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Surplus Labour and The Problem of Disguised Unemployment in the Egyptian Agriculture

by

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Introduction

The population pressure has become almost universal in the less developed countries of the world. In Egypt, where there is already a pressure of population on land, the growth in absolute numbers of the farm labour force will result in still lower productivity per man. Another thing which has been common is that there is substantial disguised unemployment in the agricultural sector, although the precise determination of its magnitude is not assured.

The employment situation in agricultural sector is one of the most difficult topics from the point of view of getting meaningful measurements and accurate indicators.

At the very heart of this issue, and perhaps our most crucial problem is that the majority of the workers of this sector, are not wage-employment but persons working in the household and whose economic problem, therefore, is underemployment and low income rather than unemployment and low wages.

This study is mostly concerned with the problem of disguised unemployment in the agricultural sector of Egypt. Such being the case, it will cast some light on the relation between population pressure and employment situation in Egyptian agriculture. It has not been possible to draw up a plan taking into account the concrete dimensions of disguised unemployment in the agricultural sector. Many economists have tried to discuss this problem in the Egyptian economy.

However, much of the discussions in this field have been rather confused because of differences in the use of the terms and in the level of abstraction of the different argument involved.

It is very difficult to realize the inter-shift of labour from agricultural sector to other sectors of the economy without considering the entire complex of this phenomenon. That is why we shall discuss the theoretical use of the term "disguised unemployment" and the assumptions which can be made with respect to empirical facts. The study into this phenomenon will be expanded to include an empirical study in the Egyptian agriculture.

Therefore we hope to break new ground and draw substantive findings concerning this confusing problem.

Last and not least we have to mention that this paper is a part of the Ph.D. Thesis submitted to the Central School of Planning and Statistics In Warsaw, 1973.

1. Types of Underemployment

Underemployment is widespread in many underdeveloped and developing regions. This phenomenon in Egypt is not merely due to the imperfect combination of the existing factors of production but is caused principally by the deficiency of the scarce resources. Viz., capital and land. Consequently agrarian over - population become an obvious aspect in Egypt where persistent underemployment and low productivity are the prominent features of the economy. Although, unemployment phenomenon also exists in rural areas.⁽¹⁾ Some economists suggested that unemployment difficulties of underdeveloped areas are not basically due to lack of effective demand but stem from "market imperfection", limited opportunities for technical substitution of factors and inappropriate factor endowments ... even under such assumptions, technology, factor endowments and final demand may combine in ways which make it very difficult for underdeveloped areas to solve their problems of unemployment.⁽²⁾

It will be more convenient to divide unemployment into voluntary and involuntary. "If there is at least one job in any occupation in any

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- (1) The labour force surveys show an open unemployment in rural districts of as much as 3 per cent, even during the agricultural peak season. See: El Shafei "The current Labour Force Sample Survey of Egypt." International Labour Review, Vol. 33, No. 5 November 1960, and the Labour Force Sample Survey of Egypt, 1959-60 Central Statistical Committee, May 1961 (In Arabic).
- (2) See: M.N. Hanafi, The Impact of Internal Migration on the deficit and surplus of manpower in the agricultural sector INP Cairo. November, 1963, p. 110. Reference there mentioned.

locality and at any non-zero wage that is available but not acceptable to the worker, a vigorous definition demands that he shall be classified as a voluntarily unemployed".⁽¹⁾ This means that the individual, according to the free choice, prefers leisure instead of working at going rate of wages under the prevailing conditions.

"The definition of involuntary unemployment follows naturally as a corollary if a worker is willing to work in any locality at any non-zero wage, but no employment is offered to him, he is involuntary unemployed".⁽²⁾

Such being the case, involuntary unemployment is due to lack of capital, land, skill, technical development and good administration or a combination of some of these factors.⁽³⁾

(1) W.F. MAUDER, "Employment in Underdeveloped Areas", New Haven Yale University Press, 1960, p.6.

(2) In the dynamic economy, involuntary unemployment includes frictional, technological and structural unemployment while in the stationary society it includes seasonal; besides cyclical and secular involuntary unemployment may be mentioned. For further illustration see: Ibid, p. 8.

(3) It is assumed that underemployment just as unemployment is "involuntary" in the sense that members of the labour force who make little or no useful contribution to production do so only for lack of satisfactory alternative, and that once they are presented with opportunities, they will take them up. This line of reasoning is premised on the existence of a fluid employment market and rational outlook towards work and economic activities in general.

: The world Employment Program, Report of the director general to the International labour conference I.L.O. Geneva, 1969, p. 44.

See also Gs Myrdal, Asian Drama, Vol. 11 p. 962 and Appendix 6. p. 2046.

Underemployment is a complex phenomenon, therefore, there are plenty of definitions, concepts and methods of measurements.

Each of them depends upon certain assumptions and factors particularly when we deal with the disguised form of underemployment in rural areas. In this sector there are neither clearly defined constitutional elements of the employment market nor is there a regulated working time and organized working conditions. That is why and because of the extended family-clan-village system one can hardly find "visible unemployment".

Therefore, it is more useful to distinguish between the main types of underemployment. "The following major categories of underemployment may be distinguished:

- /a/ Visible underemployment, which involves shorter than normal periods of work and which is characteristic of persons involuntarily working part time;
 - /b/ Invisible underemployment, which is characteristic of persons whose employment is not abnormally reduced but whose earnings are abnormally low or whose jobs do not permit full use of their capacities of skills /sometimes called "disguised" underemployment/, or who are employed in establishments or economic units whose productivity is abnormally low /sometimes called "potential" underemployment/.
- (1) Underemployment is a complex

(1) ILO, Employment and Economic Growth, Geneva, 1964, pp. 25,26

phenomenon and has many facets. The following definitions and terminologies are commonly used in the economic literature⁽¹⁾

Potential underemployment is found in case of invisible underemployment on reason of abnormally low productivity. This term describes the amount of labour which might be released without reducing the total output by more fundamental changes in the methods of production, e.g. by introducing new technologies, by changing the methods of diversification of agriculture to compensate for its seasonal nature, by increasing the substitution of capital for labour.

Chronic underemployment exists when even at the peak of activity the potential amount of labour time still exceeds the amount of labour time actually utilized.

Seasonal underemployment exists when visible underemployment appears only during certain season.

Occasional underemployment appears when the available labour time is sometimes not fully used for non-seasonal reasons, e.g. shortage of material, lack of orders, or bad weather, etc.

(1) I.N.P., Research Report on Employment Problems in Rural Areas. U. A. R., Report C. On Utilization of Rural Manpower and Measurements of Its Underemployment, Cairo, 1965, pp. 168-169.

Technical underemployment is idle labour due to insufficiency of technical means of production /including land/ Young Sam Cho⁽¹⁾ distinguishes this category as open or involuntary underemployment.

Tradition-directed /closed/ underemployment is idle labour due to the influence of deep-rooted institutions. As against the concept of technical underemployment the concept of "sociological" underemployment might be a better term in this case since this form of underemployment is not caused only by factors of tradition.

Transferable underemployment exists when an underemployed person is willing and capable of changing his present less than normal occupation. When an underemployed person is not willing and capable of changing his present less than-normal occupation, it is known as non-transferable or rigid underemployment.

As far as field investigation is concerned, Hsieh⁽²⁾ suggests three types of underemployment namely: (1) visible, (2) disguised, and (3) potential. According to Hsieh's definition "visible" underemployment exists when the actual amount of labour time worked by the

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- (1) See: Young Sam Cho. "Disguised Unemployment in Underdeveloped Areas with special reference to South Korean Agriculture", Berkely and Los Angeles, 1963.
- (2) Chiany Hsieh, Underemployment in Asia I. Nature and Extent, in International Labour Review, Vol. LXV - No. 6, Geneva, 1952, p.704.

labour force is smaller than the amount of labour time which the labour force is able to supply.

Social institutions in a traditional society and the system of great family prevent the idle labour to appear as visible underemployment nor does it appear as open unemployment. Visible underemployment such being the case is assumed to be a fraction of the total volume of underemployment is fully justified in the developing countries since it is operationally feasible and the data obtained would be of great practical utility.⁽¹⁾ Visible unemployment includes those labourers whose idleness is assumed to be for a whole or a part of a year or some part of a month in the course of the working year.

To measure visible underemployment, which at best is statistically recorded, it would be necessary to know detailed data about hours actually worked and to compare this with the corresponding normal full-time job or with the number of hours of work desired. However, the latter depends to a great extent on a wage level and conditions of work.

2. What Does Disguised Unemployment Mean?

From the economic standpoint, it may be argued that disguised unemployment which was demonstrated and brought out clearly by Joen

(1) I.L.O. Governing Body: Report of the meeting of Experts on Measurements of Underemployment, 21 October- 1 November 1963, Mimeographed document G.B. 158/6/2/I.L.O., Geneva, 1964/para 38.

Robinson is not likely to be the case in underdeveloped areas. Mrs. Robinson said that ... "In a society in which there is no regular system of unemployment benefits... a man who is thrown out of work must scratch up a living somehow or other by means of his own effects ... Thus except under peculiar conditions, a decline in effective demand which reduces the amount of employment offered in the general run of industries will not lead to unemployment in the sense of complete idleness, but will rather drive workers into a number of occupations-selling match-boxes in the trains, cutting brushwood in the jungles, digging potatoes on allotments which are still open to them ... In all those occupations which the dismissed workers take up, their productivity is less than in the occupations that they have left ... and it is natural to describe the adoption of inferior occupations by dismissed workers as disguised unemployment.⁽¹⁾

As far as under-developed countries are concerned B. Datta⁽²⁾ concentrated his argument on individuals who accept low-productivity employment because of the shortage of capital and required skills in the backward economies. Disguised unemployment in this view means low-productivity employment including Mrs. Robinson's case of downward division from a realized high level, and the case of permanent state of labourers in low productivity occupations from which an upward division would be desirable.

(1) Joan Robinson, "Essays In the Theory of Employment", Oxford 1947, PP. 60-74.

(2) See: Bhabatash Datta, "The Economics of Industrialization", Calcutta, 1952.

According to Nurkse, a large part of labour can be released from agricultural sector in overpopulated countries without reducing total output and without additional input of capital or changes of methods because once an additional investment is allowed a considerable fraction of agricultural labourers can be withdrawn from the agricultural sector. Nurkse postulates that the concept of disguised unemployment in the strict sense abstracts from technical changes. He defined the disguised unemployment in technical terms when the marginal productivity, over a wide range is zero.⁽¹⁾ This is the second sense of the concept, the concept of disguised unemployment according to P. Wonnacott⁽²⁾ also means zero marginal productivity, at least in some segments of the economy.

Certain similarities are found in the term of disguised unemployment used in India which means persons who are employed in the sense that they are engaged in household enterprises but who are really in a state of disguised unemployment and no difference will be made to the output by their withdrawal from the occupation concerned".⁽³⁾

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- (1) See R. Nurkse, *Problems of Capital Formation in Underdeveloped Countries*. Oxford: Basil Blackwell, 1953, p. 34.
 - (2) Paul Wonnacott: "Disguised and Overt Unemployment in underdeveloped Economies", in *Quarterly Journal of economics*, Vol. LXXVI, May, 1962, pp. 279-297.
 - (3) V. Rao, "Investment, income and the multiplier in an underdeveloped economy," *Indian Economic Review* 1, No. 1/1/1952/, 51-67 Reprinted in A. N. Agarwals and S. P. Singh /eds./, *The Economic of underdevelopment/Bombay: Oxford University Press, 1958/p. 272.*

Such being the case, the notion of disguised unemployment provided by Mrs. Robinson had come to be applied in two different senses and consequently leads to some theoretical and terminological confusion.

The first meaning is confined to those workers who were obliged to involve themselves in jobs of lower but positive marginal productivity because of the low effective demand to utilize the existing capacities. As a matter of fact the disguised unemployment according to this sense is accompanied by idle capacities which is justified in the advanced capitalist economies. If we switch our attention to underdeveloped countries, the notion of disguised unemployment differ substantially. It means those workers whose marginal productivity is zero or very low because of lack of skill, capital, land and other complementary factors in the sense that there is no idle capacities to be utilized. "Thus peasant farmers in their endeavour to maximize their output, and to compensate for their limited availability of land, tend to work the utmost use of the labour. The only waste that arises out of such a situation not because the total number of working days is distributed among the family members, and every one works a few hours a day or a few days a month, less than he is able to supply, and is consequently underemployed".⁽¹⁾ Following this line of thought the growth rate of national income and employment opportunities in the former countries can be increased by utilizing the existing idle capacities while in the underdeveloped countries new productive capacities must be created.

(1) A. Mohie El Din "Agricultural Investment and Employment in Egypt Since 1935" Ph.D. dissertation, London School of Economics and Political Science, London. 1966, pp. 42-43.

The disguised unemployed according to Clairmonte are those persons who work on their own account and who are so numerous, relatively to resources, that if there was labour reallocation to other sectors, aggregate output of the sector from which they were withdrawn would not be affected even assuming that there was substitution of capital for labour.⁽¹⁾

In this sense disguised unemployment would be concentrated on those workers who work on their account and where low productivity is a sign of disguised unemployment. According to the above definition, substitution of capital for labour seems to be plausible to maintain the level of output after releasing the disguised unemployed. However, this definition creates a confusion between the notion of disguised unemployment and potential unemployment which is created by adopting advanced technique, and it contradicts the abstraction provided by Nurkse concerning the unchanged techniques.

Others argued that disguised unemployment in agriculture has been said to exist if a section of the labour force can be withdrawn from work, if there has been a change in organization and the form of equipment/involving little or no additional capital equipment/without any diminution of output. This may be true when the marginal product of labour is negligible.⁽²⁾

(1) Frederick Clairmonte, "Economic Liberalism and Underemployment", London, Asia, 1960, p. 300.

(2) International Institute for Labour Studies-Reprint Series No. 2 Problem of Employment in Economic Development, Geneva, 1964, pp. 30-31.