

## **Abstract**

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Recent research has pointed to large gaps in labor productivity between agriculture and non-agriculture sectors, especially so in developing countries. An influential paper by Gollin, Lagakos, and Waugh (QJE, 2014) showed that these gaps persist even after allowing for the lower human capital of the agricultural labor force and the lower hours of work in agriculture. These findings suggest the misallocation of labor across sectors and would call for policies that facilitate greater mobility across sectors. In examining this issue for India, this paper extends the Gollin, Lagakos, and Waugh (GLW) analysis in two directions. First, relaxing the GLW assumption of uniform labor intensity across sectors. Second, acknowledgment of the heterogeneity in the non-agricultural sector. We compare the labor productivity of agriculture with that of the unorganized as well as the organized sector. It turns out the major productivity gaps are with the organized sector and not with the unorganized sector. The sectoral misallocation of labor is not a serious problem. The lower productivity of the unorganized sector is the root of the productivity gap phenomenon.