Managing the Exodus

Helping some farmers get out of agriculture

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POPULATION GROWTH, declining size of farms, and economic development itself create an inescapable logic for some farmers in developing countries: get out of farming. If a farmer is more productive and better-paid in a job outside agriculture, he or she will gain, as will the larger economy.

But this is easier said than done. How can low-income rural farmers make rational choices without vital information about opportunities outside farming? How can they get well-paid jobs and compete with their urban counterparts when they lack education and training? How can enterprises develop and create jobs when the institutional and regulatory context is weak? And how can governments design policies to help the rural poor when they have insufficient knowledge of labor markets in rural areas?

As population grows, average farm sizes are declining. In Malawi, the average farm size was 0.8 hectares in 1993, down from 1.2 hectares in 1981. In India, the average landholding fell from 2.6 hectares in 1960 to 1.4 hectares in 2000, and it is still dropping in size. In Bangladesh, the number of farms doubled in 20 years, and the number of farms smaller than 0.2 hectares increased even faster. As land gets divided through inheritance in a growing population, farm sizes shrink. Land pressure in economies still heavily reliant on agriculture is a major source of rising rural poverty, and it can also produce social tensions contributing to civil conflict.

This trend towards smaller family farms coincides, paradoxically, with an expansion of large farms. This is particularly true in Latin America, as well as in some countries in Asia and Africa. This dual pattern has been deepening in Brazil over the last 30 years, where the number of medium-size farms declined while the number of both small and very large farms...
increased. Small farms control a declining share of the land, while large farms control a growing proportion. At the same time, a large proportion of rural households in these regions have no access to land. Unequal land access is often perpetuated through social mechanisms—leaving many households, often ethnic minorities or indigenous people, without access to land or with land plots too small to meet their needs.

These land pressures can be partly offset by shifts to labor-intensive agriculture, such as horticulture, livestock, fisheries, and other activities that deliver higher employment and incomes per hectare than traditional farming. In Mexico, for example, tomato production requires 122 days of labor per hectare, four times the 29 days per hectare for maize. The same happens with Peru’s asparagus and Chile’s fruit exports.

In Asia, the green revolution initially stimulated the demand for labor and reduced poverty through year-round employment and higher real wages. So, more intense agriculture can compensate for falling farm size, and sustain or even raise previous levels of employment and income.

Yet, even if improvements in agricultural productivity create more and better jobs in most developing countries, the gap between the number of new rural workers and the number of new jobs in agriculture has been growing. In India, the rural labor force grows by 1.5 percent—adding four million new workers—every year. In Bangladesh, one million people join the rural workforce every year. Millions of workers already employed in rural areas are trapped in low-income jobs. With land and labor pressures, it is unlikely that agricultural advances alone are enough to absorb so many workers.

People are already moving beyond the farm, but with uneven success

Of course, people do move out of agriculture to improve their well-being. In Latin America and the Caribbean, and in Europe and Central Asia, the agricultural labor force is declining in absolute terms, partly due to an exodus from rural areas. About 575 million people migrated from rural to urban areas in developing countries over the past 25 years. Of these, the majority live in Asia, where migration flows increased to almost 20 million a year between 2000 and 2005. Migration flows as a share of the rural population have been highest in Latin America and the Caribbean, but they have increased in other regions in recent years. Those leaving rural areas in search of better economic opportunities are usually younger, better educated, and more skilled. In rural Mexico, for example, almost a quarter of those aged 15–24 in 1990 had left their area of origin by 2000, migrating to urban centers or abroad (Figure 1). Such trends can have dramatic consequences in deeply altered demographics of the remaining rural populations.

Moving beyond the farm does not necessarily imply geographical re-location. In many countries, the rural non-agricultural sector provides wages or self-employment to a large share of the rural population. Non-agricultural off-farm work employs 25 to 40 percent of adult males in most regions. In Sub-Saharan Africa, it employs only 16 percent of adult males. Off-farm work is also important for women, employing around 20 percent of rural adult females in East Asia and Latin America, for example.

The Petrolina–Juazeiro region of Brazil’s San Francisco Valley shows how dynamic clusters can create links with local services and industries and enhance the demand for labor beyond farming. There, investment in irrigation and cooperation between commercial entrepreneurs and land reform beneficiaries in the production and marketing of high-value export crops produced large direct benefits for participating smallholders, a massive expansion of employment in agriculture and agriculture-related industries and services, wage gains based on strong bargaining power of labor unions, and sharp reductions in poverty.

The nonagricultural rural sectors can offer attractive and rewarding alternatives to agricultural employment. Yet, there is a marked dualism in nonagricultural wages, indicating an important policy challenge. While wages in non-agricultural sectors are on average higher than those in agriculture, the return to labor in both sectors varies widely. In Indonesia, the
average wage in nonagricultural sectors is over 80 percent higher than in agriculture (Figure 2). Yet, part of this wage differential simply reflects the fact that lower-skill workers take agricultural jobs, and for workers with no schooling the difference in distribution is much smaller. Hence, while nonagricultural jobs offer some households a pathway out of poverty, for many other households, low wages associated with low-skilled jobs do not sufficiently improve their situation.

Value added per worker in nonfarm self-employment varies widely; in Indonesia, labor productivity in firms with more than 10 workers is $1,400, more than six times that of the country’s small farms with two or three workers. Workers in these larger enterprises are also more educated. More than half of them have finished secondary school, and almost all have completed primary school education. Employees of these larger firms also constitute the higher peak in the wage distribution.

At the same time, 59 percent of Indonesian firms employing only family members generate value-added per worker below the agricultural wage, while just seven percent generate value added per worker at least five times the agricultural wage (Figure 2). Rural nonfarm enterprises that create employment opportunities usually exhibit higher labor productivity.

Increasing education and skill levels is a key challenge

For the rural population, returns to off-farm labor are constrained by their low levels of education and by the large rural-urban disparities in educational attainment. The main dividing line between high- and low-paying jobs is skills. Educated adults are more likely to have access to rewarding non-agricultural wage jobs in rural areas. Better-educated and more-skilled workers are also more likely to leave rural areas to find better income opportunities in their countries’ cities, or abroad. But education levels in many rural areas remain abysmally low. Regional averages for Sub-Saharan Africa, South Asia, and the Middle East and North Africa show that rural adult males have about four years of education, and rural adult females have from 1.5 to 4 years. Differences between rural and urban areas are large, with adults in rural Africa, the Middle East and North Africa, and Latin America having about four years’ less education than their urban counterparts (Figure 3). Disparities of this magnitude make it hard for rural workers to compete with urban dwellers when they migrate to cities. In addition, low rural skill levels are likely an important factor in enterprise location and investment decisions, possibly limiting new employment generation in rural areas themselves.

Policymakers are paying more attention to upgrading the skills of the rural population, but many challenges remain for the current generation. School building programs in Indonesia, and conditional cash transfer programs in Mexico, Colombia, and Brazil have been shown to have had success in increasing school enrollment rates over the last decades. But the quality of education is often very low in rural areas. Moreover, these programs do not address the needs of the current generation of rural poor. In Mexico, adult education programs have boosted rural literacy rates; it is an example too
rarely followed elsewhere. There are also a number of examples of vocational training programs specifically targeted at inserting the rural workers into the non-agricultural sector. Yet, good evaluations of such programs are scarce, and much remains to be learned about their effectiveness.

As agriculture intensifies and diversifies, and economies develop, well-functioning rural labor markets and migration are crucial in reducing rural poverty and reducing rural–urban income disparities. Yet, little policy attention has been given to the structure, conduct, and performance of rural labor markets and how they can facilitate successful transitions out of agriculture. These labor markets need to be studied more deeply, to identify their strengths and weaknesses, and develop policy interventions. On the workers’ side, special attention is needed to provide, among others, training programs enabling workers to secure good jobs, both in the regions where they currently live, and elsewhere.

On the demand side, policies can be developed to favor employment creation through better investment climates and decentralization of economic activity toward rural areas. Current regulation of rural labor markets often tends to be out of tune with the reality of these markets, and is typically not enforced. As the trend towards a proportionately smaller labor force in agriculture grows more pronounced, it is clear that displaced, often poor, and poorly-educated, rural workers will need new options. Effective preparedness of those who choose to leave agriculture is a critical part of an overall strategy to mobilize agriculture for development.

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Notes

1 Estimates are computed assuming that, in the absence of migration, natural population rates for urban and rural areas would be equal, thus providing a conservative measure of migration. Reclassification of rural areas into urban has not been taken into account, although it may account for some of the urbanization, independent of migration.