



DYNAMICS OF LABOUR AND DEVELOPMENT: A REVIEW

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Abstract

This paper considers the labour market dynamics and their linkage with development. It presents the literature related to the labour market, labour and development, and labour and migration. The paper discusses the importance of labour market and its impact on the economic development of a nation. Human capital increases with the increase in productivity of labor and thus enhances the development of the nation. Labour migration has also, undoubtedly, some impact on employment, labour market, rural development, social welfare, labour management, migrant networks etc.

Keywords: Concept of labour market, Theories of labour market, Labour and development, Labour and migration.

Introduction

Labour is one of the factors of production, and the subject matter of labour economics may be broadly defined as the study of its pricing and allocation. Individuals receive income from a variety of different sources, including employment or self-employment, from the state in the form of transfer income or as income arising from the ownership of assets of various sorts, including capital and land. However, income from employment is the major source of individual income.

Along with the capital and goods markets, the labor market is one of the main components of the market economy. From an economic perspective, the labor market is one of the components of the production forces (Zamfir & Vlăsceanu, 1993). Derek Bosworth, Peter Dawkins, and Thorsten Stromback (1996) simply define the labor market as the place where supply and demand meet, working to determine the price and quantity of the work performed. In an economy, the supply and demand for labor drive the labor market. In this market, the worker's supply of labour is known as supply, and the firm's need for labour is known as demand. The supply and demand of labor in the market are affected by changes in the bargaining power of labour. It is crucial to monitor labor market changes in order to understanding the health of the economy as well as the welfare implications arising out of the changes in

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the labour market. labor market dynamics vary with development. The pattern of labor reallocation derives from the pattern of growth. But labor reallocation from lower-productivity sectors to higher-productivity sectors contributes positively to growth. Labor market flows, such as the job-finding or unemployment rate, are higher in developing. The reason for these greater flows is primarily a slippery job ladder: people move between marginal and higher-paying jobs on a regular basis without moving up the ladder or staying in higher-paying positions. Our findings are relevant to future models of labor market frictions, as are distinct patterns of selection for wage workers and subsistence self-employment.

A REVIEW

There are many literatures available in the different aspects of dynamics of labour and development some of literature has been reviewed and being presented in different heads:

1. Concept of labour market
2. Labour and development
3. Labour and migration

Concepts of Labour Market

A labor market is an environment in which employers and employees deal with one another. In the labor market, workers fight for the most fulfilling jobs, while companies compete to hire the best candidates. According to Thorsten Stromback (1996), the labor market is the place where supply and demand interact to determine the cost and volume of work completed. According to Michel Didier (1997), the market is a channel of communication whereby buyers and sellers exchange information about what they have, what they need, and the prices they are willing to pay or offer before finalizing the deal. The job market can greatly benefit from this definition.

Boeri, Van Ours, (2013) define the labor market as the place where payment for labor is required in proportion to the quantity of services performed. According to Beligrădeanu and Stefanescu (1997), labour market is the place where the confrontation between the supply and demand of labour in a given time frame and a geographic area that is usually completed through employment (with an individual employment contract).

According to (Boeri, Van Ours,2013), the labour market is the market where reward for the work is necessary for the amount of services given by the labour. Beligrădeanu and Stefanescu (1997) define the labour market as the confrontation between the supply and demand of labour in a given time frame and a geographic area that is usually completed through employment (with an individual employment contract). The worker (employee) means the person exerts his/her activity based on an employment contract in a public or private company or institution, receiving in exchange a payment.

Authors like Steliana Pert (1990) or Nita Dobrotă (1997) opine that the labour market is the economic space in which equity holders trade freely, as purchaser (the demand), and the owners of the human resource (the supply), as sellers, in which the price mechanism of the work, the real wage, the free competition between economic operators and other specific mechanisms, adjust the labour supply and demand.

Characteristics of Labour market

The specific characteristics of labour market are as follows:

Segmented Labour Market: Arthur Cecil Pigou, a classical economist tried to explain the discrepancies between labour supply and demand since the 1940s, and found that the labour market is segmented due to restricted mobility within the industry and between industries (Leontaridi, 1998). In the broadest sense, the labour market is composed of three "levels": primary, secondary and tertiary (the tertiary contains undeclared work, determined by the evolution of the underground economy). The first level of workers comprises those who have benefited from higher education and training, where there are more chances for professional advancement as well as greater earnings and employment stability (Reich et.al. 1973).

Labour market is rigid and inflexible: The labour market rigidity is natural, as a result of geographical evolution, lifestyle and professional training, as well institutional and legal elements that are shaped by flaws in these systems. Salary disparities occur not just between businesses and industry but also between various region of the country. These rigidities are found especially where unemployment and inflation are high. The minimum wage could also be a factor of the rigidity in the labour market because it leaves no room for a quick adjustment to market conditions (Serban & Aceleanu, 2015).

Labour market is an administrative market: This market is administrative in nature because, at this level, companies manage their available resources according to the demand for necessary goods and services, which includes the workforce and the personnel wage plan (Ghişoiu, 2000).

Labour market is inconsistent: The inconsistency of this market is due to the different levels of training, education, qualification, coming from different geographical areas, of different ages, genders, aspirations and standards among the workers.

Imperfect market: The labour market is not perfectly competitive market; it is an imperfect market. This was demonstrated by Kaufman, in his 2007 work, stating that "we have demonstrated that a perfectly competitive labour market is impossible" (Kaufman, 2007a). The price of labour, which is the wage, is not formed in relation with the supply and demand on the market, but is determined by factors such as the state of the national and international economies, state intervention, the bargaining power of trade unions (Ghişoiu 2000).

Models of labour market

The development and performance of the labour market is based on several models (Cojuhari & Dorofeev, 2014), which are:

Classical model: The first is the classical model represented by Adam Smith, Jean Baptise Say, and John Stuart Mill, which is based on the full employment of labor and the overall balance between supply and demand for labor. According to this theory, unemployment is merely a temporary consequence of the labor market, and there is only natural unemployment. If at some point there are gaps between supply and demand, they are regulated through the increase in wages. These ideas are supported by followers of supply-side economists such as Arthur Laffer (2010) or George Gilder (2012).

Neoclassical model: The devotees of the neoclassical model, Leon Walras (1954), Alfred Marshall (1920), and Vilfredo Frederico Pareto (1897), argue that like the other markets, the labor market has as a regulating factor the price, that is, the salary, the balance between supply and demand of labor being achieved through wages; therefore, unemployment is nearly inexistent. In a competitive market, at the base of the neoclassical model of the labor market stands the relationship between the wage and degree of occupancy, the latter being determined by the demand and supply of labor (Kaufman, 2007b).

Keynesian Model: John Maynard Keynes was the theorist of what is known as the Keynesian model. This model, unlike the neoclassical theorists, argues that the labor market is unbalanced and the price of labor or wages is not flexible but is fixed or rigid. According to him, it is the government that determines the necessary labor force through the economic and financial instruments at its disposal (Serena, 2016, p. 206). In other words, government intervention is necessary to balance both periods of great development (economic boom) and those of economic decline.

Monetary Model: The monetary model sustained by Milton Friedman (in 1960), Karl Brunner, and Allan Meltzer (1971) starts from the Keynesian model, according to which the wage is fixed and is moving in one direction, upwards (Woodford, 1999). Monetarists, together with Edmund Phelps, introduced the concept of the natural level of unemployment, where monetary policy can replace unemployment that is at the natural level. According to this theory, it is the impulses of the government budget that affect the income and consequently also affect production or the level of employment in the short run (Dobrescu et al., 2011).

Unbalanced Labour Market Model: It was created at the end of the 1970s by Stanley Fisher and John B. Taylor, where the existence of collective labor contracts determines the establishment of a nominal wage for employment in the long term. They found that monetary policy could have long-lasting effects even after adjusting prices and wages.

Efficiency Wages Model: Carl Saphiro and Joseph Stiglitz created this model in the 80's. According to this theory paying higher wages will increase the level of efficiency of employees and make firm develop further. It based on the notion that there is a relationship between relative wage levels and worker productivity (Cappelli & Chauvin, 1999), that makes workers to be paid at levels that maximize productivity.

Labour and Development

The structure of the labor market, as well as the pattern of employment, can be viewed as a proxy for the level of development in general and the working and living conditions of people in particular. The mobility of labour from low-productivity towards higher-productivity jobs both geographically and across sectors and enterprises is a crucial ingredient in ensuring sustainable growth and poverty alleviation. Hence, government (and international) policy effort should focus on dismantling institutional constraints to this successful transition. Core theories of the economics discipline suggest that structural changes in employment in the process of development lead to the movement of the surplus labor force from the predominant agriculture (less productive, less remunerative, or traditional sector) to the industrial (modern, more productive, or more remunerative) sector and finally to the service sector (Lewis, 1954). As suggested by Becker (1964), Schultz (1961), and Mincer (1974), human capital has a direct relationship with workers's productivity, hence contributing positively to the economic growth of the country.

Labour and Migration

Migration is the demographic process of movement of people from one geographical area to another within a time interval involving change of usual place of residence, has a special significance in population analysis. It is the most volatile component of population growth and sensitive to economic, political and cultural factors at the national and international level. As a major component of population growth, it affects size, age sex structure and other socio-economic and demographic characteristics of population both at the place of origin as well as the place of destination. The census of India considers a person as migrant who is born at a place other than the place of enumeration. In developing countries like India, migration takes place not due to the so-called pull forces of the migrant's destination place as usually happens in case of developed countries, but because of push factors like acute poverty, unemployment, natural calamities and underdevelopment of migrant's origin place (Mukherjee, 1993).

Migration creates conditions for deep-rooted changes in the social and cultural lives of both the migrant community and the host community. In Jharkhand for over 100 years the tribal's of Chota Nagpur and Santhal Pargana regions have been steadily migrating out of their homeland in search of livelihood. Because of the development of policies of the government, big dams and industries were established acquiring the land and forests of tribals. The tribals are dependent on land and forests for their livelihood. This usurpation caused crisis of livelihood. For the tribals in Jharkhand, thus the person displaced were compelled to migrate to urban areas for their bread and butter at very low wages. Women, who play a very important role in bringing up their family and children, are also adversely affected by these development programs. (Deogharia,2012).

Seasonal and Permanent Migration

Seasonal migration and temporary migration have been a subject of much discourse. According to Zelinsky (1971), all these movements, usually short-term or seasonal are cyclic in nature. Temporary migration refers to migration for a specific motivation and/or purpose with the intention that afterwards there will be a return to the country of origin or onward movement. An important group of temporary migrants consists of seasonal labour, who combine activity at several places according to seasonal labour requirements (Keshri and Bhagat 2010). Permanent migration refers to migration that is intended to be of long duration, intending to settle permanently in a new place.

In Jharkhand, migration from rural urban areas accounted for more than half of seasonal migration flows. There are various socio-economic determinants of temporary labour migration in Jharkhand. The temporary migration is basically from poor households, and migrants are basically male, young and from Scheduled Caste community. There is significant and negative association between land owned and migration, that is, the greater the amount of land by a household, the less likely its member will migrate (Leah K. vanwey,2003). In Jharkhand seasonal migration is very high and it is high among socio-economically deprived and marginal groups. There is a significant negative association between economic status and temporary migration, that is, higher the economic status of the households lesser will be the migration by its member (Sucharita, Lisma Rout, 2020). Migration of labour in Jharkhand occurs throughout the year but it is seasonal/temporary migration and it is more active during dry months from November to May. Generally, in this time people do not have work in agricultural fields, so they migrate in search of work. (Kumar and Sati, 2022; Sati,2021).

Since the early nineteenth century, seasonal and permanent out migration from Jharkhand region on Bihar was reported. There is evidence of regular seasonal migration of hill coolies of Chota Nagpur to the Bengal district as early as 1627 during the winter (post harvesting) months (Berman 1985). The extent of migration from this reason increased as the years passed. Between 1880 and 1921, a large number of aboriginals migrated from this region. Two major streams of labour migration enacted from this region in this period, one direct to the tea gardens of Assam and other are the coalmines of Jharia (Mohapatra,1985). There was a regional and ethnic specialization in migration within Jharkhand.

Earlier Jharkhand was the homeland of tribals, Due to out migration and in migration of population the demographic structure has changed, even then in the rural areas of the state, tribals are in majority. Deogharia (2012) has analysed the rural urban migration in Jharkhand. Some studies have focused on social economic aspects of labour migration from Jharkhand to other states and metros:

Acharya (2006) studied a linkage between migration and women trafficking. He found several ways in which these women are trapped into this profession either due to utter distress or they are lured by work in cities and then sold off to brothels. Bhaga (2001) found that there is no question of exploitation of seasonal migrants, agricultural labourers of Jharkhand rather it has helped them to improve their economic status by earning money during

agricultural seasons. Dayal (2001) studied labour migration is mainly a seasonal, men and women both migrate their region to brick kilns, construction sites to agriculturally prosperous area (Rohtas Punjab and Haryana) for plantation harvesting and post harvesting etc Migration provide the employment, income and saving in otherwise lean and difficult season.

Conclusion:

The evaluation of the literature demonstrates that studies on the dynamics of labor and development have offered a thorough understanding of the topic that should be taken into consideration for further study. This study attempted a thorough review of the dynamics of labor and development. Three distinct heads—a review of the concept of labor, labor and development, and labor and migration—were used to study the problem. The concept of the labor market and its different characteristics play an important role in understanding how the dynamics of labor change with changes in the development of a nation. There is direct and indirect linkage between labor and development. Various core theories of economics have shown a relationship between human capital, worker's productivity, and economic growth.

In this review article, various pieces of literature on labor and migration have also been reviewed. The literature on migration demonstrates that migration plays an important role in changing the dynamics of the labor market. There are various factors, like push and pull, that affect the migration of labor. In developing countries like India, push factors like acute poverty, unemployment, natural calamities, and the underdevelopment of the migrant's origin place are the main causes of migration. In Jharkhand, seasonal migration is very high; about half of the migration is seasonal. The majority of the temporary migrants in Jharkhand are young men from Scheduled Caste communities who come from poor households.

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