

Metamorphosis of Labor Market in Dyadic Economic System

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It is a general tendency in the process of dualistic economic development that the hierarchical internal organization has emerged in the form of *firm* in the modern sector while the traditional sector has been dominated by the structureless labor market.

Growth of the modern sector is usually realized through the diffusion of capital intensive modern technology. The most important characteristics of such modern technology is that operating it requires the specific skill particularly attached to it. Such specific skill can be acquired gradually by laborers only through learning by working. Therefore it is very difficult, or sometimes impossible, for the enterprises to find the laborers having the qualified skill in the external labor market. The transaction cost of replacing one employee for the another is very high. Due to such a reason, the modern sector should establish the internal organization in which the skill required for operating the technology can be accumulated internally. This internal organization is opened to the outside only at the ports of entry and exit, and characterized as the internal promotion of the members within the inner job-ladder.

On the contrary, the skill required in the traditional sector is more simple. Sometimes the specific skill is not required, or even if such specific skill is required it can be acquired in the short-run training such as the apprenticeship. The transaction cost of replacing one employee for the another is almost negligible, because it is very easy to find the necessary laborers in the external market. Therefore the sequential spot contracting dominates the labor market in the traditional sector. This type of labor market is the structureless labor market defined by the labor-economists.

In the light of such a general tendency, the crucial issue regarding dua-

listic development in Southeast Asian countries is whether or not the internal organization can be formulated smoothly. As regards this issue, the author have the hypothesis that, if the pattern of traditional social organization is not so heterogenous to the hierarchical pattern involved in the internal organization, the organization such as the *firm* can be smoothly established. On the other hand, if the traditional pattern is so heterogenous to the hierarchical pattren, formulation of the *firm* might be denied in Southeast Asia.

This paper tried to observe the formulation process of the internal organization in Thailand within the author's above-mentioned hypothesis. The traditional social organization in Thailand has been formulated basically upon the dyadic relationships. Within such a loosely-structured society, all the organizations are formulated informally as the *entourage* in which each participant contributes and receives on a voluntary basis. Eventhough this *entourage* is characterized as an informal hierarchy, it is quite different from the formal hierarchy involved in the internal organization such as the *firm*. In other words the hierarchy in the internal organization can not be perceived to be legitimate by the traditional norm in Thailand. In this sence it can be said that the internal organization in Thailand is now at the crossroads, either to the inefficient organization dominated by the traditional norm or to the efficient organization realizing the economic rationality.