

# Under-employment of Labor in Agricultural Sector under Economic Development in Thailand and Indonesia

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The objective of this paper is to show the existence of under employment of labor in the agricultural sector in Thailand and Indonesia, because the under employment of labor is the cause of a low relative income in agricultural sectors.

This study first confirms the high performance of economic development in Thailand and Indonesia. The non-agricultural sector in both countries has greatly contributed to the attainment of high annual compound growth rate of GDP. Although the agricultural sector greatly contributed to the growing GDP in the 1950's and 1960's, its contribution became smaller in the 1970's and 1980's. In 1990, its share of the GDP was only 14.6% in Thailand and 19.5% in Indonesia.

The non-agricultural sector absorbed a large part of the labor for the period 1950-1990. The ability of labor absorption in the agricultural sector was great and the share of labor employment in this sector reached 61.3% in 1990 in Thailand and 55.9% in Indonesia. Low labor productivity and the large share of employment suggested the existence of under employment of labor in this sector.

Secondly, the Cobb-Douglas production functions of agricultural sector in Thailand and Indonesia are estimated under the assumption of

constant return to scale. The marginal productivity of labor is estimated by using the estimated production elasticity of labor. By comparing these with the average wage rate, the marginal productivity of labor in the agricultural sector was found to be far less than its average wage rate. According to the findings above, one can conclude that there existed dualistic economic structures, including the under employment of labor in the agricultural sector, under the economic development process during the period 1950-1990 in Thailand and Indonesia.