

Review

Idiosyncrasies of labour market

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The present study explores the various attributes of labour market with an extensive literature support. The peculiarities of labour market distinguish it from other conventional markets. Studies have observed that labour market loses its market clearing characteristics due to its opaque nature and uncertain outcomes. With inherent complexities and rigidities, it is not possible to attain an equilibrium solution through conventional supply-demand mechanism. The theoretical context of labour market has been reviewed for a logical convergence.

Key words: Labour market, labour vulnerability, downsizing, labour market literature, labour market information, labour market process, labour market function, non-competing groups.

INTRODUCTION

The recognition of labour as a factor of production and its tradability necessitates the notion of labour market. The orthodox approach perceives labour market like any other market, that is, as one amenable to be operated under supply-demand mechanism. The Oxford Dictionary of Economics (Black, 1997) defines labour market as 'the process by which workers and employers are brought in to contact, and wages and conditions of work are decided.' It is the mechanism by which labour power is combined to production process. Labour market is composed of myriad of variables like demand, supply, wage, etc., and human organisations like migration, trade union, etc. (Solow, 1990; Grantham, 1994; Raju, 2000; Misra, 2001). The institutional characteristics along with the idiosyncrasies of labour distinguish labour market from those of others.

Labour market operates when a person who is willing to sell his labour power meets with the buyer of his labour power/ time. However, labour market is quite different from other markets (products as well as other factor markets) due to the unique features of the factor traded in the market. Traditionally, the labour market has been considered as the totality of jobs for which, given the achievement of equilibrium, the single wage prevails and the market is cleared (Hicks, 1939, 1963; Marshall, 1890). The notion of modern labour market is nothing but the refinements on traditional competitive model by taking in to account the existence of imperfections, rigidities and costs associated with labour mobility, trade union organisations and goals, the existence of uncertainty, and imperfect information and finally the process of

acquisition of information (Villa, 1986). The main functions of labour markets are to fix wages and other terms of employment and to allocate labour among occupations, jobs and employments (Levitan, 1972). Therefore, a study on labour market enables us to understand the various determinants of supply and demand for labour and labour market signals such as payment structure, working conditions, employment trends, etc. The features discussed further make labour market a unique type.

EMPLOYMENT RELATIONSHIP IS LONG TERM

Unlikely in a commodity market, the relationship between a buyer and a seller in a labour market is not temporary. It is characterised by moderately perpetual and long term relation (Kaufman and Julie, 2003). Consequently, personal factors, which may be ignored in the commodity and other factor markets, assume a special significance in labour market. Frequent job changing is not desirable both to the employees and to employers, and, therefore, it incurs certain costs to both the parties. For employees, it is beneficial to be with a work site due to various pecuniary and non-pecuniary reasons. Individuals will have to incur certain element of costs for acquiring education and training, which are essential for qualifying for work. Likewise, most often, the prospective workers are passing through a period of job search before being absorbed into a position suitable to their education and training. Various costs are also attached to job search.

When a worker attached to a particular firm goes up in years, he can climb job ladders in the seniority status in the normal course. As a result, his wages and fringe benefits increase with the tenure of work, and being a social animal, he can establish a healthy and cordial relationship in the course of time. Employers find it to their advantage to cultivate a stable work force, since they make substantial investments in workers in the form of cost of hiring and more important training and experience. Oi (1990) observes that firms' training cost, along with the unavoidable costs of hiring and firing means that labour can no longer be treated simply as part of the firm's variable costs (King, 1972). Firms, generally, do not consider replacing established employees with new applicants, even if the latter are prepared to accept lower wages. The seniority system, whereby higher-grade jobs are filled by internal promotion rather than by hiring from outside, is an example of internal labour market and this leads to the emergence of long-term nature of employment relationship. However, this peculiarity of labour market is getting eroded now.

HETEROGENEITY OF WORKERS AND JOBS

Though labour is termed a single factor of production, any two units are not uniform in terms of creativity and productivity. Individual workers differ by age, race, gender, education, experience, training, skills and complex personality factors such as motivation and congeniality (Kaufman and Julie, 2003). These factors make the labour power exerted by labourers in a particular production process heterogeneous. Each unit of labour can claim its uniqueness over others. This heterogeneity and consequent distinction claimed by each unit of labour offer a menu of choice to buyers (employers) in the labour market. Firms are aware of the diversity and prefer higher quality, but do not know where such workers are located. This uncertainty leads to labour market processes like advertising and screening. Firms can influence prospective workers by advertising their position in the labour market, that is, identifying themselves, recording the existence of vacancy, notifying the wages paid, the skills and quality of labour required, the monetary and non-monetary rewards of the work and so on (Joll et al., 1983).

Likewise, the jobs are also not the same in two similar production units due to specific attributes of work environment, the allied factors with which the labour is combined and worker manager/ employer relationship. This extreme diversity in the characteristics of workers and jobs has two consequences in the operation of the labour market. The first is to make exchange in the labour market function not only of wage rates but also of the many non-wage characteristics that differentiate workers and jobs from one another. The second way in which the differentiation of jobs and workers affects labour market

is by complicating the acquisition and evaluation of information that both buyers and sellers must have before an exchange can take place. Hence, the heterogeneity of workers and jobs causes a little bit of difficulty to conceptualise labour market precisely.

IMPERFECT INFORMATION

A worker wishes to be employed in a certain area and a certain type of job, and an employer wants employees drawn from certain groups and possessing certain characteristics (Kerr, 1950). Thus, labour market information pertaining to the nature and quality of the available workforce and the whereabouts of offered employment, *inter alia*, plays a crucial role in accomplishing the search results. The traditional hypothesis of perfect market is no longer present in real situation. Labour market is characterised by the prevalence of imperfect information. The asymmetric labour market information prevents the participants from making rational choices. Rotenberg (1971) argues that workers' decision stems more from habit than from rational calculation. Information about wages, working conditions and job opening is not announced to workers precisely and completely. Hence, workers, usually, accept the first job offer and continue search for better ones. Similarly, there is no mechanism to know the reliability and productivity of any worker until it is turned out. Then it is possible that the initial selection of a worker is merely the first step towards filling a vacancy and the final decision is not taken until the end of the probation period (Joll et al., 1983). Therefore, both the workers and firms are on continuous search and matching (Bull et al., 1987) in the labour market, for want of full information. Labour market is fragmented and opaque due to increasingly losing access to information on norms and practices outside the immediate employment relationship of both employers and employees (Rubery, 1996). Arnott and Stiglitz (1985) observe that at the time a worker joins a firm, he does not know what the firm's work environment is like, so he is uncertain about how much he can enjoy his work environment.' Moreover, the acquisition of information in the labour market is costly in terms of direct and indirect costs. The mushrooming growth of private employment consultants is solely due to this feature of labour market.

HYPOTHETICAL EQUILIBRIUM

Elementary models of labour market assume that the market forces have perfect knowledge regarding all relevant information. Such models assume, each worker knows precisely the pecuniary and non-pecuniary rewards attached to each job, where all relevant jobs are and where vacancies exist (Joll et al., 1983). Likewise,

each employer is assumed to have complete knowledge on what rewards are being offered for specific tasks, where the required workers are available, etc. But, in reality, each market player has only a crude knowledge on labour market. The resulting gap in information generates uncertainty. Uncertainty in labour market leads to a series of attempts towards market clearing. Kalachek (1973) observes that labour market is a richly functioning organism subject to a never ending sequence of external shocks. This is because the labour market is not characterised by a norm of pure competition (Bloom and Northrup, 1977). Never-the-less, trading in labour market (buying and selling of labour power) takes place even with the absence of market equilibrium.

LIMITED FACTOR MOBILITY

Factor mobility may be termed as occupational mobility, industrial mobility or geographical mobility. Labour mobility plays a crucial role in the competitive model of the labour market, because it enables the workers to move to the most attractive jobs. The spatial dimension of labour makes it difficult to become a free and costless mobile factor along the length and breadth of the labour market. The market is constrained by the limited mobility of labour due to various reasons such as gender and geographical preference or legal barriers. In the labour market, potential mobility is more important than actual mobility. Potential mobility exerts a greater influence on the behaviour of labour markets and of wage structures than do actual mobility (King, 1972).

A buyers' market

In a buyers' market, the process of price determination is dominated by the demand side, and consequently, prices are comparatively less. In the labour market, firms are the buyers and they usually set the wage and working conditions. The buyers of labour are, invariably, in a dominant position, owing to the very nature of the market. Monopsony in the labour market is more common than monopoly. Even when there are a few employers (oligopsony), they can form a collusion to keep the market at their mercy. The collusive activity among employers makes a unilateral agreement not to raise wage or to snatch workers from other firms.

Vulnerability issues

Vulnerability, especially after globalisation, is an important feature of international labour market. It has to deal with many vulnerability issues such as casualisation, feminisation, under-aged workers, sub-contracting, lockouts, etc. Casualisation, feminisation of job and labour contracting are some of the many practices used

by employers to achieve the flexibility they desire (Deshpande and Deshpande, 1998). Flexibility and demand for skills favour certain categories of workers, a trend towards greater job insecurity and a rise in part-time contracts, irregular work time and consequently diminished remuneration. Globalisation has brought an increasing sense of insecurity to hitherto more protected groups of employees, such as office staff and public sector professionals, as organisations restructure their employment hierarchies and down size to get rid of slack (Bradley, 1999).

Technology

Another important feature of labour market is that the demand side is always manipulated through technological change. When technological change takes place, it is expected to change the nature of the skill content of the product, because it introduces new machinery with different operational system (Chakravarthy, 2002). As a result, some skills may become totally redundant and some new skills emerge. Labour skill may be referred to as a special knowledge that is acquired by a labour in doing a particular piece of work. There is an explicit dichotomy in the labour market between skilled and unskilled labour and thus there is a strong preference for skilled labour. Skills are embodied in the labourer. Since skills embody the productive knowledge of the time of education, they become obsolete with technical change. Therefore, continuous re-education is required to offset skill obsolescence (Joll et al., 1983). Skill differential is the basis of wage differentials in the labour market for the same piece of work. Increased demand for skilled labour as against unskilled one has led to increase in wage for skilled labour, in turn, it intensifies the wage inequality domestically and across border (Autor et al., 1998). Changes in work organisations lead to changes in the structure of labour market. Autor et al. (1998) observed that skill based technological change is an important driving force behind long run secular increases in the relative demand for more skilled workers. Technological development has opened up new vistas of employment and ease to carry out the same.

Non-competing groups¹

The preference towards educated and trained labour force causes the emergence of an amalgam of

¹In order to have equalizing occupational differentials, it is necessary that individuals be in a position to choose freely between occupations. Where this is not the case, broad classes of occupations may form non-competing groups. And differentials are larger than one could reasonably expect on competing grounds.

non-competing groups in the labour market. Non-competitive labour markets are those in which high-wage (good) and low-wage (bad) jobs coexist (Acemoglu, 2001). This is the case of employees at lower grade or lower skill. It is very difficult for less-skilled worker to compete with the highly skilled in the labour market. But the highly skilled can do it easily. To quote Cairness (1974), '...it is never-the-less true that the average workman, from whatever rank he be taken, finds his power of competition limited for practical purposes to a certain range of occupation, so that, however, high rates of remuneration in those which lie beyond may rise, he is excluded from sharing them.' We are thus compelled to recognise the existence of non-competing industrial groups as a feature of our social economy. It has already been discussed that labour market is characterised by the presence of heterogeneous workers and jobs. The occupational choice in the labour market places barriers to entry for certain jobs. These barriers to entry separate one occupational group of labour market from other groups. Restricted access to education, union rules and discrimination separate the labour force into these groups, and thus give rise to occupational wage differentials.

Multiplicity of markets

The multiplicity of labour markets makes them different in space and activity. Based on the geographical area in which a particular market is operating, we can have local, national and international markets. Likewise, labour markets are of different types due to the differences in the duties performed by the labourers. For example, we have market for teachers, lawyers, doctors, masons, unskilled workers, etc. The different nature of labour markets does not maintain an explicit barrier, making the mobility aspect impaired. Workers can move across provided they are fit for that. However, this movement between markets becomes progressively more difficult, when the disparity in skills or geographic distance is greater. Multiplicity of labour markets can be understood in various dimensions.

Professional and occupational labour market

Professional markets comprise various professions. Such markets are characterised by imperfect competition. Professionals often discriminate among clients according to their ability to pay, and often consider it unethical to compete either through advertising or price competition. These are groups who belong to elite class. The market also requires considerable formal education for entry; therefore, barriers to entry are predominant. Occupational labour market is slightly different from professional labour market. The emergence of these markets is the result of

the segregation of workers depending on the profession and the jobs engaged. A special kind of occupational group is called professionals (elite working class). Occupational labour markets arise from the needs of companies for skills or services. This will give rise to a general level of expertise or experience which is useful in a number of specific work contexts. The prevalence of occupational labour markets motivates the prospective employees to attain education, job specific training, skill formation, etc. The occupational wage differentials are the clear-cut proof of occupational labour markets. Occupational specificity may be attained through on-the-job training, by getting into the labour market through a lower end of job hierarchy of a firm.

Mainstream and marginal labour markets

Mainstream markets are characterised by extensive political and economic power, control of markets through product diversification and differentiation. This is the very nature of urban labour market. The workers are privileged by ready access to credit and financial resources. The workers in this labour market usually require extensive training, have considerable upgrading opportunities within the internal labour market, receive high wages and are relatively well unionised. The firms in the mainstream labour market (formal) are likely to have close interlocking relationships with various government agencies. Workers in marginal (informal) industries have low wages and limited upgrading possibilities. The working poor are heavily concentrated in the marginal labour market. They also have relatively low levels of education and limited skills and training. Because the jobs they hold are relatively unskilled and have very limited opportunities for acquiring higher skills on the job, many of the jobs in these markets are characterised by very low entry requirements, low wages, high rates of turnover, informal work patterns, etc. The urban marginal labour market usually operates as residual of mainstream labour market. Those who are attracted to the glow of urban labour market, but cannot find accommodation there, are absorbed by the informal (residual) sector, as it is easy to find employment there.

Local labour markets

According to this model, competition between employers determines the level of pay for each category of labour within a given area. It is assumed that the firm that pays below the market rate will lose its labour; the firm that pays above will lose its profits. Geographically, the labour market has strong local boundaries. Within these notional boundaries, the effective limits of the market are likely to be set by a system of communications that links buyers and sellers. For manual workers, this system is unlikely to

extend beyond the immediate neighbourhood, such as the area covered by local news media, employment agencies and geographical range within which friends and acquaintances work. The essential points about a local labour market are that the bulk of the area's population seeks employment there and that local employers recruit most of their labour from that area. Under local labour market regime, workers have limited mobility across markets. A coexistence of unemployment and labour shortage is the inevitable result of local markets.

EDUCATION AND TRAINING IN LABOUR MARKET

The overwhelming growth of knowledge economy in recent times prefers well-educated and skilled workers rather than otherwise, to attain multidimensional objectives of modern corporate entities. Education and training are basic requisites to adapt to the changing circumstances. Education and skill formation in labour economics is nothing but human capital formation (World Bank, 1995; Brown, 2001). Human capital formation is referred to as investment in man and his skills as a creative and productive agent in the process of production (Meier and Rauch, 2000). Skill and productivity are positive functions of education and training. Education also enhances the bargaining capacity of workers in the labour market. It is the differences in education and training that lead to the emergence of multiplicity of labour markets.

Education is the principal mechanism whereby productive abilities or skills are acquired. Human capital approach provides the basis for a model of occupational choice. In choosing between alternative educational paths, investors are also choosing between occupations. It implies that by opting for a particular stream of education or training, the prospective workers explicitly express which work they are going to opt for. Human capital can only be hired, not purchased or owned by as physical capital. Human capital formation is continuous and repetitive. Joll et al. (1983) identify four features of labour skills. Firstly, skills can take considerable time to acquire. Secondly, rewards of possessing skill often come only through significant periods of time. Thirdly, skills deteriorate with time because of failing memory, underutilisation or simply as the worker ages. And lastly, since skills embody the productive knowledge of the time, when the education is imparted, they become obsolete with technical change.

Information in labour market

Information is a crucial element in any market. Every trader (both buyers and sellers) should have ample relevant information regarding the market situation.

Labour market searches take place based on the information that prevails. But labour market is prone to asymmetric information, that is, the agents (employees and employers) do not have full and precise information. Autor (2001) states that workers who are searching for a job, are unlikely to be fully informed about the job characteristics, and the firms cannot exhaustively screen and negotiate with all applicants. There is always uncertainty in labour market due to the lacuna of the difference between the relevant information sought and actual information received by the agents. However, the employer is generally in the winning category in the interplay of market forces (supply and demand). This is because the employer is more familiar with the labour market than that of the worker, as the former is regularly in touch with it (Ichino, 1998). An unemployed worker, when he does not know where the work is available, what kind of work and what the terms and conditions of vacancies are, still searches for job without a tacit or open collusion with his counterparts and will suffer more from the labour market outcomes. This situation is technically called Prisoners' Dilemma - this is Game Theory concept showing the disadvantages of not being able to reach binding agreements. The name originates from a situation of two prisoners who must, each, decide whether to confess to a crime without knowing what the other will say, where a higher penalty follows, if one confesses when the other does not. The case is clearly presented in Table 1 - in labour market (Solow, 1990). The monopsonistic or oligopsonistic feature of labour market is articulated in the asymmetric information.

The information sought by workers and firms can relate to different characteristics of the working environment. Joll et al. (1983) divide such characteristics into two categories: 'inspection characteristics' and 'experience characteristics'. Inspection characteristics are those that can be readily observed, whereas experience characteristics are not. Joll et al.'s (1983) classification of labour market is presented in Table 2.

Inspection property confers only peripheral information in labour market; whereas the other furnishes detailed information pertaining to firm and the worker. Information through inspection characteristics facilitates the workers' off-the-job search, whereas the other facilitates on the job search. An optimal job search strategy involves two stages (Neal, 1999). According to Neal's hypothesis, workers search for a career first, and then they search for an employer to find a suitable career match.

Labour market information is collected through various screening processes. The screening devices are vacancy notification, going through the notifications, responding to the notifications, conducting interviews and appointing as probationers. Workers, in their search for work, seek information regarding the nature of work, status of firms, pecuniary and non-pecuniary benefits offered. Once they are employed they continue gathering information regarding promotion prospects, fringe benefits, etc.

Table 1. Prisoners dilemma.

		Prisoner A	
		Not confess (years)	Confess (years)
Prisoner B	Not confess (years)	2	1
	Confess (years)	20	10

If both confess, they are sentenced to ten years; if both do not they are sentenced to two years for being present at the scene of the crime. If one confesses and the other does not, he will get one-year sentence and other twenty years. The matrix of alternatives is used to illustrate the principle that the pursuit of individual self-interest does not lead to a socially optimal result.

Table 2. Classification of labour market information.

Information sought by	Observable by inspection	Observable by experience
Workers	Wage offer, hours, overtime availability, holidays, recreation facilities	Promotion prospects, supervision, safety, fringe benefits
Firms	Wage demand, age, employment record, qualifications	Performance at tasks, reliability, flexibility, punctuality, creativity

Source: Joll et al. (1983: 47).

Oi (1990) argues that workers are often perpetually on the job search to identify the value of non-wage aspects of job. Information about wages, working conditions and others is not announced to workers like price auctions (Stigler, 1962). Hence, this requires a prolonged search in the labour market. The firms are searching for the qualification, training, previous employment, age, wage demand, etc., of the prospective workers. Even at work itself, they will go on evaluating performance at tasks, reliability, flexibility, punctuality, creativity, etc., of the workers. Therefore, information pervades everywhere in the labour market.

Impacts of globalisation in the labour market

The onset of globalisation off-shot the emergence of knowledge based economy that has almost replaced the dominant paradigm of Fordist² specialisation. Flexible

²Emerged after Henry Ford (1863-1947), method of industrial management based on assembly-line methods of production of cheap, uniform commodities in high volume, and winning employee loyalty with good wages, but intolerant of unionism or employee participation. Fordism² refers to this policy of winning the loyalty of workers to profit from a high-wage economy, by producing commodities for the masses as cheaply as possible by the application of assembly line techniques. It was this policy which brought the United States to the position of the dominant capitalist power by the end of World War Two. The difficulties with Fordism was that while it depended absolutely on the loyalty of the workers it offered no room for innovation or worker participation, and the low price was achieved at the price of mind-numbing uniformity and indifference to market demands: market demand was the result not the driving force of production.

staffing arrangements started pervading in the 1990s with the waves of globalisation that have threatened traditional employment relationship of security and stability. Heery and Salmon (2000) opine that economic risk is being transferred increasingly from employers to employees, through shortened job tenure and contingent employment and remuneration. The flexible specialisation is the result of employment security (Smith, 2003); it is good in modern times as it enhances the employability and bargaining capacity of workers. The advocates of globalisation state that labour market flexibility would lead to economic growth, which in turn will create more jobs. But the marketisation reforms in the labour market turned out to be what is called informalisation where workers lack both the legal entitlement to fair wages and other benefits (Wood, 1998; Jose, 2002; Deshpande et al., 2004; Roychowdhury, 2005).

Deshpande and Deshpande (1998) comment that casualisation, feminisation of jobs and labour contracting are some of the many practices used by employers to achieve the flexibility they desire. An important reason for feminisation of work is the greater numerical flexibility in terms of less secure contracts (Gosh, 2003) and, generally, meek temperament conducive for tourism sector. Sharma (2004) points out that an increase in the share of unorganized employment obviously means an overall deterioration in the quality of employment. He delineates the dichotomous nature of work in vivid words:

..... quality of employment - in terms of earnings, regularity of employment, work environment and social security - vastly differs between the organised and unorganised sectors. Workers in the organized sector have better wages and salaries, job security, reasonably decent working condition and social protection against such risks as sickness, injuries, disability and death arising out of hazards and accidents at work, separations and old age. Those in the organised sector generally have no protection against these risks, have low earnings, often lower than the modest statutory minimum wages and have no regularity, leave aside security, of jobs (Sharma, 2004: 8).

Labour market vulnerability is ubiquitous in the era of globalisation. Saini and Khan (1999) observe that working people in all societies are highly vulnerable to exploitation at the hands of the inherently more powerful employers. The labour market is moving fast from an employment security situation to income security situation. Some temporary and casual works are traps rather than stepping stones to standard worth, in the globalized regime. Becherel and Cooper (2002) opine that the issue in tourism is the need to protect vulnerable categories of employees in both the informal sector and in non-standards employment as well as attempting to put into place safeguards and strategies to ensure that small/ medium sized enterprises prosper in the face of international competition. Bianchi (2000) opines that the emergence of flexible labour market arrangements support part-time and casual work, especially women employment. In its extreme vulnerability, downsizing has become buzz-word for corporate zones, marking the end of feather bedding.

Globalisation has changed the concept of work. Kelly (2000) is much concerned that under the new ethos of egotism and commodification of labour, values of human dignity, group solidarity social cohesion, compassion and ultimately personal individuality were lost. Taking labour market 'vulnerability and contingency' as a famine like situation, Sen (2000) observes that proper conscious democratic governance can make arrangements to freedom and security. Das (2004) argues that globalisation brought about a dynamic process of labour market adjustment towards re-skilling and re-tooling to the changing situations and is favourable towards high-skilled labour (Wood, 1998). Munk (2002) argues that the rise of the informal sector is 'great transformation' after globalisation. Non-standard jobs provide a necessary opening to workers who are placed at the margin of the labour market. The process of informalisation of the labour force has been widely acknowledged by Roychowdhury (2003). He believes that easy availability of workers on contract significantly takes away the bargaining leverage of unionised workers. There is a fairly wide spread notion that globalisation has contributed to deterioration of labour market conditions by

depressing wage and raising unemployment levels even in natural industrial economies (Das, 2004). Haskel et al. (1997) observes that flexibility is a double-edged sword as firms can create more jobs during peak season and destroy them during the slack season.

Labour market processes and outcomes

In the study of labour market, two terminologies such as process and outcomes are important for analytical purpose. Labour market process implies the mechanism of how the labour market works (Kaufman and Julie, 2003). Labour market outcomes are the end result of the interplay of the forces involved in the process. The labour market processes constitute the acquisition of qualifying appropriate criteria for a specific category of work, that is, to get acceptance of general eligibility (Jones, 1996), vacancy notification and selection procedures; whereas labour market outcomes indicate the working condition, status of work, pay and all other work-related remunerative aspects. The nature and dimension of social relations in the labour market processes ultimately determine the way in which it turns up.

The nature of labour market process shapes the labour market outcomes. That is the level of employment/unemployment, payment mechanism and workers' position in the labour market are all determined by the operational mechanism of labour market. The two influential forces in the process of labour market are sociological and institutional forces. The sociological factors imply family background, class structure, culture and custom. All sociological forces, in combination, influence the supply side of the labour market. The individuals' range of choice and mobility in the labour market are influenced by their family background to a greater extent. The status of a particular work assigned by the society is another important mover in the labour market. The status of government jobs, especially white-collar jobs, in the society make most job-aspirants to seek after such jobs in the market.

Labour market institutions also influence labour market outcomes. The institutional forces represent the influence of various organisations such as trade unions, governments and corporations. They generally influence the demand side of the labour market. Kerr (1950: 1977) observes that institutions introduce structure, artificial boundaries and rigidities into the labour market. Trade unions proved to be a powerful mechanism to raise the wages and improve working conditions through collective bargaining. Moreover, the respective government machinery can bring about labour policies and they can be enforced through labour regulations and laws.

Functions of labour market

The labour market is an amalgam of a complex set of

interactions. The whole spectrum of interrelations takes place within two extremes in labour market (Villa, 1986), namely, supply and demand. It is true the labour market operates in such a way as to allocate workers to jobs. The allocation problem, a big micro economic phenomenon, is closely intertwined with two important functions of labour market. They are, on the one hand, the process of production of labour power and, on the other hand, the process through which labour power is utilized in the production process. These two broad functions comprise supply, demand, allocation and compensation (payment) functions.

Supply function

Labour market must ensure sufficient availability of able and willing workers ready to be employed. Villa (1986) calls this supply function 'social reproduction of labour'. Family is the basic unit of supplying labour. In the two-sector circular flow model of the economy, all factor services flow from households to business sector. The supply of labour is conditioned by a number of factors such as the socio-economic status of the family, education, training, ambition, perception and so on. Researchers on child labour point out that poor economic background of family or/ and lack of parental care drive children to labour market (Patil, 1988, 1991; Kulshreshtha, 1996; Pillai, 1999). After globalisation, participation of women in the labour force is on the rise. The presence of women and children, the groups that lack collective bargaining power, in the labour market results in flexibilisation and casualisation. The state also plays a crucial role in affecting the supply of labour. The notion of Welfare State affects the standard of living and level of education of the society, which are important indicators of labour market. The State also designs the legal structures regulating the employment of labour force. International labour supply is limited by the immobility of labour force due to various legal restrictions.

Demand function

Labour market must absorb all potential workers so as to move in tune with existing and changing employment opportunities. Since the labour market itself is a derived one, the nature and volume of existing and changing employment opportunities in turn depend upon the product market, the given state of technology, existing capital equipment and the structure of the product market as well as social relations. By notifying the existing vacancies, firms place demand for required labour. The effective demand in the commodity market will determine the level and structure of demand for labour and, therefore, the jobs available in the economy. The two forces such as supply and demand are used as apparatus indicate to the various ways in which labour

market is in perpetual motion.

Allocation function

The allocation function is a process by which the potential labour is converted in to actual labour, that is, the labour force is absorbed into production process. In a simplistic way, allocation function of labour market is an attempt to bring about equality in supply of and demand for labour. When supply of labour overrides its demand, there is unemployment. The process of allocation of workers within the firm is the result of a longer series of inter-related processes, through which it is determined which workers to be recruited, how to select, train, promote and pay them. The nature and pattern of allocation also determine the labour standards such as payment mechanism, job and social security of work, bargaining power, etc. Spatial difference is a very crucial factor in the labour market. When a worker is engaged in a production process away from his usual place of residence and is distinguished in terms of education, training, work morale, etc., he can enjoy good position in the labour market (Villa, 1986).

CONCLUSION

Conceptualizing labour market is beset with insurmountable difficulties due the unique characteristics that it displays. It cannot be perceived in isolation, as it is a derived market and the result of a particular social ordering and production arrangements. The tradability attributes of labour remind the buyer about his/her difficulty to get full control over the asset. Labour market stands apart from other markets with respect to the item traded. It is said to operate when a person who is willing to sell his labour power meets with the buyer of his labour power/ time. It signifies that a labourer sells only his labour time/power not himself. The opaque nature of modern labour market (Rubery, 1996) leads to uncertain and unsuitable market outcomes. For example, due to the ubiquitous strategy of shedding high pay and job security by employers, prospective employees are generally not in a position to grab the likelihood of a life time job for a reasonable period of time.

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