

# Labour market segmentation theory



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Labor Market Segmentation Theory Labor market segmentation (Garnsey & Zablocka, pp. 56-60) is a direct consequence of labor market discrimination that comes under definition as the specific treatment reserved to members of a particular group, only because they are part of that particular group. This result in distortion when prices and quantities are considered in wages paid to workers and jobs they are allocated to. Both labor market discrimination and labor market segmentation are products of market failure in the labor market. Labor segmentation tries to explain “ economic marginalization on the lines of racial and ethnic minorities, gender, and the class to which the worker belongs” (Garnsey & Zablocka, pp. 56-60). Labor market segmentation theory is actually one of neo-classical economic theories. According to the neoclassical economists, there is a labor market, which is similar to other markets with sellers and buyers in open competition with one another. It is different from the other markets in some ways. It is a universal fact that labor is not a homogeneous commodity, when it comes to the interests and choice between work and leisure it varies from worker to worker, have different tastes for monetary rewards as opposed to non-monetary rewards (Toft, pp. 36-44). In a labor market, neither the employer nor the workers can move from one place to another without incurring certain costs. It results in wages remaining high in cities that are big even when there are many workers unemployed when other parts of the country are taken into account. Local labor market is a term that often comes under utilization to refer to the market with jobs restricted to a particular locale it can be a town or a city. Where employers in different industries require certain skills and wish to keep workers once the workers are equipped with certain skills industrial labor markets arise (Toft, pp. 25-30). For instance,

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mining workers army personnel can move from one region of the globe to another and can even switch employers but cannot change the fact that they have to exercise the same skills and having same standardized industry terms of employment. Two key theories that come under the shadow of ‘ labor market segmentation theory’ are “ dual labor market theory and internal labor market theory” (An Oysterman, pp. 20-39). Dual labor market theory is concerned with the split between two important sectors in the labor market and national economy: “ secondary and primary sector both having quite different set of wages and different employment procedures” (Toft, pp. 41-47). Mobility between the two markets is very difficult; secondary sector workers are stuck there and the only way to come out is either by getting training or getting higher qualifications. Jobs in a secondary markets are low skilled, easy and quick to learn, as a result under employment and unemployment are key characteristics of secondary market. Works Cited An Oysterman. Federal Writers' Project. London: Springer, 1938. Garnsey, Peter D. A., and Zablocka, Julia. Economy of the Nuclear or Extended Family in Oriental Antiquity. Budapest: Akade? mia Kiado?, 1982. Toft, Christian. International Labour Market and Social Policy Analysis: Essays on Segmentation, Cross National Variation and European Union Regulation. Kassel: Kassel Univ., 2004.