficiency of effective demand would cause involuntary (instead of the neo-classical voluntary) unemployment.

This new theoretical impetus led to ample applied research being undertaken to obtain hitherto neglected statistical information on these macro-aspects of labour. Historical patterns of occupational, industrial and regional trends in wage structures and employment records in the industrialized countries were systematically examined in order to provide empirical verification of the new theory.<sup>10</sup>

From then on macro-economic analysis became part of labour economics and much attention was paid to employment creation, mostly by including the labour variable as a homogeneous factor of production in macro-models.

The neo-classical approach survived in principle with modifications from macro-insights. It has proved its value as an important research method.

## II.2 The institutionalist school

The institutionalist school, although not occupying the main stage of economic theory, has had a major impact on labour economics. As a result, an important part of the specialization deals with the main actors in the labour market: trade unions, employers and the government. The study of trade union organization, the role of employers' organizations and the involvement of governments are prominent components of this approach (Hodgson, 1988).<sup>11</sup>

The central theme is mostly the in-depth analysis of bargaining processes among the main actors. The outcomes refer to the fine details of payment conditions and the legalities of the work contract. Thus, the institutional examination of realities is substituted for the abstract demand and supply interactions of the neoclassical approach. From a neoclassical perspective individual workers are free to explore the opportunities of competitive markets, but from an institutional viewpoint their status, social welfare and payment conditions are heavily constrained by the existing job structures. In contrast to the 'neoclassical' way of thinking, which is little interested in the role of the state, the institutionalist assigns an important place to the government as mediator in conflicts and as an intervening force through its education, manpower and social policies.

A labour market may then be defined as the mechanisms and institutions that play a role when labour power, as a commodity, is sold and purchased. The existence of sub-markets within the wider national labour market is conditioned by 'the historical processes whereby political-economic forces encourage the divisions of the labour market into separate sub-markets, or segments, distinguished by different labour market characteristics and behavioural rules'.<sup>12</sup>

In view of the considerable prima facie evidence about the weak, unprotected, unorganized, low-skilled nature of work within small enterprises, the question now arises as to whether employment in small enterprises forms one of those sub-markets.<sup>13</sup>

The institutional approach can help us to answer this question, but not in all cases. Institutionalists use a holistic methodology; instead of striving for a coherent and abstract model of labour markets, for example, they search for an understanding of the total system within which all the parts are related.<sup>14</sup> Their focus is on the dominant institutions - trade unions and the like - and it is thus not likely that this approach would yield deep insights into the position of labour working in small enterprises in fully industrialized countries. However, as we shall see later, this approach has played an important role in research on the informal sector of developing countries.

## II.3 The Radical (including Marxist) views

The core dogmas of Marxist analysis - concentration of market power, falling rate of profit, existence of a reserve army of workers and tendency of earnings to converge to subsistence levels - form a sharply articulated hypothesis: the exploitation of workers by the owners of capital. This approach is inclined to examine the wider societal relations of power

inequalities whenever dealing with the specifics of markets and their institutional underpinnings.

The radical approach has long occupied a respectable place in labour studies. Undoubtedly this is because of its outspoken views on labour's weak position and its predictions about the future of labour within capitalist development.

The radical view has had a strong impact on the study of labour in industrialized countries, particularly during the late nineteen sixties and seventies. Phenomena such as discrimination and persisting income inequalities apparently could be examined in depth only if the fundamental inequalities of societal power played a major role in theories.<sup>15</sup> In the context of the Third World there was even more scope for verifying these hypotheses and the concept of a reserve army of labour has become a permanent feature of political economy studies.

While the neoclassical and institutionalist approaches are characterized by a well-defined set of methodological implications, the radical view sets out primarily to reveal the underlying power structures that have an overriding impact on all markets and institutions. Its implications for specific studies are, therefore, more difficult to take into account without recognizing the class positions and associated actions of groups and individuals.

It appears that the Marxist approach offers limited scope for the analysis of small-scale enterprises, which calls for a perspective of differentiation rather than a large homogeneous class concept.

#### II.4 Conclusions: Complementarity of insights

The three approaches have generated different research methods in terms of the objects of analysis, the questions raised and the techniques applied. However, authors are aware for the most part of the complexities of labour relations, and while expressing a preference for one approach they also attempt to integrate elements of others.

The neoclassical approach tends to concentrate on relatively abstract demand-supply analyses for work and labour and yet stylized behaviour of the actors is well integrated into such analysis these days. The institutionalist tends to examine the actors in the labour market and the specific characteristics of their main activity: collective bargaining. Nowadays this approach, in spite of its traditional preference for descriptive methods, is thoroughly familiar with the application of econometric methods. The radical approach takes as its point of departure class differences on the supply side and the control of labour by capital in the wider context of national power relationships on the demand side. Here, recognition of insights from both neoclassical and institutionalist methodologies is also common practice.

This willingness by adherents of one school to integrate valuable components from others into their analysis does not necessarily foreshadow the eventual convergence of the different approaches. More likely is a development in which the students of labour will combine the elements of different methodologies. As Mangum and Philips state,

There are some very good scientific and political reasons why these paradigms are different and will remain so. Their ideological concerns are different, the way they set up questions is different, and what they consider to be adequate answers can differ. The neoclassicist inevitably advocates market competition as the solution to most ills. The institutionalist insists that knowledgeable tinkering can improve the functions of a generally satisfactory system. The

radical is convinced more fundamental interventions and reforms are essential. Although this diversity in analysis and conclusions may be dismaying to some, this range of debate allows the reader to be not only a student of this subject but also a member of the jury (1988:18).

### III. A Labour Focus

The previous sections have given an initial 'feel' for the insights to be gained from an analysis that pays attention to different approaches and different levels of industrialization. It is now time to examine the concept of labour differentiation to determine whether or not such differentiation and restrictions on mobility make of those who work in small enterprises a category with special characteristics. If no special features are identified the important policy implication is that rapid expansion of small industry is to be welcomed, at least from a labour perspective, for its strong impact on employment creation. If special characteristics are found, the consequences of such a strategy of industrialization and development will be clearer.

#### III.1 Non-competing groups

The imperfection of labour markets was recognized by Mill and Marshall, who approached them from a classical to neoclassical perspective.

John Stuart Mill stated that differences in earnings and access to jobs were not at all ruled by natural market forces. Based on his insight into the realities of 19th century Britain, the theory of separate and distinct labour markets became accepted doctrine in the concept of 'non-competing groups'. Mill observed permanent fundamental differences between - what we call today segments of - labour categories, and wrote with deep insight:

So complete, indeed, has hitherto been the separation, so strongly marked the line of demarcation, between the different grades of labourers, as to be almost equivalent to a hereditary distinction of caste; each employment being chiefly recruited from the children of those already employed in it; or in employments of the same rank with it in social estimation, or from the children of persons who, if originally of a lower rank, have succeeded in raising themselves by their exertions (Mill: 1848)<sup>16</sup>

The apparent lack of competition among people belonging to different occupational groups such as unskilled, skilled and professional workers, which were closely correlated to social classes, made for an important modification of competition theory. By the turn of the century even Alfred Marshall, in his classic work on the workings of the competitive market system, argued that labour divisions due to locality and industry were deeper than could be explained by forces of temporary disequilibrium and thus had to be analyzed in a different framework.

### III.2 Petty commodity production

Differentiation plays an important role in the Marxist tradition as is shown by concepts such as the labour aristocracy - a segment of privileged workers in large enterprises - and the reserve army of the unemployed - who survive by engaging in low-earning activities.

Small-scale productive activities play an important role in this approach and are seen as having direct consequences on labour. Such activities belong to the so-called petty commodity sector which has only modest growth potential and is characterized by heavy dependence on large capitalist companies. The exploitative character of market linkages with capitalist enterprises permits sub-contracting relationships or self-employment (and self-exploitation).

In the traditional Marxist approach the petty commodity production mode belongs to a pre-capitalist stage of development. Its existence today indicates the side-by-side existence of capitalist and non-capitalist modes with the latter destined to fade away in time. A different argument has developed in the context of current debates on developmental problems, namely that petty-commodity production is an integral part of capitalism and will thus be a permanent feature of capitalist development.<sup>17</sup>

Both variants of Marxist analysis hold the same implications: that the exploitative relationship with respect to strong economic interests in the wider economy will lead to weaker labour conditions in small firms.

### III.3 Balkanization of labour markets

The concept of Balkanization was developed within the institutionalist tradition after 1945.<sup>18</sup> The approach rejects lack of competition among categories of labour as being linked primarily to social factors that amount to pre-market influences.

Instead it implies that firms themselves play an important role in dividing otherwise homogeneous categories of labour into non-competing segments. 'In-market' behaviour has thus been added to the earlier analysis which identified those 'pre-market' forces. This concept has become part of modern theorizing on industrial relations 'systems' within the industrialized world. Working within the methodological confines of a systems approach, existing power structures are taken as points of departure for descriptive analyses of the behaviour of the various actors - employers, employees, governments - in solving labour-related problems and conflicts. These power structures are closely related to sub-systems (a Balkanized structure) of groups of labour. The Balkanization approach has also had a very deep impact on industrial relations theory in developing countries.

Given the focus on collective bargaining and main actors such as trade unions, big employers and governmental agencies, this approach, by implication, provides no leads for a better understanding of small-scale enterprises and the labour situation in industrialized countries.

#### III.4 Human capital: heterogeneity or segmentation of labour?

The human capital theory is a good illustration of the differences in the approaches described above. Its development in the 1960s gave a major boost to interest in social factors. Whereas Mills had argued more than a century before within a liberal and optimistic philosophy that education would overcome the causes of class-based labour groupings, the human capital theorists now hypothesized that investments in human capital could bring about changes, with particular reference to American structural inequalities such as between white and black and between male and female workers. A most fertile ground for ideological battles was initiated with the birth of this theory. Neo-classicists used it to strengthen the theoretical foundations of the supply-side of labour market analysis. Institutionalists attacked the implied correlation between investments in human capital and labour productivity, while the radicals collected important evidence to prove that education served to consolidate existing class differences instead of overcoming the barriers between groupings in labour markets.<sup>19</sup>

For the purpose of our analysis it is important to note that an attempt was made to bring together elements of pre-market behaviour (the individual supply functions of work) and entrepreneurial behaviour (such as readiness to finance training and education). Individuals were expected to pay for the integral costs of training while firms were motivated to finance so-called specific programmes that would mainly benefit jobs in that specific enterprise.

This approach focused on the relationship between earnings and education (the earnings function was being estimated for numerous categories of labour in different industries, regions and countries) and implied that segmentation would primarily follow different levels of schooling. In other words, the ideological view was decisive in the final verdict: the neoclassical approach would identify empirical inequalities as symptoms of heterogeneity and the institutional and radical approaches might tend to speak of segmentation.

The concept of scale would emerge only incidentally in this approach, namely when earnings analyses included the size of production (or capital intensity as a proxy) as an explanatory variable. Thus, no further insights are to be gained because most of this analysis is of a static nature and does not allow for mobility among firms of different types.

#### III.5 Conclusion: The role of the firm?

So far in this brief survey, which has covered the history of thought till the late 1960s, the scale of enterprises has hardly been considered in any direct manner. Only the petty commodity approach addressed scale of production in a direct way.

It might perhaps be argued that the industrial relations systems theory, in the tradition of the institutionalist school, did implicitly take the size of enterprises into account as it focused on the main agents in the labour market, viz large-scale employers and their easily unionized labour force rather than smaller productive units.

As for the neoclassical approach, one could argue that the 'absent firm' actually represents the anonymous entrepreneur, which could be true under perfect competition. In the long run there is no scope for differences in the size of production units and no a priori

hypotheses follow with respect to labour conditions in small enterprises.

This interim assessment of the labour situation in small-scale production is not unexpected since the firm itself was either assumed away (neoclassical approach) or introduced in a rather abstract (Marxist) or remote (institutionalist) manner. The upsurge of interest in labour's role in the production process came later; it is particularly the search for an understanding of this phenomenon which triggers the examination of the role played by production unit size in relation to labour.

#### IV. Differentiation and Discrimination

From the 1970s onwards the fundamental concept of differentiation of labour was approached in industrialized countries from the perspective of discriminatory practices in labour markets. The aim of this section is to determine whether this literature yields insights into the role of labour in small enterprises.

Labour economics branched out impressively after the late sixties in response to persisting disequilibria in the American labour market despite a strong upward structural trend in the performance of the economy during that decade.

Each of the three main approaches dealt with central problems such as discrimination on the basis of race and sex, persistence of income inequalities, unequal job opportunities and adjustments in the labour markets due to structural changes in the economy. There was no convergence of ideological positions, but rather a methodological convergence in the sense that each approach made extensive use of statistical data and econometric analysis as well as taking into account some key institutional dimensions of reality.

It is safe to state that from the early 1970s onward the three main approaches have occupied almost equally strong positions in the labour economics field.<sup>20</sup>

It is important to note that the earlier concepts of non-competing groups, Balkanization of labour markets, and labour differentiation of labour according to human capital investments were overshadowed by the new concept of segmented labour markets.

It had become clear by the early seventies that the impressive programmes of the US government under the Johnson administration had not succeeded in overcoming discriminatory wage practices and guaranteeing free access to the labour market for groups that had been denied job opportunities. One might have expected a hasty retreat from the neoclassical position and an endorsement of the permanent character of segmentation in labour markets, but that did not happen. Instead, all the three approaches engaged in huge research efforts to strengthen their own arguments.

Naturally the institutionalist school was strongly interested in this 'process of institutional circumscription within the labour market' (Mangum and Philips, 1988:9). Questions such as 'why are various segments of the labour market so different, why are certain groups confined to certain labour market segments, and why is there such restricted mobility among segments' pointed towards the need for a careful description of such segments and groups, and of the nature of reduced mobility.<sup>21</sup>

Three aspects of economic theory which are central to our analysis will now be examined: the theory of job competition, the concept of dual markets and the manner in which firms deal with risk and uncertainty.

#### IV.1 Job competition and technology

As already stated, the extensive education and training programmes in the United States have had little impact on racial and sexual discrimination.<sup>22</sup> As a result, Thurow developed a new 'competitive' theory of job competition within the neoclassical framework. While taking into account some institutional aspects of the labour market such as the behaviour of entrepreneurs, he argued that the adjustable set of job requirements rather than wage fluctuations was the regulating mechanism. Wage structures were determined primarily by traditions and institutional factors, which by their very nature adjusted very slowly to scarcity and abundance in labour markets, a stable wage structure being an important asset in managerial functioning (1975).<sup>23</sup>

As a result, the demand and supply pressures for different job categories result hiring criteria changes instead of adjustments of the relative wage differences. The consequence would be that, for example, when labour was abundant queues would form outside firms to gain access to one of the 'ports of entry'. The hiring firm would use a range of hiring criteria (job requirements) such as those relating to training and education, race, religion and sex to screen applicants for any vacancies. In other words, segments of employable categories of labour would be separated from other groups which would by implication receive a ticket for the queue of the unemployed.

In the long run this theory of job competition still allows the true scarcity prices to be revealed; however, adjustments of job characteristics can well substitute for wage fluctuations for considerable periods of time without jeopardizing the allocative mechanisms of the labour markets. The resulting discriminatory practices are then justified as being efficient screening devices.

To what extent does this innovative analysis contribute to a better understanding of the position of labour in small enterprises? On the one hand, one might expect small enterprises to imitate medium- and large-scale ones in their hiring practices and thus reinforce discriminatory segmentation. On the other hand, it might be hypothesized that frustrated segments of the queue would establish new small enterprises themselves, which would then have a very different labour force.

The cautious neoclassical conclusion must be that after more than a century Mill's theory of 'non-competing' groups has received some theoretical underpinning with reference to the mechanics of the production process.

Another point of entry for further analysis is the argument that small enterprises have different access to capital and technology as compared to large ones. The implication is that small firms in competitive markets for homogeneous products have to squeeze the production factor labour.<sup>24</sup>



#### IV.2 Dual labour markets

Doeringer and Piore argued from an institutionalist methodological perspective for the existence of dual labour markets, internal and external (1971).<sup>25</sup> The internal markets consist of stable, attractive jobs, mostly within large enterprises. Unstable jobs with low social prestige are found in what is termed the secondary labour market. The so-called primary jobs are characterized by low labour turnover and solid and carefully designed career patterns. Furthermore, internal markets have job hierarchies and well-established wage structures. Internal mobility is normal within firms but outsiders find it difficult to gain access to the internal promotion ladders. These markets are governed by administrative rule, as compared to the outside-competitive-market where wages, expenditures for training and the allocation of labour to the available secondary jobs are determined by market forces. The two markets are interconnected through 'ports of entry and exit'.

The dual market approach is directly relevant to this analysis as it could be expected that labour employed in small firms usually belongs to the secondary market, which is characterized by less job security and worse working conditions. The holders of jobs in the primary and secondary markets are divided by social characteristics. In the secondary job market one finds the 'disadvantaged workers which include disproportionate numbers of recent immigrants as well as minority groups who have been the object of various forms of discrimination' (Mangum and Philips, 1988:132).

The institutionalist is generally optimistic about the potential of labour to improve its position. Since the processes of labour market adjustments to establish an equilibrium at par with the jobs of the internal markets take excessively long he, in contrast to the neoclassicist, favours governmental interventions.

For instance, the pay-off for investments in human capital through education would be different in the primary and secondary job markets; however, the government could introduce minimum wage laws or other legislation of comparable worth (Mangum and Philips, 1988:20).

To round off this section it can be concluded that the institutionalist approach implies that work in small enterprises tends to belong to a category of secondary jobs that are occupied by socially disadvantaged groups.

#### IV.3 Risk and uncertainty

The radical approach takes power inequality between capital owners and labour as its point of departure. It thus tends to give a central place to entrepreneurial behaviour and the objectives of the firm.<sup>26</sup>

This approach looks at segmentation in the light of capitalist developments. According to Marxist theory the problem lies in the inherent weakness of labour versus capital, or in other words disequilibrium is the fundamental characteristic of labour market processes instead of being a temporary situation. Thus, phenomena such as duality of labour markets and discriminatory practices are seen as results of the antagonism between employers and employees. The preferred method of control by capital ownership over labour calls for a large reserve of workers - implying also a reservoir of secondary jobs - and for strict discipline under quasi-bureaucratic managements.

Some important new theoretical work has been undertaken within this approach recently. For instance, Berger and Piore have provided an important lead in defining the framework for analyzing the relationship between large and small enterprises, and simultaneously between the organized workers in large firms and the weaker segments in small ones (1980).<sup>27</sup>

They argue that large firms shift certain elements of risk-taking to particular segments of workers in times of economic uncertainty. They seek in times of 'flux and uncertainty' to contain the numerous risks of operating in a market economy. Owing to the presence of strong trade unions, these large enterprises lose the possibility of adjusting employment; collective bargaining practices also slow down adjustments with respect to labour costs per worker.

Therefore, the firms implement measures to separate out a segment of secure, privileged workers. How this works in practice is determined by historical traditions and constraints, the legal framework and opportunities to influence policy makers.

In their analysis of the behaviour of large enterprises in three industrialized countries, Berger and Piore identify at least three different instruments for achieving separation: the promotion of small-scale industrial activities, the segmentation of labour by introducing different types of contract for permanent and migratory workers, and the combination of decentralized union-management relations and discriminatory practices (1980:23-81).

The first method is found in Italy; the other two exist in France and the United States respectively. The Italian case is of direct relevance to this analysis. Berger and Piore distinguish three different categories of small enterprises in Italy: traditional ones based on certain craft skills, small firms dependent on large enterprises and independent small enterprises that have succeeded in gaining access to financial resources to purchase modern technology.

They argue that both technological and distributive aspects largely determine the dimensions of small-scale industrialization. The instability of output markets determines to what extent large enterprises engage in subcontracting production to small firms with the aim of reducing risks and uncertainties. The result is that small firms become highly dependent on large ones. To the extent that small-scale entrepreneurs succeed in gaining access to lines of credit and technology, there is space for independent growth and accumulation. The subcontracting option leads to highly dependent labour relations but the accumulation option allows for improved working standards and increments in earnings.

Manwaring adds an important element to the dual labour concept by defining the secondary labour market as an 'extended internal labour market'. Within this he distinguishes four types: structured secondary, unstructured secondary, unstable secondary and 'just' secondary markets (1984).

It is worthwhile to explore whether small-scale production is equally strong in each of these four categories or whether specific patterns can be identified.

The importance of social stratification or pre-market segmentation has been taken up again within the radical approach. Humphries and Rubery, for instance, argue for the notion of within-firm segmentation and pre-market segments being interdependent. They see the major forces that dominate the shaping of labour markets within enterprises as also ensuring that, at the wider societal level, workers are being prepared and socially conditioned to play well-defined roles in the economy. This could in particular apply to women and

underprivileged social classes such as migrants or ethnic groups (1984).

#### IV.4 Conclusion: insights gained

The examination of how the three approaches have dealt with discrimination and segmentation in industrialized countries has yielded useful insights.

The radical approach in particular views labour in small enterprises as, at least partially, a distinct segment of the labour market. This segment will most likely be more vulnerable to changing conditions. The institutionalist approach, through its analysis of large enterprise behaviour, has implicitly raised some ideas about labour's position in small firms. Lastly, the neoclassical approach, with its deeply rooted bias towards the existence of natural market equilibrium positions, recognizes segmentation based on differential access to capital resources and subsequent variations in technologies between small and large firms.<sup>28</sup>

#### V. Employment Creation and Development

The study of labour economics applicable to developing countries has been less of a watertight compartment than that applicable to industrialized countries. Employment creation and levels of earnings are main topics of the developmental studies specialization in both cases; however, in the context of development it is a micro-focus study that complements macro-analysis rather than the other way around as was observed earlier in the context of fully industrialized countries.<sup>29</sup>

Development studies was at first primarily concerned with rapid growth which would 'trickle down' into the labour market by way of employment generation. A second major consideration was the adjustability of labour in the light of structural economic transformation. Rapid adjustments would permit badly-needed economic transformation, particularly from an agricultural orientation towards a focus on urban industry.

In those days employment generation was included in relatively simple macro-models, which regarded labour as an abundant production factor that could be represented as a simple homogeneous variable. It was soon realized that 'education' might cause bottlenecks in development processes and so heterogeneity by levels of schooling was allowed for by introducing - particularly in the context of manpower planning - differentiation among unskilled, skilled and professional (respectively primary, secondary and higher education-level) workers.

The adjustment of labour to structural transformations played an important role in dual- and later multiple-sector models. Here, the work of Lewis on the distinctive characteristics and behaviour of the rural and urban labour markets had a long-lasting impact on development studies. The urban economy would gradually absorb rural surplus labour through migration in which the difference between rural subsistence earnings and slightly higher urban wages was the regulating instrument (1958).

### V.1 Models of development

Models were gradually extended to more than two sectors (for example, Reynold's four-sector model covering agrarian, industrial, public and trade-services sectors) and more sophisticated patterns of migration began to enter the picture. Here Todaro's research, based primarily on observations in an African context, had a far-reaching impact.<sup>30</sup> The study of migration soon revealed that the urban economy was highly diverse, ranging from modern industry to casual work of low productivity. Seemingly different labour markets, each with special points of entry, presented themselves to the prospective migrants.

By the late 1960s (by which time the earlier conceptualization of a homogeneous urban economy had become outdated) it had also been shown that employment elasticities of economic growth, which had been considerable during the 1960s in numerous countries, were too low to provide the number of jobs that would be needed. Both the exodus from the countryside and the high aggregate rates of population growth emerged as phenomena that could not be contained, even in the most optimistic models.

### V.2 Equilibrium or disequilibrium?

Given the emerging problems, it is understandable that developmental labour economics focused in particular on the functioning of labour markets during rapid transformation of the economy. If labour failed to adjust to structural transformations in the economy, then malfunctioning of labour markets could provide an explanation for unemployment and under-employment. If such were not the case, then other causal relations would need to be investigated.

It was frequently argued within a neoclassical framework that labour markets had adjusted well to urban transformation and economic restructuring. A concern was expressed at times about rural and urban imbalances that might have occurred due to interventions by governments and trade unions: the possibility was raised that their actions could result in higher minimum wages than were in accordance with an equilibrium in the labour markets.<sup>31</sup>

The neoclassical approach is optimistic about the potential of labour markets to function well, in the sense of 'capitalism' being able to perform adequately as far as labour market allocation is concerned, but the actual role of labour within enterprises tends to be ignored. Two illustrations are given to represent this focus on the functioning of labour markets during structural transformation.<sup>32</sup>

The first case is an analysis of individual options in the Malaysian urban labour market. It categorizes enterprises by their size - those employing fewer than ten, ten to ninety-nine, and more than 100, and lastly the self-employed. The objective of the research is to identify the 'search behaviour' as members of households seek 'access to the different segments of the urban economy'. The analysis focuses on migratory and mobility patterns by applying a slightly modified version of the human capital methodology. In addition to personal characteristics of the individuals there are institutional variables such as the size of enterprises. The findings are that earnings relate not only to these personal characteristics but also to the scale of production of the enterprise concerned.<sup>33</sup> Small-scale firms offer the lowest earnings.

The findings are interesting and yet of limited relevance since no insight is provided into the behaviour of enterprises. The implicit suggestion is the optimistic notion that by changing personal characteristics (mainly education and training) and by seeking employment in larger enterprises, it is possible to find a reasonably well-paying job (trickling up, as it were).

The second example, also neo-classical, views the labour market from an aggregate perspective rather than that of the individual (Morley, 1982).<sup>34</sup> The author argues that the Brazilian labour market has to be the analytical focus of any examination of that country's economic performance.

It is an example of 'trickling down' through the operation of labour markets. Strong evidence of mobility by occupation and by generation makes for an impressive data base and shows that the level of earnings correlates with education, skill, the economic sector of employment and internal occupational labour markets. This relationship explains the inequalities in the economy. Furthermore, wage biases explain from an aggregate perspective why insufficient jobs are being created.

The concept of scale does not come into the analysis. However, an informal sector covering some 15 to 20 per cent of the working population offers 'employment of last resort, which is accepted by those who are unable to find better jobs and whose families are badly in need of supplementary income (Morley, 1982:177).'

The scale of production is not seen as an issue of strategic importance. Rapid growth and smoothly functioning labour markets are the best instruments to create jobs and overcome poverty. Morley argues that income differentials, in particular between skilled and unskilled workers, will decrease once the labour surplus has disappeared, and therefore

rapid growth may be the only politically feasible method for improving the lot of the people at the bottom of the income pyramid (1982:276).

It is only a small step to then conclude that labour markets are best allowed to develop without interventions such as those undertaken by governments through minimum wages policies and by trade unions through strikes and productivity hampering interferences.

The implied conclusion of these two analyses is that growth can be achieved without giving small enterprises a special role. When labour market incentives stimulate workers to move quickly to better jobs weak markets will disappear automatically.

### V.3 The informal sector

The concept of the 'informal' sector introduced by Hart in 1973 provided a new methodology that permitted a more descriptive approach of Third World urban realities in a manner respecting anthropological and institutional realities (1973).

The well-known ILO missions followed with their innovative reports that have become part of development literature. A sharp distinction was made between 'wage-earners' in the formal sector and the 'self-employed' in the informal sector. Hart spoke of the irregular, segmented economy. A high wall - to defend a citadel, as it were, as Holmstrom described the differences between the two segments - separated the modernizing sectors in the urban

economy from the traditional backward workshops and craft activities in the informal sector.<sup>35</sup>

The informal sector concept marked the beginning of new debates, confusion and conceptual disarray. It was typical of the way in which developmental fashions succeeded each other. In subsequent years dualist approaches made their appearance under a wide variety of labels, among them wage-employment versus self-employment; protected versus non-protected work; firm-centered economy versus bazaar-economy; organized versus non-organized labour; modern versus traditional; large-scale versus small-scale; and legal versus illegal.

Much energy was spent on proper definitions and measurement. The precise definition and statistical measurement of phenomena such as employment, unemployment and under-employment are illustrative of the rather descriptive nature of the initial work on the 'informal economy' in developing countries. In the context of this synthesizing and issue raising-chapter it would serve no purpose to even try to present an overview of the voluminous literature which was published for more than a decade.<sup>36</sup>

The major result of this enormous research effort has been that it has now become accepted doctrine to view the urban economy as a dynamic interaction among different forms of production in the formal and informal sectors.<sup>37</sup>

It is relevant to note that it was gradually recognized that there was generally more of a continuum than a sharp dichotomy between formal and informal sectors - except for the labour variable where rather sharp distinctions were found between formal and informal labour.<sup>38</sup>

Thus, both dynamic interaction between various production systems as well as a high degree of segmentation (by occupation, location and industry, but also by race, religion and gender) were considered to be part of the Third World urban reality.<sup>39</sup>

Highly articulated views which incorporate the different approaches have also been developed. It has already been indicated that the concept of informal production activities was originally well embedded in an institutional approach. A radical influence is definitely to be seen in the emphasis on the dynamic interactions within a holistic urban analysis that concentrates on dominant economic powers. And a recent euphoria about the potential of small, informal production in many developmental circles can be traced to an optimistic approach that takes well-functioning markets as a policy objective.<sup>40</sup>

#### V.4 Beyond the informal sector concept

There has been considerable disappointment over the modest impact of the voluminous literature on the informal sector. In the introduction to van Gelder and Bijlmer(1989), van Gelder rightly states,

In a nutshell, the informal-sector debate as such provides a rather depressing example of the development process of the social sciences themselves. Do the contradictions bring us a step further or do they leave us behind with misunderstandings and conflicts of interest?

However, with respect to both the role and position of labour, and the position of the small firm, the voluminous literature that has been referred to in the previous sections now permits specific analysis of labour vulnerability and the role of women's work.

### Vulnerability

Most analyses have focused on a rather repetitive description of case studies that just defined categories of labour such as career wage-work in the formal economy; and short-term wage-work, disguised wage-work, dependent work, precarious self-employment and career self-employment in the informal sector (Bromley, 1985:101). Perhaps one reason for this is the high cost of financing multidisciplinary research for which teams of researchers with a background in different disciplines are necessary.<sup>41</sup> Generally, the state of working conditions and labour relations are noted; however, inadequate attention is paid to conditions of work and labour relations within different sectors of industry.

This is changing now. Standing, for instance, distinguishes different categories of 'vulnerability' in urban labour markets.<sup>42</sup> First, vulnerability according to sector: public, large-scale 'corporate' enterprises, small-scale dependent units, small-scale independent enterprises, and categories of 'surplus population'. Next, categories according to labour status: permanent employment, various categories of casual workers, apprentices, and domestic workers. He recognizes that lack of mobility among sectors and among groups of different status contributes considerably to serious labour segmentation. Lastly, vulnerability according to social stratification - migrants and women workers - which restricts entry for some labour segments.

### A feminist approach

A second factor which may rapidly lead to the obsolescence of both an equilibrium approach towards developing labour markets and the informal sector approach is the analysis of the special characteristics of women-and-work relations. Again, reference will be made only to those aspects that have a bearing on the relationship between labour and small-scale industry.

The examination of gender aspects in labour studies in general, and labour economics in particular, is a recent development. A very important 'labour literature' with a feminist approach has thus developed and its impact is gradually making itself felt within the labour studies discipline. A wide-ranging panorama of old and new themes is thus being examined from a feminist perspective. This is with reference to aspects of growth and accumulation, industrialization and women's work, homework and reproduction, and consequently new forms of control, to mention only a few.<sup>43</sup>

Of particular relevance is the hypothesis that women play an increasing role in industrialization processes. The extensive employment of women in the free production zones caused the first focus of interest on women and work. It is interesting that, even though most women work in the informal sector, this new literature links women's work directly to industrialization, including rural industrialization, rather than to characteristics of the informal economy.

Another important point to note is a trend in this approach towards a global perspective rather than a narrower focus only on aspects of development. This is in contrast

to the mainstream literature of labour studies and labour economics that is more closely associated with industrialization.

As a result, much attention is given to the different structures through which women's work in particular figures in large-scale production under new forms of control, such as putting-out systems, extensive home-production and systems of sub-contracting.

It is rare at present for research to merely focus directly on work and labour relations of women with regard to small enterprises.<sup>44</sup> New insights can be expected when feminist and labour economics methodologies address the labour situation in small-scale industry in a more complementary way.<sup>45</sup>

#### V.5 Conclusion: Approaches from a global perspective

Although the small-enterprise phenomenon is global, there are several reasons for explicitly exploring the relationships of scale and labour in the context of development as well. Poverty is a dominant issue and the linkages with industry are bound to be different since industry itself is still controversial.

This does not mean that no similar issues emerge irrespective of the level of development. For instance, the examination of 'informalization' processes is regarded as important in industrialized as well as industrializing countries. Yet it would be advisable to take the specific contexts into account rather than draw global references too early.<sup>46</sup>

The complexity of the issues involved and the lack of clarity are reflected in the different approaches. The neoclassical, institutional and radical methodologies, and the feminist approach, have enriched labour studies in a major way during the past decade.

Although the neoclassical approach pays relatively little attention to institutional dimensions, it is to be expected that institutional dimensions will gradually become better integrated.

There are already indications of this. For instance, in a review of urban labour market analysis, Kannappan adheres to the mainstream view that labour-market adjustments have been a positive aspect of development experience. Yet he expresses concern over a possibly more important aspect of the 'malfunctioning' of urban labour markets:

... apparently efficient but inequitable social hierarchies and divisions ... foster employment clusters of widely varying productivity. This may well be the dominant process of adaptation and the dominant issue. ... Given the neglect of this theme in the literature, our questions and answers can represent only inchoate formulations and indications (1983:30).

Even though neoclassicists have not yet adequately addressed the implications of small-scale production for the labour situation, interesting insights may be expected from this approach.<sup>47</sup>

Institutionalist and radical approaches are particularly appropriate when studying labour in small enterprises in Third World cities, since labour is in an even weaker position there than in industrialized countries. In urban developing economies a variety of institutions, hiring practices, and employment conditions exists and these also relate to differences in scale. The different labour markets are thus part of the wider context of industrialization and



development. They do not represent transitory phenomena and therefore require separate research methods. The differentiation is so articulate that, for example, Doeringer argues for specific governmental labour policies rather than comprehensive interventions that apply to all categories of labour (1988).

An innovative theoretical framework that integrates elements of institutional, radical and feminist approaches has been developed by Cox and Harrod.<sup>48</sup> Work relations in small-scale enterprises largely fall in the category of enterprise labour market relationships:

Here, the power relations are direct between employer and employee within a productive enterprise but the employment has some structure and stability. Employers' power is manifested by the power of dismissal and of replacement by another worker. There is no worker organization to temper the power of withholding work used as an arbitrary punishment or system to secure docile labour. One of the common instances of this form is the small, non-unionized industrial enterprise (Harrod, 1987:16).

Internal power relations are marked by paternalism and absence of worker organization. Harrod lists three constraints on the employer's power: the needs of the enterprise for skill and work discipline, state intervention and the decisions and policies of large-scale and medium-sized enterprises which affect the lowest echelon.<sup>49</sup>

Enterprise labour market conditions are estimated to occur in some 10 to 15 per cent of the global workforce in three relatively well-defined segments: small-scale enterprises, secondary jobs (using the terminology of Doeringer and Piore) of the formal sector, and rural wage relationships within farming systems.<sup>50</sup> According to Harrod the dependence of small-scale enterprises on the larger economy, and in particular on large corporations in various markets, explains their subordinate character.

The relative position of small enterprises within industry may change over time. The small enterprise was a dominant form of production during the early years of the Industrial Revolution but soon lost out to the medium- and large-scale factory in the textile, light and heavy engineering sectors. As a result, by the middle of this century this form had become an unimportant part of enterprise labour market relationships. During the crisis of the 1970s it re-emerged in industrialized countries and at the same time began to gain importance in the context of developmental policies as an instrument to create employment.

The external situation is for the most part highly dependent on the side of both input markets (raw materials and credits in particular) and outputs. Labour costs are the main item to be squeezed by the entrepreneur, not only by offering a lower market wage but also by tightening on health and safety expenditures, through extensive use of apprentices and by demanding considerably more working hours than allowed legally.

The social background of workers deserves special attention. As the weakest and most exploited of the industrial labour force, workers are disproportionately composed of socially disadvantaged groups within social relations of production: women, ethnic and racial minorities, migrants and children and others who have found it difficult to either create or join organizations of established workers.

The Harrod theory provides an interesting mixture of different approaches and could well indicate an appropriate methodology for research on workers in small-scale enterprises.

## VI. Conclusions

This final section assesses to what extent a comprehensive theoretical framework can be derived from the arguments presented in this paper, beginning with the different approaches towards labour studies that have been examined.

The neoclassical approach underscores the functioning of different types of markets and tends to assume that rather speedy convergence towards equilibrium conditions is a common phenomenon. In this view labour market conditions will dictate the outcomes of employment, earnings and working conditions; 'trickling down' is the mechanism which governs distributive mechanisms. As long as unemployment and under-employment are rampant, many inefficient productive activities will abound, to disappear (as in South Korea and Taiwan) as soon as tightness emerges in the labour market.<sup>51</sup> However, some qualifications have been recorded. For instance, the interlinking of market forces may place some groups of enterprises and people in a distinctly disadvantageous position, such as in their limited access to capital.<sup>52</sup> And furthermore, concern has been expressed over the persistence of social power inequalities that prevent a smooth functioning of markets such as the one for labour.<sup>53</sup>

The institutional approach recognizes varying characteristics in formal industry, small-scale production and other institutional contexts such as casual work and the like. Adherents of this approach emphasize the holistic system within which parts of society are connected. The approach tends to result in an extensive literature of case studies which present, frequently from a historical perspective, the complexity and variations of the informal economy. The insights on casual work, self-employment and categories of wage workers are typically the result of this methodology. Variations in training and education, hiring and firing, management practices, market orientation and so forth are carefully recorded. At times it is recommended that policy interventions should take such institutional differences into account.<sup>54</sup>

The radical (including Marxist) approach focuses directly on the objectives and behavioural characteristics of different categories of enterprises on the assumption of power inequality. This is with reference to labour relations within small enterprises, but even more the position of small enterprises with respect to larger firms and their access to input markets and marketing channels. This approach has yielded important insights which emphasize the subordinate character of labour relations in small firms. In this view exploited labour in small enterprises forms a long-term aspect of modern industrialization.

Lastly, the feminist approach has been found to yield a new framework for an examination of industrialization processes. In developing countries it is found that women's work has played a crucial role in free production industrial zones, rural industrialization, household production through putting-out systems, and the like. Then it is only one more step to ask whether the high employment percentage of women in certain types of small enterprises is also not part of this dimension of industrialization.

We would expect that the different methodologies would (and this is much in line with historical developments in the labour studies field), while maintaining their own orientation, gradually assimilate other dimensions and complement each other. The framework of interlinked markets and of Harrod's enterprise labour markets are illustrations of such a trend within the neoclassical and institutional traditions respectively.

To what extent is it possible to consolidate these insights into a comprehensive framework? In order to do so, we shall link the outcomes of analysis in the context of industrialized and industrializing countries.

The following framework emerges for the former: Large-scale firms, having advantageous access to input markets, establish a primary market of relatively privileged jobs which belong to well-structured (Balkanized) domains. Also, to diversify risk and uncertainty they do their utmost to ensure the existence of secondary job markets. Here, distinctions have to be made among different segments, such as between structured, unstructured, unstable and just secondary jobs. In the context of industrialized countries, different welfare state mechanisms cater for people who do not earn above the poverty level.

However, with mass unemployment and poverty, and in the absence of welfare state mechanisms, further sub-categories exist that are primarily linked to productive activities yielding minimal earnings for sheer survival. The distinctions among unpaid family work, casual work, irregular self-employment and the like are relevant here.

As for access to different categories of work, social stratification plays an important role. Some argue that social stratification (pre-market segmentation) is the result of the functioning of the socio-economic system as a whole. The arguments by Humphries and Rubery, for example, and the concept of interlocking markets serve to articulate this point of view.<sup>55</sup> A crucial aspect in this connection is that access patterns result in heavy over-representation of specific categories of workers -women, ethnic groups, migrants and so forth - in the weak and vulnerable domains of the national labour markets.

Mobility from one category of work to another may be rather restrained generally. True segmentation of markets is found even when workers have the required characteristics that are articulated in the hiring process. Also in this respect, certain categories of workers may be found to be confined to specific segments. Here, a theory such as Thurow's argument of 'job competition versus wage competition' provides a clear explanation for discriminatory practices in the field of management-labour relations.

This leads to the hypothesis that the labour market is generally characterized by a rather high degree of discontinuity among the different categories, which can be ascribed to social stratification or reduced mobility patterns. The analysis could be extended even further by including inter-generational mobility behaviour. This would integrate even Mill's non-competing groups to the extent that the contours of a comprehensive and consistent framework emerge.

The rationale for this outcome may be found by examining processes of development, in particular of industrialization. Within industrialized countries a trend towards 'informalization' has been observed during the past decade. The traditional development of industry, along with that of a well-organized labouring class, has been halted. Rather, a weakening of trade unions has been a general characteristic within the industrialized countries. In the context of development, industrialization has generally not been associated with a strong trade union movement. It has been found that pre-emptive strategies are followed, such as industrialization by way of: free production zones, putting-out, sub-contracting, household production and by fostering of rural industrialization. It then becomes logical to involve women, ethnic groups, migrants and children, and to design control mechanisms of a special nature. In other words, industrialization is accompanied by a new strategy of organizing labour that differs from the pattern of labour relations applied as a model till the present.

However, industrialization does not exist in an abstract sense. It embraces a great variety of patterns and characteristics in different economic sectors. Recent research proves the importance of a sector-specific approach towards the study of labour in small-scale enterprises; this approach adds sectoral specificity to a spatial context, which is required for an adequate understanding of small-scale enterprises in a regional framework.<sup>56</sup>

The abundance of labour markets in many countries holds clear implications for the relationship between small-scale production and labour relations. The outcome is probably to strengthen small-scale industry through new forms of work-force control. Small-scale enterprises may thus not be a passing phenomenon; instead, they represent modern global industrialization, but with labour conditions which differ little from those found in the 19th century in the pioneering industrial countries.<sup>57</sup>

Can one identify factors that might partly or wholly neutralize partly or wholly such deterministic analysis? At least three points may be raised. First, till now macro-policies have strongly favoured medium- and large-scale firms. Any major correction in this respect could strengthen the position of labour-intensive small enterprises in a significant way. Secondly, present technological developments favour smaller scales of production rather than larger ones. The introduction of advanced technologies allows for highly efficient production at a rather small scale in a number of branches. It is probably far too soon to say that small-scale production will once gain become a dominant form of production as argued by Schmitz:

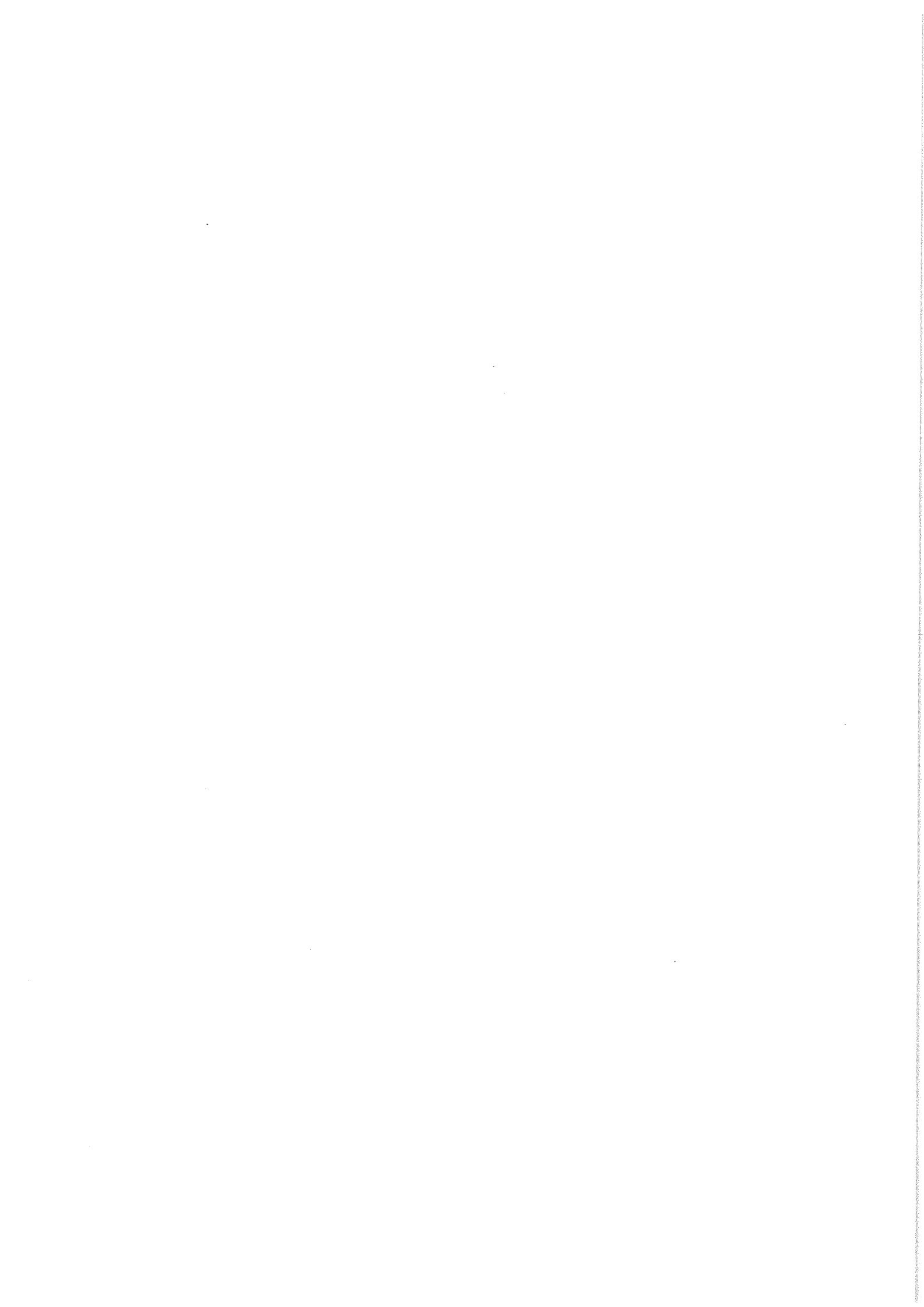
An unprecedented opportunity has arisen for those concerned with small-scale industry: an opportunity to go on the offensive. For more than a century small-scale industry has been the weak and ugly duckling in the main-stream of the industrialization debate. This has changed. Small has not become beautiful wherever it appears, but it commands more respect and attention than it ever has. In the form of flexible specialization, small-scale industry has proved its economic and technological strength, not in peripheral activities but in the engine room of capitalism, not in times of easy growth but in times of crisis (1989:38).

To the extent that, from this perspective, small-scale production gains in economic strength, some new possibilities will emerge to explore new forms of labour relations. It is unlikely that present trends will be reversed just yet in the way Schmitz foresees.

The third possibly neutralizing factor relates directly to power relations in production. If, by an unlikely and unpredictable course of historical development, new forms of worker involvement and participation were to emerge, that would have direct consequences for labour relations in small-scale firms. At a theoretical level, reference can be made to the literature on the economics of workers' self-management that presents strong arguments for the hypothesis that workers' involvement leads to efficient and relatively small scale of production. But also, the labour relations are characterized by new power balances between management and workers. Within the context of the debate on forms of 'feasible' socialism, it is interesting to note that Nove argues for decentralized production systems within a market economy such as are found in the Mondragon cooperatives in Spain, which are indeed characterized by a relatively small-scale production and different patterns of labour relations.<sup>58</sup>

It is unlikely that economic, technological and socio-political forces will, in the short run, result in configurations that could alter present patterns of industrialization and mechanisms of labour control in a major way. Yet, these factors may have a certain policy

relevance for those who aim at designing labour market functioning that differs from the present gloomy outlook.



1. See also Holmstrom (1985).
2. For an analysis of conditions in the United Kingdom, see Rainnie (1989). Streefkerk's article on Gujarat (1981) also presents a compelling argument in this respect.
3. Ma-In (1985) describes the crucial role of child labour exploitation in small-scale industry in Thailand. See also Bequele and Boyden (1988) and Myers (1989).
4. A case in point is the background paper by Ekan (1986) in which employment percentages for firms of different sizes (fewer than ten, between ten and ninety-nine, and 100 and more workers) are the only labour aspect.
5. This approach has come up against major opposition recently. A global policy evaluation has indicated that supply interventions form a rather weak instrument to steer a course of labour intensive small-scale industrialization; see the joint study by United Nations Development Programme et al. (1988).
6. The impact of enterprise organization and enterprise strategies on labour relations is a study that falls within two fields: industrial organization and industrial relations. The organizational theory almost exclusively focuses on medium- to large-scale industry. Huiskamp (1986) argues that economic restructuring during the eighties in a sample of enterprises in the Netherlands has had an important impact on labour relations. See also Bowles (1985) for a theoretical overview.
7. De Soto (1987) provides a vivid illustration of how the entrepreneurial climate of informal sector enterprises is glorified.
8. For background literature on neo-classical labour theory, see for example, Loveridge and Mok (1979) and Corina (1972).
9. The following are part of a rather extensive literature providing authoritative insights: Mincer (1974) and Becker (1964). A concise introduction is given in Cain (1976:1243-7).
10. See, for example, Rees (1973), Hunter and Mulvey (1981) and Verry (1988).
11. Wilkinson (1981) provides a solid introduction to the theory and practice of labour market segmentation.
12. See, for example, Loveridge and Mok (1979:27). Cain (1976) provides an excellent review of labour market theory with specific reference to debates concerning the United States.
13. Doeringer et al. (1986) provide an interesting case arguing for the existence of different labour relations in small-scale fisheries on the basis of the institutional framework.
14. This is in contrast to the neo-classical approach which 'sees the total as the sum of parts which operate independently. Because of competition and free choice, the parts are essentially equal. Neoclassical economists assume they can study each part in isolation from the whole without serious distortion of reality.' (Mangum and Philips, 1988:5). Neoclassicists also, according to institutionalists, see the social structure as stable which in their view is questionable (Mangum and Philips, 1988: 58).
15. See, for example, Hyman (1989).
16. Quoted in Cain (1976:1225).
17. For further arguments see, for example, Lewin (1985:107-36).
18. Dunlop (1958), Kerr (1950) and Kerr (1954). Also, Cain (1976:1227-8).
19. Thurow (1970), Blaug (1976) and King (1980) provide good overviews on aspects of education and manpower planning.

20. See Mangum and Philips (1988) for a very good introduction to different approaches towards labour economics.

21. Mangum and Philips state their views in this respect clearly: 'Neoclassical economists ... focus too narrowly on the available choices within labour market segments rather than on the severely constrained choices that channel individuals into one segment and exclude them from another. Institutionalized rules and customs within the family, in the schools, and in the labour market sort out people and channel them into different market segments. This perspective leads one to believe that in the determination of earnings the important overall causal phenomena are institutions and not markets'(1988:9).

22. For an overview see in particular Cain (1976:1218-9); extensive bibliographical information is contained on pp. 1248-57.

23. See also Cain (1976:1221-2).

24. With reference to earlier work by Leibenstein and Harberger, Mezzera shows how different access to capital implies different technologies which in turn result in segmented labour markets. Thus, firms of different scales compete in markets for the same homogeneous products. The implication is that small firms must pay less for similar work.(1981).

25. See also Cain (1976:1222-3).

26. An extensive literature with a focus on segmentation has been produced, particularly with reference to the United States. Edwards et al (1975) and Gordon et al (1982) have become almost classic sources; Nolan and Edwards (1984) provide a concise review of the issues involved.

27. Berger and Piore's examination of the behaviour of large firms in Italy, France and the United States has been underexposed in the literature; their emphasis on such behaviour with respect to the diffusion of risk and the consequences of uncertainties in different national contexts appears to nail down some central elements in the analysis.

28. Woodbury (1987) argues that the differences in approach represent a matter of emphasis '... whereas the DSLM (dual or stratified labour market) model begins with a conception of the labour market in which workers' opportunities are limited, the mainstream model begins with a conception in which workers choose among many available alternatives'(1987:1798).

29. See, for example, Standing (1986), Kannappan (1983), Berry and Sabot (1983) and Kannappan (1985).

30. Todaro (1969) and Harris and Todaro (1970).

31. A good overview with an excellent bibliography is contained in Johnson (1986). See also Berry and Sabot (1978) and Squire (1981).

32. Mazumdar (1981) and Morley (1982).

33. Small-scale enterprises form an unattractive segment for employment: earnings are lower than in larger enterprises. Education is a major explanatory variable in large-scale firms. Self-employment is relatively attractive and considerable mobility is found from firms of varying sizes towards self-employment. (Mazumdar, 1981:19). This methodology could be used to measure segmentation by investigating the mobility patterns of different categories of workers (men, women, children, etc.). However, Mazumdar did not do that.

34. In Morley (1988) the author's views are presented in a formal labour market model.

35. Hart (1973) and Holmstrom (1985:1-25). For a good survey see also Richardson (1984). A concise review can be found in Peattle (1987).

36. However, the following provide good overviews: Bromley and Gerry (1979), Bromley (1985) and Portes et al. (1988). Van Gelder and Bijlmer (1989) is also an illustration of the continuing research into aspects of the informal sector.



37. See in particular Breman (1985:43-64), Bienefeld (1974) and Tokman (1984).
38. Papola's study of the urban informal sector in Ahmedabad, India, is a good illustration of such findings. (1986).
39. See, for example, Odhnoff (1985), McFarlane (1985), Rogers (1986), Streefkerk (1978), Ma-In (1985) and Schmitz (1982).
40. Gerry (1987) elaborates on different theoretical approaches towards the informal sector; Wils (1989) provides an interesting analysis of de Soto (1987) who argues for a capitalist market approach towards informal sector activities.
41. Bromley and Gerry (1979) is a good example of an approach which leans heavily on the presentation of case studies. It is remarkable for how long this method of presenting volumes which lay excessive emphasis on case studies without achieving 'breakthroughs' in theory building has been followed.
42. Standing (1987) represents an important step towards labour market analysis which is, as it were, no longer in need of the informal sector concept.
43. It is interesting to note that major surveys of the informal sector, such as Bromley and Gerry (1979) and Bromley (1985), pay hardly any attention to women's work; when they do, no theoretical issues are raised. Portes et al. (1989) contains numerous references to women's work as an implicit dimension of the informal economy.  
Heyzer (1981) provides a 'state of the art' overview from a sociological perspective and Pahl (1988) provides an excellent introduction.  
From the very extensive literature the following publications are selected to indicate the wide scope of issues tackled: Allen and Wolkowitz (1986), Utrecht (1989), Cheung and Chan (1985) and Khan (1988).
44. See, for example, Baud (1989a and 1989b). \_
45. Ines Smyth's (1990), 'Agglomeration of Small-Scale Industries in Developing Countries: a Case Study of the Indonesian Rattan Industry', ( paper presented at Industrialization Seminar at the ISS, The Hague, ISS), is an interesting illustration of applying a research methodology which pays equal attention to aspects of industrialization, as well as of social organization and labour relations -including the gender aspects-, in a case study of a particular branch in a specific region.
46. On this aspect see, for example, Portes et al. (1989:298-311).
47. See, for instance, FitzGerald (1989) which argues for research on the objective function and operational behaviour of small-scale industry as compared to larger enterprises.
48. Their theory integrates labour relations of development with general industrial relations theory. Twelve 'types of social relations of production' of a stable and persistent character have been identified by these authors: ten within capitalist market situations, one associated with central planning and one called communalism. The capitalist forms fall into two categories. Four types (bipartite, tripartite, enterprise corporatist and state corporatist labour relations) are of a dominant nature; six types (subsistence, peasant-lord, primitive labour market, enterprise labour market, self-employment, and household relations of production) are subordinate forms. Dominance and subordination relate in particular to processes of value extraction.  
The content of each form is defined by an analysis of the following aspects: its origin, migratory relations with other forms, internal power relations (for example, presence or absence of trade unions), external power relations (including transfers of value and wider class alliances), consciousness (material and psychological consciousness 'arising from different forms of social relations is the most necessary for understanding the process of social change but at the same time is the most difficult'), and lastly transformation (forms are inherently dynamic and 'the dynamics of power may precipitate several paths towards transformation'). Harrod (1987), in which pp.1 -44 present the theoretical background to the above analysis.
49. See, for instance, earnings studies in Brazilian enterprises which show how small-scale wage patterns are shaped by those of larger enterprises.

50. The figure is rising, probably because of the process of informalization of production, and expansion of forms of sub-contracting.

51. Uribe-Echevarria, for example, argues in the context of the Colombian labour market that cyclical patterns in the economy have a tendency to occur simultaneously in formal industry as well as in small-scale enterprises (1989).

52. See Mezzera (1981). Muqtada (1980) lends support to this argument.

53. Kannappan expresses caution within a neoclassical approach (1983:30).

54. See, for example, Doeringer (1988).

55. See Humphries and Rubery (1984). Referring to interlocking mechanisms as applied to the analysis of capitalist rural development, Hart argues that non-market social mechanisms reinforce inequalities resulting from existing market trends in agricultural capitalist developments (1986).

56. See, for example, Smyth (1990) and Platteau (1989).

57. Offe's conclusion that 'something more like structural helplessness predominates' with respect to efficient and fair allocation of labour power in Western Europe gives a realistic perspective on the position of the much-more-dependent labour under conditions of underdevelopment (1986).

58. See Nove (1985:197-230) and Thomas and Logan (1982).

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