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RURAL DEVELOPMENT POLICIES AND THEIR EFFECTS ON MIGRATION

by

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SUMMARY

This paper explores the idea that migration from rural areas to cities and out of the country itself might be excessive because of policy failures: to support agricultural development; to support a labour-intensive style of agricultural development, and/or; to support a proper balance between rural and urban development.

While the migration flow from the countryside to cities has been a trend common to most countries, government policies have reinforced it by favouring urban over rural areas, for example in the allocation of public investment in infrastructure and in provision of health and education services. Policies in the form of taxes, price controls, marketing boards, and over-valued exchange rates act as disincentives to farm investment.

The experience of many countries shows that it is important to strive for complementarities between rural and urban growth: without a strong performance from agriculture, development in the rest of the economy is frustrated, and vice versa, high domestic demand is necessary to sustain agriculture. The author suggests that some of the solutions to countries's growth and employment problems could be sought directly from the people, by giving their entrepreneurial capacities free rein. This first element implies a policy which provides for a stable macroeconomic climate as well as market incentives to encourage entrepreneurship and investment. Secondly, a decentralised approach to the design of public investments is recommended. For example, self-help initiatives could link decision-making at the local level to outside assistance via community-level grants and loans. The State has an important role to play here, in education, vocational training and in the provision of public infrastructure.

In conclusion, past policies have neglected to link agricultural development to employment generation. Governments must strengthen their support of agricultural and rural development. Failure to do so -- and this implies profound changes in present practice -- will likely increase current incentives to migrate away from rural areas, to urban areas or abroad.

RURAL DEVELOPMENT POLICIES AND THEIR EFFECTS ON MIGRATION

David Turnham

Introduction

Historically, the main flow of long-term migration has been from the countryside to the town. This flow is closely linked to the shift from agricultural work to work in industry and services which goes with rising per capita income.

If development and policies dictate a declining trend in the agricultural population and labour force, it is not self-evident that the same trend need apply to the rural population. If enough non-farm rural jobs are created, the people could stay in the countryside while switching from one type of employment to other types. Or the jobs could be provided in local market towns where ex-farmers and farm workers can commute to them. However, in practice, there are advantages in clustering activities and services in cities so they are likely to absorb a larger fraction of the population as development proceeds. But this outcome too is influenced by policies, policies which many times favour the urban over the rural areas, for example, in the allocation of public investment, and the allocation and pricing of publicly provided services such as education and health.

How does the rate of agricultural development and the growth of farm and non-farm rural employment affect the flow of international migrants? Clearly, faced with adverse or deteriorating rural conditions, recent history affords many examples of rural people voting with their feet to seek better standards of living and better long-term prospects through migration. This is a process that may go on from generation to generation (typically the better educated younger people from the rural areas form a large component of the migratory flow) and occasionally a steady flow turns into a torrent -- for example, as a result of massive crop failure and rural famine. Part of a rural exodus might spill over into international migration. Since in developing countries the size of the rural population has been (and often still is) very large, a comparatively small outward movement is equivalent to a large inflow to the cities of the country concerned or to a large international movement.

The above argument might more accurately be reconstructed in terms of statements about the propensity to migrate on the part of the rural population rather than actual migration. Nationally and internationally, translating propensities to migrate into actual migrant flows presumes the ability to migrate. Internationally, migration may be frustrated by legal barriers; migration may also be checked by the inability to finance the costs. However, except under rather draconian controls, one should expect some increase in migrant flows (illegal if not legal) following sustained increases in the propensity to migrate.

The determinants of the propensity to migrate are objective conditions -- employment opportunities, earnings differentials, opportunities for family members, freedoms of speech, association etc., as mediated in the mind of the decision taker by his or her knowledge and understanding of them. Uncertainties can do much to modify the propensity to migrate, most likely -- for the average risk-averse person -- reducing the propensity. However, once a few community pathfinders, for whatever reason, have established themselves in the destination area, knowledge flows back to the community, uncertainty is reduced and in many cases an augmented flow of migrants is the result. This applies whether the migration flow in question is temporary or permanent, internal within the countryside or between countryside and town, or international. Reducing uncertainties through the action of pathfinders is critical in all types of migration except perhaps the emergency response of refugees to famine or civil disturbance.

Recent studies suggest a tendency for the pathfinders to be drawn from a wider group of nations and social classes than may have been true in the past -- a change associated with the breakdown or partial breakdown of historical links, for example, those based on colonial associations. Pathfinders can of course be substituted for by equivalent services -- recruitment service agencies to hire guest workers or to match potential migrants with jobs are both quite common. Moreover, in the contemporary world there are other opportunities to sample and thereby gain essential information and insight about the potential destination areas. This in some measure obviates the need for pathfinders. Experience acquired during foreign education is the most obvious example. Tourism is another.

The importance of the pathfinder role is implied by what is a very typical feature of migratory process, namely the close link between particular places of origin and particular destinations. In many instances migration is much larger from some areas and communities than from others although objective conditions do not seem to vary very much. Evidently, a great deal of South-North international migration is accounted for by flows from a small minority of sending countries -- Mexico, Turkey, Algeria, etc. The same is true of internal migration, where it is also common that migrants come mainly from a few regions and districts partly because urban occupations often recruit from particular villages and sometimes from particular linguistic or ethnic groups^F

See examples given in STRETTON, Alan (1983), "Circular migration, segmented labour markets and efficiency: The building industry in Manila and Port Moresby", *International Labour Review*, Vol. 122, No. 5, September-October, pp. 623-39.

F.

It is plausible that much international migration takes the form of a flow from the rural areas of the South to the largely urban areas of the North, although the evidence is stronger in some countries than in others. In general, countries of high international migration tend to be at middle income levels and to be relatively highly urbanised -- Mexico and in a lower measure the Maghrebian countries and the Philippines are some of the examples. Most of these countries have witnessed very sizeable internal movements, rural to rural as well as rural to urban movement, in the past 25 years. There is therefore a plausible suggestion that the conditions which provoke a large movement of one kind (eg rural to urban migration) may also have a role in stimulating other sorts of movement, including movement out of the country. In most developing countries (this is particularly the case in Africa), internal migration to the towns is still sufficiently recent for most urban dwellers to be closely connected to rural areas and identified as much with villages as with towns.

With the proviso that more research might upset this simple inference (or at least greatly complicate the relationship between internal and external migration), this paper is largely an exploration of issues connected with the idea that migration out of the countryside and out of the country itself might be excessive because of policy failures (a) to support agricultural development, (b) to support a labour-intensive style of agricultural development and/or (c) to support a proper balance between rural and urban development.

Rural employment, migration and structural transformation: an overview

In the developing world, recent decades have witnessed major socio-economic displacements of the workforce, firstly away from agriculture into non-agricultural activities and lifestyles, and secondly -- again without historical precedent -- from the countryside into the urban areas.

The major trends are shown in Figure 1, showing employment structure related to per capita income level. The essential feature is a shift from agricultural work, but with non-farm jobs increasingly concentrated in service activities in most economies. The International Labour Office (ILO) has formulated equations to model the average patterns of transformation in the labour force as an aid to projections^F

See ILO (1988), Population Active: 1950-2025. Supplément méthodologique, Vol. VI, Geneva.

F. Its estimates suggest that a polynomial

form, in which the arguments are various powers of the initial share of the labour force in agriculture, describes rather well how the observed decline in agriculture's share relates to the initial share. According to the ILO labour force data, of the 41 countries with an initial share of labour force in agriculture of between 25 and 65 per cent in 1970, 31 showed a decline in agriculture's share of 8 per cent or more in the subsequent decade. In contrast, of those countries with either relatively high or relatively low initial share, only three show a decline of 8 per cent or more^F

See ILO (1986), Economically Active Population: 1950:-2025, five volumes, Geneva.

F.

The ILO's projection model is based mainly on data from the 1970s, but the persistence of these relationships into the 1980s is suggested by the recent rather rapid change in a number of cases, despite quite modest income growth. If similar relationships continue to hold, it is implied that a new group of countries, particularly those in the low-middle income category, will experience a rapid movement of labour force out of agriculture in the 1990s. While the shaky country statistics argue for caution, there are already perhaps 10 to 12 developing countries that have seen a fall in agriculture's share in employment by 25 percentage points or more since 1965 -- the group includes Nigeria, Tunisia, Brazil, Malaysia, Mexico, Korea (37 percentage point fall between 1965 and 1989), Yugoslavia and Algeria. Over shorter periods, especially in recent years, there are other countries that show declines averaging 1 percentage point per annum or more.

Associated with the structural shifts in the industrial composition of employment has been a considerable decline in the rural share of the population. Table 1 shows the main features at the level of major regions. There are four main blocs -- sub-Saharan Africa, which combines rapid total population growth with a pronounced shift towards an urban base and thus a very high growth rate of urban population; South Asia and East Asia (excluding China) show moderate urban expansion and continuing high rural population

growth; East Asia remains relatively rural despite rather high levels of income, partly because in some of the East Asian countries there are significant levels of non-agricultural employment in areas not classified as urban. Still excluding China, in the rest of the developing world, mainly the Middle East and Latin America, urban growth is moderately fast and rural growth is slow, indicative of substantial rural to urban population movement.

The problem of reclassification affects the data of most countries, as urban boundaries are extended or as villages expand to become towns. A World Bank report comments as follows: "Natural population increase is estimated to account for 60 per cent of the rise in urban population according to a UN sample of 29 developing countries. Perhaps another 8-15 per cent is attributable to the reclassification of rural to urban status"^F

See WORLD BANK (1984), World Development Report 1984, Oxford University Press for the World Bank, New York.

F. Presumably, the 25-30 per cent attributable to migration is tending to shrink along with the increasing share of urban in total population. Nevertheless, if 25 per cent of urban population growth has been due to migration, the movement to the towns in the past 25 years has collectively exceeded 10 million people per annum. In cumulative terms this is equivalent to the population of the United States.

Agricultural Development and Employment

Many phenomena played a role in prompting the recent structural changes. Effects stemming from economic growth and Engel's law, i.e. income elasticities of demand favouring industry (including the construction industry) and services, are an important part of the story. Such effects pull labour from agriculture into other activities at a rate governed by the pace of growth and the labour intensity of non-farm expansion, the latter governed largely by the character of technical change and by the extent and manner in which trade influences the structure of demand. Although a rapid growth rate of the population and labour force is common to almost all countries, policies have frequently put in place a pattern of incentives that discriminate against labour and in favour of capital. In addition, policies have frequently contributed to a slow and uneven pattern of agricultural growth, so depressing the demand for labour in agriculture.

The measurement of employment impacts, whether these are due to policies or other factors, usually presents some difficulties. In most developing countries, especially the poorer ones, social security and unemployment compensation are virtually absent and savings are too low to provide much of a cushion for periods of low or no earned income. Thus, the motivation to retain work (and to scramble for it when unemployment threatens) is very powerful; necessity squeezes hard on poor families and particularly on their adult breadwinners. In consequence, there is a crowding into employment (often in the form of survival self-employments) where entry is not blocked by barriers such as the lack of skills and assets. In the rural areas the dominant form of employment is the family farm which continues to absorb its family members into at least part-time employment. Thus, rural unemployment is typically low relative to the levels found in the urban areas, and the main impact of any shortfall in the demand for labour tends to fall on labour incomes in agriculture rather than employment as such.

A reduction in farm per capita income due to an increased intensity of working or work spreading and sharing on the family farm to compensate for worsening rural employment opportunities, or higher unemployment among casual workers, may stimulate migration. The fact that the labour force and population is mostly young adds to flexibility and a relative ease of movement geographically. Casual workers in particular often show high mobility, seeking work on a seasonal or irregular basis by moving between the rural areas and sometimes between rural and urban areas, in addition to long term migration to urban areas. Evidently though, if the urban areas offer no better employment prospects there may be little migration from rural areas (or even a reverse flow) despite limited opportunities in agriculture.

In general, to understand what is going on in rural employment it is vitally important that measures of unemployment and employment be supplemented by information about the real earnings of various groups of workers. While efforts have been made in some countries to assess the level and trend of rural incomes, especially farm incomes, easy access to an unambiguous series or indices with which to interpret the trends remains a dream. Thus far, there has been very little focused effort to measure this aspect of the employment problem or to assess changes over time in the magnitude of survival employment, although there is a good deal of indirect and partial evidence indicating deep, pervasive and persistent rural poverty due to low earnings.

Income-based country group and regional averages of the growth rates of agricultural output (value added) and labour force are shown in Table 2, along with the difference between the two as an approximation of the growth of output per worker. While there are some exceptions, there has been a tendency towards relatively slow growth of output at the lowest per capita income levels while a fast growth in output per worker is strongly associated with the declining agricultural labour force that is found at higher income levels. However, a few countries at low income levels have combined fast agricultural growth and rapid expansion in the labour force, including the Côte d'Ivoire, Burundi and Pakistan; and some have experienced the opposite combination of slow growth in labour force and output, including Jamaica and Uruguay. The critical situation in sub-Saharan Africa is illustrated by the finding that Sub-Saharan Africa accounts for all but four of the 21 countries showing declining output per farm worker over the period 1965-88.

Growth in output (value-added) at the same rate as the growth of labour force does not guarantee a constant labour share in terms of income or constant average earnings per person. Indeed, unless land is abundant -- which is no longer the case almost anywhere -- gains in agricultural output usually flow from an intensification in land use and result in higher returns to and rewards for the use of the land itself. Rents on the more productive land usually account for one third to one-half of value added^F

See BELL, Clive (1990), "Reforming Property Rights in Land and Tenancy", The World Bank Research Observer, Vol. 5, No. 2, pp. 143-66.

F. Moreover, many forms of intensification involving the use of expensive inputs such as power machinery, fertiliser and irrigation water generate a return which accrues to farm management and entrepreneurship. Thus, increased incomes from farming resulting from the process of agricultural development are divided between land owners, farm managers and farm workers in proportions that are likely to favour the first two.

The impact of the various factors can be usefully illustrated using country and regional experience.

In Latin America, according to de Janvry and Sadoulet, "...family farmers by and large have been the great absents in the ... agrarian structure." F DE JANVRY, A. and E. SADOULET (1989), "Investment Strategies to Combat Rural Poverty: A Proposal for Latin America", World Development, Vol. 17, No. 8, pp. 1203-21.

F
Medium and large farms account for 26 per cent of the number of farms and 90 per cent of the total farm area. In the past 20 to 30 years, under the threat of land reform and with heavy government assistance, these large farms have been transformed into commercial agri-business type operations. This result has been achieved through technical innovation (many countries, for example, Brazil, have invested with some success in agricultural research and extension services), investment and land development (often helped by subsidised credit for equipment), and the introduction of new crops. With mechanisation of many farm operations, farming more and more relies on a seasonal movement of migrant wage workers.

In most places in Latin America only a low threshold wage differential seems to be needed to trigger movements of migrant labour. Moreover, the advent of rural roads and trucks has also helped to transform the possibilities for local migration. Indeed, temporary wage workers take up residence in or around the edges of towns and cities so as to be able to take advantage of both rural and urban temporary employment opportunities. Spindel, ascribes the growth in the numbers of "boias-frias" (literally "cold meal" daily labourers) of Brazil to the need to seek work in both urban and rural labour markets, to the development of labour legislation applied to permanent rural wage workers (which encourages farmers to minimise their commitment to permanent workers), and to the general lack of alternative employment opportunities F

See SPINDEL, Cheywa R. (1985), "Temporary Work in Brazilian Agriculture: 'Boia-fria' -- A Category under Investigation," in STANDING Guy (ed.), Labour Circulation and the Labour Process, Croom Helm, London.

F. According to Spindel, some owners at peak times will look for workers as far as 80 to 100 kilometres away from the work site.

Astorga Lira and Commander describe the importance of the seasonal migratory flows to the commercial farms in the north of Mexico as well as to the plantations in the south, relating these flows both to the growth in the favoured areas and to the comparative paucity of work and low incomes of the peasants working the minifundia under rainfed conditions F

See ASTORGA LIRA, E. and S. COMMANDER (1989), "Agricultural commercialisation and the growth of a migrant labour market in Mexico," International Labour Review, Vol. 128, No. 6, pp. 769-789.

F. Similarly, a study of Turkey suggests a strongly increasing tendency towards the use of seasonal migratory labour in the more prosperous areas of Turkey F

See KEYDER, Çağlar (1989), "Social structure and the labour market in Turkish agriculture," International Labour Review, Vol. 128, No. 6, pp. 731-744.

F.

According to data from the ILO's PREALC, while the labour force in traditional agriculture in Latin America grew by about 1.8 per cent per annum from 1960 to 1980, in the modern agricultural sector growth was only 0.8 per cent. Commercial farms account for most of Latin America's agricultural growth and technology and investment largely by-passed the extensive quasi-subsistence sub-sector of small farmer and near-landless peasant households. Under these conditions, to maintain buoyant earnings among farm workers would have required either that agricultural output grow very fast relative to the growth in numbers of agricultural workers or that nonfarm employment opportunities absorb an increasing fraction of the total rural labour supply. Neither has been the case and the powerful migratory movement from rural to urban areas in many Latin America countries reflects people's reactions to a rural economy that has offered little to the small farmer and wage labourer.

The other requirement for migration however is the ability of the urban economy to absorb the migrants. As the experience of Brazil, Mexico, Venezuela and other economies demonstrates, in Latin America this condition was met, at least through the 1970s. There was pronounced "urban bias" in the form of

powerful support for industrialisation policies and heavy public sector investments in infrastructure (power, transport, etc), and this could be financed with heavy recourse to international private financing available because of the recycling of the petrodollars. Conditions changed in the 1980s and there is some evidence of a return flows of migrants to the rural areas in recent years^F

See HORTON, Susan, Ravi KANBUR and Dipak MAZUMDAR (1991), Labour Markets in an Era of Adjustment: An Overview, Policy, Research, and External Affairs Working Papers (WPS) No. 694, The World Bank, Washington, D.C., May.

F.

Some of the densely populated low to middle income economies in Asia also experienced significant growth in agriculture. With an agrarian structure that is based on much more evenly distributed farm holdings (partly a reflection of the widespread use of tenancy^F

As Rosenzweig, points out, the reasons for the big differences between countries and regions in the use of sharecropping and tenancy arrangements are not yet well understood. See ROSENZWEIG, Mark R. (1988), "Labor Markets in Low-Income Countries," in CHENERY, H. and T.N. SRINIVASAN, The Handbook of Development Economics, North Holland Press, Amsterdam.

F), the employment impact has been rather different than in Latin America. Asian countries made large investments in rural infrastructure -- roads, irrigation facilities and rural power supplies -- in selected areas and, in general, both infrastructure and the new "green revolution" technologies were accessible to a broad range of the farming community, involving small as well as large farmers. In Korea and Taiwan following the early post-World War II land reforms, which produced a very even size distribution of family farms, improvements in employment and earnings through more intensive investment in land development and small farm productivity were especially noteworthy. The uniform structure of small farms facilitated the development of farmer-based institutions through which technical knowledge, new inputs, and infrastructure could be developed.

However, even in the successful countries, it is common that agricultural progress is unevenly spread. This is partly a reflection of the impact of policies towards agriculture, but also of the highly differentiated agronomic potential and differentiated access to markets and technical progress. The sources of growth are usually crop and area specific, favoured crops being those that are (a) subject to strong local and world demand and (b) susceptible to yield improvement associated with water control, fertiliser, and new crop varieties -- the standard green revolution package. Opportunities to make changes in land use from lower to higher value crops (such as vegetables and fruits in peri-urban areas) are a further differentiating factor. All these opportunities are found in specific, limited locations. Once found, they tend to attract cumulatively high levels of investment in public infrastructure (roads, water, power, etc.) to complement on-farm development. Thus, the gains have been greatest where the green revolution technologies (linked to irrigation) have had most impact.

With new technology and with opportunities to irrigate, gains in employment have sometimes been substantial. The extension of double cropping is often the single most powerful factor, but harvesting and transporting extra output from the higher yields, application of fertiliser, more weeding etc., are other influences. These gains are enjoyed in the form of a greater intensity of work among small farmers and by the landless or near-landless agricultural labour households. Gains may be delayed on small farms because they tend to adopt the new technologies with a lag. Still, the poorer farmers and the landless may be helped by a tendency for the newly better off farmers to take some of their gains in the form of a withdrawal of the labour of secondary family workers for education and other purposes^F

See LIPTON, Michael and Richard LONGHURST (1985), Modern Varieties, International Agricultural Research, and the Poor, CGIAR Study paper No. 2, The World Bank, Washington, D.C., also SINGH, I. (1988), "Land and Labour in South Asia", World Bank Discussion Papers No. 3, World Bank, Washington, D.C.

F. The poor are also helped by the development of off-farm employment opportunities stimulated by farmer-led demands for services, construction and consumer goods.

According to a range of studies for Asia, agricultural wage rates have not improved much on average, exceptions being Korea, parts of Malaysia and Taiwan where rural wages are influenced by a growing scarcity of labour in general^F

See JAYASURIYA, S.K. and R.T. SHAND (1986), "Technical Change and Labor Absorption in Asian Agriculture: Some Emerging Trends," World Development, Vol. 14, No. 3, pp. 415-428.

F. The information base however is limited, reinforcing our earlier point about the lack of critical information on trends in rural earnings, especially among low income households. In India, which is by far the most intensively studied country on these issues, results are inconclusive on trends in real wages; what seems likely is that trends are weak and swamped by year-to-year and geographic differences^F

See LIPTON, Michael (1983), Labor and Poverty, World Bank Staff Working Papers No. 616, World Bank, Washington, D.C., October, LIPTON, Michael and Richard LONGHURST (1985), Modern Varieties, International Agricultural Research, and the Poor, CGIAR Study paper No. 2, The World Bank, Washington, D.C. There are sizeable differences in wage rates between villages, with more prosperous villages having higher levels of wages -- see BARDHAN, P.K. (1984), Land, Labour and Rural Poverty, Columbia University Press, New York.

F.

Regional disparities are one reason why, even with rapid agricultural growth nationally, there may still be a strong motivation to search for better employment prospects through migration. Indeed, the success of the prosperous areas may be partly at the expense of the depressed ones (by taking away the markets of the latter) so adding to the incentive to migrate. However, in contrast to Latin America, in parts of Asia -- for example, India and Bangladesh -- rural to urban migration has been slower than it might have been because the urban areas were rather undynamic and lacking in employment opportunities.

In sub-Saharan Africa, agriculture, mostly in the form of small family-managed holdings, still accounts for about four-fifths of the labour force i.e. by far the largest part of the total. Since a period of significant growth in the 1960s, the mass of farm families have experienced stagnant or declining real earnings. A "guesstimate" by the ILO suggests a decline in rural earnings of about 15 per cent from the early 1970s up to the mid-1980s. These results reflect a lethal combination of misguided policies, including overly ambitious policies of taxing the agricultural surplus, and the lack of good cropland and limited agronomic potentials. In the absence of suitable agricultural research, broad-impact, important technical breakthroughs for traditional crops do not seem imminent, nor are opportunities abundant for new crops and for exports. A quasi-subsistence horizontal expansion into new areas has taken care of a large share of the population and labour force growth, but much land is marginal for agriculture and in the more densely populated areas, for example Rwanda, land degradation is already severe.

Weak performance in agriculture in Africa is key in explaining the low level of achievement in overall development and employment creation. Starting from a small base, the urban areas have usually grown rapidly, with a large contribution from rural migrants. Greatly hampered by the still chronic lack of education and skills, the development of governance, urban infrastructure and industry have all proven very demanding and highly expensive in resource terms. As public sector employment was more and more constrained by the lack of resources, it was the expansion of informal sector employment plus a return to rural areas that prevented even higher unemployment rates. Nevertheless, Africa's cities tend to suffer from very high unemployment. For the future, therefore, there is plenty of labour to support a high growth rate of urban employment -- should the sources for such employment growth be found.

The role of non-farm rural employment

The importance of non-farm rural employment became more generally recognised in the late 1970s^F

Following work led by Liedholm and Mead at Michigan State University and new surveys based on census and labour force data such as ANDERSON, D. and M.W. LEISERSON (1980), "Rural Non-Farm Employment in Developing Countries," *Economic Development and Cultural Change*, Vol. 28, No. 2. More recent work is by KILBY, P. and C. LIEDHOLM (1986), "The Role of Non-Farm Activities in the Rural Economy", *Employment and Enterprise Development Policy Analysis Discussion Paper No. 7*, Harvard Institute for International Development, Cambridge, Mass., and by HAGGBLADE, Steven and Carl LIEDHOLM (1991), "Agriculture, Rural Labor Markets, and the Evolution of the Rural Nonfarm Economy", paper prepared for the Plenary and Invited Paper Sessions of the XXI International Conference of Agricultural Economists, Tokyo, 22-29 August.

^F along with data showing that the non-farm sector is often large in terms of its contribution to rural incomes and rural employment: indeed, it provides 20 to 50 per cent of employment and roughly similar shares of rural income. In a few cases, the combination of decentralised services and good infrastructure, along with easy commuting from rural to urban areas, results in very high shares of non-farm income in farm households, a widely noted feature in the experience of Japan and, more recently, Taiwan. In Japan, the share of non-farm sources in farm household income rose from 45 per cent to almost 80 per cent between 1960 and 1980, and by the latter date non-farm income was the dominant source for about two-thirds of the total number of farm households^F

See KADA, R. (1986), "Off-Farm Employment and the Rural-Urban Interface in Japanese Economic Development", paper presented at a Conference held in Changmai, Thailand, 1983, in SHAND R.T. op. cit.

^F. In Taiwan, 1980 data showed two-thirds of rural labour to be employed in the non-farm sector -- far above other Asian developing countries^F

See LIEDHOLM, C. (1988), "The Role of Non-Farm Activities in the Rural Economies of the Asia-Pacific Region", from the Conference on Directions and Strategies of Agricultural Development in the Asia-Pacific Region, the Institute of Economics, Academia Sinica, Taipei, Taiwan.

^F.

Measurement of non-farm rural employment is made difficult by the inevitably arbitrary nature of the rural-urban divide. The urban-rural dichotomy is often, in reality, much better approximated by a tripartite division with, at one extreme, a city part where work and income owes little directly to agriculture, at the other extreme a village economy with a resident population of farmers and farm workers, and, in between, a cluster of rural towns, with strong links in both directions. Combining the intermediate townships with the villages, the contribution of non-agricultural activities to total household income was 45 per cent compared with 39 per cent among the villages considered separately. Agricultural work (primarily wage work) carried out off the family farm accounted for about 9 per cent of household income among village farm households and about 12 per cent among the village non-farm households -- in both instances, rather a small share, reflecting the special Thailand situation of relative land abundance.

Cottage industry and other forms of very low productivity non-farm work is often of special significance to the poorest and typically most labour-dependant rural households. As Kilby and Liedholm, op. cit., and others report, the smallest scale farmers and the landless households earn the highest share of income outside agriculture -- over 70 per cent in parts of Asia and 50 per cent or more in Africa where landlessness is uncommon. However, since the smallest class of cultivators and the "landless" may also include substantial numbers of rural professionals and entrepreneurs, such data can be misleading for inferences about the association of low-income and off-farm employment. Interestingly enough, for a small group of country cases where households were divided according to level of income, the share of income from non-farm sources was not clearly or closely related to income level^F

See Kilby and Liedholm, 1986, op. cit., Table 5.

^F. This tends to confirm that non-farm activities encompass a wide range of skills and entrepreneurial opportunities. It also illustrates that the non-farm activities of the poorest families yield very low returns indeed.

The basic pattern of non-farm rural employment and development evolves from an initial focus on home goods produced as part of the subsistence

activities of the household which gives way to an exchange-based economy where farm produce is traded for a range of off-farm goods and servicesF

In statistical terms, too, there is a greater visibility of off-farm activities since specialisation implies that more of them are recorded as primary rather than secondary activities of the labour force. Secondary activities mostly go unnoticed.

F. Typical

activities involve the production of consumer goods plus trading and personal services and, in the more advanced areas, producer services such as repair of farm equipment, specialised supply services, and processing activities. The type and scale of rural enterprises reflects a pattern of location-related advantages and disadvantages. Chief among the disadvantages are the lack of complementary specialised services, components, labour skills, etc., and the relatively small and scattered nature of the local markets. But small-scale, labour-intensive manufacturing of standardised items may be able to take advantage of very low cost labour at times of seasonal slack, i.e., by gearing a cycle of production and stock-piling to the agricultural off-season. Such a limited availability of labour is disadvantageous for larger scale, more capital intensive production processes where a permanent labour force is needed. Most rural enterprises are very small^F

For example, in the countries where Liedholm and Mead organised their sampling of the rural sector, 85 per cent or more of rural manufacturing enterprises employing 50 persons or fewer, actually employed fewer than five persons, with the one-person firm dominating all categories (see Liedholm and Mead, 1986, op. cit., Table 7 and related discussion). Similarly, a recent non-farm rural enterprise survey for Kenya showed 60 per cent to be one person businesses and only 4 per cent to employ five or more people -- NG'ETHE, N., J. WAHOME with G. NDUU (1989), *The Rural Informal Sector in Kenya: A Study of Micro-Enterprises in Nyeri, Meru, Uasin Gishu and Siaya Districts*, Institute for Development Studies, Occasional Paper No. 54, University of Nairobi, Nairobi.

F. Even so, there are many of them: in the poorest countries of Africa and Asia, rural enterprises accounts for the bulk of all manufacturing in terms of employment and as late as the 1970s, rural manufacturing employment accounted for more than 40 per cent of total manufacturing employment in comparatively wealthy Malaysia^F

See LIEDHOLM, C. and D. MEAD (1987), "Small Scale Industries in Developing Countries: Empirical Evidence and Policy Implications", MSU International Development papers, No. 9, Michigan State University, East Lansing, Michigan, especially Table 5 and related discussion.

F. Also, sizeable enterprises may be established in rural areas to take advantage of major savings in transport and handling costs via the local processing of raw materials such as mineral ores, or to avoid problems of perishability as with fruits.

Higher farm production can create a base for local resource-based enterprise that exports to the urban areas and to the outside world, perhaps greatly expanding employment opportunities in such rural export industries. Thus the spectacular success of China's agriculture during the 1980s is closely linked to the remarkable expansion of rural enterprise in that country. The number of workers employed in rural enterprises almost tripled, from about 37 million in 1978 to close to 95 million in 1989, and among agricultural households the income from production derived from non-agricultural sources grew from less than 8 per cent in 1978 to 31 per cent in 1989^F

Data are from the Statistical Yearbook of China for 1990. The coverage of employment in village and township enterprise (Table 9.59) was changed in 1983; a rough correction to the 1983 coverage was made to the 1978 figure. The statistics about the income of agricultural households are from Table 8.26 of the same source.

F. With agricultural output growing very fast, at close to 6 per cent per annum, rural factories were able to expand output on the basis of greater quantities of agricultural products used as inputs (cotton, oil seeds, silk cocoons, feedgrains, tobacco, etc.). Evidently, the expansion was buoyed by demand -- a combination of rapidly increasing local demands for quality foods such as poultry and pork and a demand for industrial raw materials, boosted in some instances by exports -- for example silk manufacture^F

Similarly, agricultural growth in the 1980s in Chile was boosted to above 4 per cent per annum by a remarkable boom in agricultural exports (grapes and other fruits and wine).

F. Case studies have been made to assess the link between increased farm income and the related expansion of non-farm activities. Fast agricultural growth helps through the stimulus to non-farm enterprise via local consumption expenditures from higher farm profits, also because higher non-farm earnings themselves seem often to feed back into higher farm investment. In one much studied instance based on an expansion of irrigation facilities in the Muda river region of Malaysia, it appeared that the indirect effect of an initial boost to farm income brought about by investment in irrigation was measured at almost to double the initial income gain, i.e., a regional multiplier of close to two^F

See BELL, C., P. HAZELL, and R. SLADE (1982), *Project Evaluation in Regional Perspective: A Study of an Irrigation Project in Northwest*

Malaysia, Johns Hopkins University Press, Baltimore, Maryland.

F. In this case, about two-thirds of the multiplier was due to agricultural households' higher demands for consumer goods and services and one-third to increased inputs for farming activities.

If agriculture itself is not growing fairly rapidly, the opening up of rural areas through better communications could cause non-agricultural income sources to shrink rather than to expand. As rural areas become more accessible

to urban manufacturers, so cottage industries lose their natural protection. Thus, in Africa, "artisanal activities such as spinning, weaving and pottery decline dramatically in importance with increasing locality size, undoubtedly the victims of competition from lower priced manufactured substitutes" F

See HAGGBLADE, S., P. HAZELL, and J. BROWN (1989), "Farm-Nonfarm Linkages in Rural Sub-Saharan Africa," World Development, Vol. 17, No. 8, August, pp. 1173-1201.

F. The

different types of link of non-farm rural employment to farm income growth reinforce the point made earlier about the unevenness of rural development. The spectacular success stories like the Punjab, Taiwan, parts of Thailand, etc., need to be balanced against the lack of development in the Sahel zone in Africa, north-east Brazil and the high Andes in Latin America, Bihar state in India, and the central north-west of China.

In summary, the non-farm rural sector is attracting more and more attention as a part of an employment strategy and as an additional argument to give greater policy attention to the development of agriculture. Also, to the extent that employment structures and income sources can be diversified without the costs necessitated by the development of the large urban conurbations, especially the mega-cities, so much the better. However, it is also clear -- as in the case of agriculture itself -- that nothing can be done without the market expansion needed to absorb increased outputs from non-farm activities. In this respect, the role of non-farm enterprise and employment serve to reinforce the earlier point about economy-wide linkages and the interdependence of the rural and the urban economies.

Policies for rural development and employment

It is well known that in developing countries the net result of government policies has usually been to burden rather than benefit farmers. Taxes, price controls (with prices set low to favour urban consumers), excessive margins taken by state-run marketing boards on export crops, and overvalued exchange rates, add up to a formidable package of macroeconomic disincentives to farm investment and production for the market. Some data from a recent study are shown in Table 3. Moreover, developing countries in general face subsidized agricultural exports from the developed countries. In sum, income and employment growth in developing country agriculture has frequently suffered from a double or triple squeeze -- slow growth of domestic demand, adverse domestic policies, and competition from subsidized OECD farmers.

Government policy can also turn the domestic terms of trade against rural producers and to the advantage of urban consumers through indirect means. Quizon and Binswanger, illustrate such impacts using the case of India. In India, extra food crop output, resulting from the green revolution technologies and irrigation expansion in the 1960s and 1970s, was funnelled into the domestic market and caused sizeable terms of trade movements against agriculture. Because of this, much of the green revolution food crop benefits went to consumers, not producers. The authors calculate that by the early 1980s real rural per capita incomes in India were on average only a fraction above their level 20 years earlier, despite a rise in agricultural output of some 70 per cent F

QUIZON, Jaime and Hans BINSWANGER, 1986, "Modeling the Impact of Agricultural Growth and Government Policy on Income Distribution in India," The World Bank Economic Review, Vol.1, No.1, World Bank, Washington, D.C., September

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Whether the government intended such a distribution of the gains is not clear, but with the domestic market isolated from the world market, output growth above the growth rate of market demand can be absorbed only with price declines that shift benefits from producers to consumers. If the relevant

price elasticities are also low, the required fall in (relative) prices may be steep. Various forms of control of trade are very common both among developing and developed countries; thus governments are extremely influential agents in regard to agricultural development, incomes and employment.

Unlike the situation of the developed countries, few developing countries have the means to protect or to subsidize more than a small part of their agriculture. However, many countries have, nevertheless, made a sizeable investment in rural development, both directly, through the support of infrastructure investment and the building up of extension and research services, as well as indirectly through the support of rural credit institutions. Much of this investment, for example, in roads, irrigation and power supplies, in research and extension services, has been made available to local farmer beneficiaries at a fraction its true cost. Rural credit too is often highly subsidized and the amount lost through defaults (in effect de facto gifts to the defaulters) is also notoriously large.

Frequently the investment that governments make in agriculture serves to offset in part the disincentive effects stemming from an adverse macroeconomic framework. However, the offset is much more clearly apparent in relation to output than it is in relation to employment. Partly this is because the positive incentives tend to be biased in favour of the large farmers and to support capital inputs in preference to a more intensive use of labour. The clearest example is the adverse impact on the demand for wage labour due to premature

Appropriate mechanisation tends mostly to occur at a late stage in agricultural development as labour is leaving the land, so creating a scarcity of farm workers, and as levels of locally available technical and mechanical know-how increase. The latter facilitates both local adaptation of machinery and its repair and examples of failure due to neglect of this element literally littered the developing world of the 1960s and 1970s, especially in the form of rusting tractors. F investments in labour-displacing mechanisation. These investments are stimulated by subsidized credit and duty free farm machinery imports at favourable exchange rates. In many countries there has been a considerable investment in tractors, threshers, and other labour saving innovations all of which add very little to output but do displace agricultural labour. The increased incomes of the larger farmers associated with the green revolution have also added to the ability to purchase new inputs and machinery.

Anti-labour bias in a direct sense exists, but the more pervasive aspect of the public investment problem is its tendency to be concentrated in the areas of high potential, thus leaving little for less favoured areas

To a considerable extent also programmes tend to be focused around the support of better-off farmers, as in Latin America.

F. The effects on farm employment arising from these forms of discrimination can be rather subtle -- for example, the local impact on and off the farm from public support for irrigation development may be highly positive in output and employment terms, but the extra output from the irrigated areas may undermine the incomes of other farmers producing under less favourable rainfed conditions. Or government-subsidised and managed research may produce good results for particular crops grown under controlled conditions (eg fertilizer-responsive irrigated rice), but frequently offers very little to the vast numbers of poor farmers growing so-called poor man's crops -- for example, cassava or millet in drought-prone areas

See Lipton and Longhurst, 1985, op. cit.

F.

Recognition of policy problems and the close connections between them and rural employment and poverty is not new. Indeed, there was some 25 years ago a major effort to redirect development strategy in favour of more rapid employment growth and a more direct attack on poverty. Then -- as to some extent today -- people were concerned with the implications of labour force explosion (a consequence of population explosion) and there was widespread disappointment with the results of the 1960s, labelled as the first development decade. The decade had seen some solid achievements in terms of economic

growth (we now sometimes refer to the period before 1973 as the golden age) but not much improvement in the lot of the poor. The by-passing of the poor and failure of trickle down development came more and more to the fore as part of a new pessimism about income distribution.

The policy fall out from these new concerns was for a time quite sizeable -- even dramatic. Employment and poverty dominated the development agenda through the early 1970s. At the World Bank, President Robert McNamara led the "Assault on World Poverty" and at the ILO, Louis Emmerij led the World Employment Programme (WEP). The thrust of the WEP was described retrospectively, by two of its principal architects, in the following way:

"The choice which developing countries face is either to continue this conventional development approach and sacrifice two or three generations -- the working poor in the neglected sectors as well as the unemployed -- or to elaborate a development strategy which faces the present problems of poverty and lack of productive employment in the urban informal sector and in the traditional and small-scale rural sector, while at the same time shaping developments in the modern sector so as to make it more suitable as the engine of development."F
See EMMERIJ, Louis and Dharam GHAI (1976), "Employment Problems in Developing Countries: Lessons from the World Employment Programme," in CAIRNCROSS, Alec and Mohinder PURI (eds.) (1976), Employment, Income Distribution and Development Strategy: Problems of the Developing Countries: Essays in Honour of H.W. Singer, Macmillan, London.

F

The WEP had a research component -- in particular, the development of a conceptual framework to deal with the informal sector owes much to ILO work -- but it is chiefly remembered for a series of important country missions and studies to develop country employment strategies--studies that included Colombia, Kenya, Sri Lanka, the Philippines and the Sudan. Taken collectively, the conclusions of the various WEP country missions show a number of common features, including a high priority to land reform and new programmes in support of agriculture and rural development, including rural works programmes, support for small farmers and informal sector activities, reform of the education system and increased manpower training, and greater efforts to ensure that employment was taken fully into account in investment decisions, both public and privateF

See TURNHAM David, 1993 forthcoming, op.cit.

F. The reports all stressed a large potential to increase the rate of economic growth through the adoption of employment-focused policies and programmes.

Regrettably, the World Employment Programme country studies -- rather complex and expensive undertaking -- led to very little discernable result in changed country policies. Perhaps the reforms were too drastic and too demanding when measured against the very limited management and implementation capacity in the public sector. However, the most important reason seems to have been that the price was too high for the elites and the politicians representing them to swallow. The strength and tenacity of the entrenched interests is among the principal lessons of the WEP experiment. Many of the policies and policy changes recommended by the missions sharply challenged the interests of the most powerful stakeholders under the unreformed system.

As a prominent development economist, Anne Krueger, remarked at a recent Seminar in reflecting on the opposition to reforms from the powerful stakeholders in society: "It is in fact relatively straightforward to identify who are the winners from inner-oriented import substitution strategy. They are the politicians, the bureaucrats, the army, the policy makers, the industrialists in the new and protected industries and the workers in those industries. ... That alliance has driven up rewards to themselves at the cost

of growth in real terms to other members of society in both agriculture and industry." F

See her statement on pp. 155-156 of BERG, Elliot (ed.) (1988), Policy Reform & Equity: Extending the Benefits of Development, A Sequoia Seminar, ICS Press, San Francisco, Calif.

F Thus, despite the country's interest and concern about employment issues -- otherwise the missions would not have been invited in the first place, circumstances were not so desperate as to force or shock the country concerned into a reform mode capable of overcoming vested interests. The experience illustrates that it is little use being right about the need for reform if the circumstances are unfavourable towards reform.

Unlike the situation in the 1970s however, the structural reforms of the 1980s were prompted by a crisis which has been severe enough to force reform. Many countries have adopted elements in a reform agenda, especially in Latin America. Fundamentally, reforms have focused on three areas reflecting major past policy failure (a) to promote manufactured exports so as to escape the trap of increasing inefficiency in import substitution, (b) to deal with overblown government and the inefficiency of public sector enterprises, and (c) to reverse the neglect of agriculture. Structural adjustment is not specifically motivated by a desire to improve the lot of the poor or to generate improved employment for those with low incomes. Indeed, redistributive social engineering is anathema to many of the new market and private sector oriented theorists of adjustment. Nevertheless, the policies recommended have much in common with those of the WEP's employment missions of the 1970s.

As might also have been true under the WEP recommendations had they been acted upon, the early impact of structural adjustment on employment has often been adverse. In many countries, a precipitous decline in output growth was accompanied by higher unemployment, a growth of survival employments and self-employment, reverse migration to the rural areas, and falling real wages. The decline in real wages was sometimes dramatic, and often far greater than the fall in GDP. One recent study by Horton et al., argues that the real wage declines may have been excessively large, leading to a fall in domestic demand which inhibited recovery^F

HORTON, Susan, Ravi KANBUR and Dipak MAZUMDAR (1991), Labour Markets in an Era of Adjustment: An Overview, Policy, Research, and External Affairs Working Papers (WPS) No. 694, The World Bank, Washington, D.C., May.

F. Evidently, the challenge is to establish confidence in the stability of a new policy regime so as to encourage new investments and a substantial commitment to long term investment planning by the private sector. This takes time. Conditions are not yet very stable in most countries, and much reform has been attempted in the midst of economic distress and in an atmosphere of crisis. Also, the precariousness of living standards among the marginally employed and the unemployed reduces the government's room for manoeuvre and creates resistance to reforms among those people who ought to be the natural allies of reform.

The poor and the unemployed need to be convinced that the reform programme offers them their best opportunity to participate in and benefit from a developing economy. Publicity to emphasize employment creation as a central objective in the reform process would certainly be helpful. The use of special programmes to provide some early benefit may be more so. Targeted food and other forms of safety net assistance are one obvious form of intervention; rural and urban works programmes for the unemployed are another. An intensified effort to extend education and assistance in support of training for youth is another candidate for early follow up. Above all, efforts to develop and support improvements in farm and crop systems (linked to price reforms) for the small farmer are often the most critical element. Evidently, efforts must be consistent with budget constraints, but these are activities that ought to be given priority.

Like many of the recommendations of the WEP reports, the centrepiece of the World Bank's new thinking was rural poverty. The vision was of a smallholder agriculture that had been grossly neglected by governments, offering plenty of good investment opportunities in a wide range of locations. Green revolution technology was one source of optimism; but the World Bank saw opportunities stemming from a variety of sources: land reform (although under Bank-financed projects very little land reform took place); land development and new settlement promoted through infrastructure (mostly roads and irrigation); rural works schemes to provide temporary employment; the provision of new sources of credit for small enterprises and smallholders, and new research centres, additional extension workers, veterinary and other agricultural services -- all designed to help with small farmer problems. Thus World Bank rural lending and that of many other donors was reshaped to favour projects and programmes designed to improve the earnings capabilities and opportunities for low income target groups.

In brief, by focusing on employment and poverty objectives in a project context it seemed possible that one could (a) target those whose earnings were especially low and seek to raise the quality of their employment, (b) help the country with sound projects earning good economic returns, and (c) even help those outside the target group so that they would not object to or sabotage the activities favouring the poor. However, as noted in another World Bank publication, also from the early 1970s: "Since such a strategy is aimed at raising production in low-income groups, the precise form of investment is of great importance. ...identifying such projects may prove to be as much of a constraint on this approach as the availability of resources."F

See CHENERY, Hollis, Montek S. AHLUWALIA, C.L.G. BELL, John H. DULOY and Richard JOLLY (1974), *Redistribution With Growth*, Oxford University Press, London for the World Bank and the Institute of Development Studies, University of Sussex.

F As discussed below, the subsequent experience with rural development projects has confirmed the perspicacity of this observation.

What are the results and lessons to be derived from the implementation of this type of project approach to dealing with employment problems? The World Bank's own evaluation of its rural development projects can be summarised as follows:

a) While projects were largely successful in Asia and mostly successful in other parts of the world, many failures have been encountered in sub-Saharan AfricaF
Of 88 "audited" rural development projects in Africa, almost 50 per cent had failed or were failing at the time that a major evaluative review was carried out in 1988. The failure rate was higher among the more recent projects (see World Bank, 1988, op. cit.- table 5.2).

F.

b) Failures are heavily concentrated in what the World Bank calls "area development" projects -- projects mainly focused on cultivation systems of rainfed annual field crops. Since these systems are by far the dominant ones in terms of numbers of small farmers, the clustering of failures in this category of projects is particularly worrisome. Often these were the flagship projects of the Bank's assault on world poverty.

c) Failures are attributed to a combination of factors: poor design and over-ambition is one, a lack of commitment to the projects by politicians and bureaucrats is another and a third is the limited involvement of the benefitting community who too frequently saw such projects as impositions from the outside.

The lack of effective decentralisation of government services and the failure to involve the local populations in these projects were crucial deficiencies. As noted in the report cited above: "... evidence to date suggests that beneficiary participation played a very limited role in the implementation of Bank projects and virtually no role in project design" (World Bank, op. cit., p. 58). In contrast to the practice of the World Bank, local level participation is a major theme in rural development literature and is usually given a heavy emphasis in the programmes of NGOs in particular. A recent review by a group of highly experienced practitioners of the requirements for sustainable development in rural Africa also gives great emphasis to this aspect^F

See TURNHAM David, 1992, Towards Sustainable Development in Rural Africa, Development Centre Policy Brief No 6, OECD, Paris.

F. In Africa particularly, there is a great need for a participatory approach because local administrative and technical services there are so weak.

Where potential beneficiaries were involved in project design -- and indeed, where evidence of interest and willingness to participate in the costs and implementation is a necessary condition for gaining access to funds -- the limited track record seems quite encouraging. The World Bank's evaluation study cites successful projects in Burkina Faso and in Korea that incorporated elements of this approach. The experience of other donors and NGOs provides many more examples (for example, SIDA's experience with soil conservation programmes in Kenya^F

See LUNGREN Lill, 1992, "The Kenyan National Soil Conservation Project", Integrated Natural Resource Management, Report from a Workshop, Francistown, Botswana, Dec 1-7, 1991, published by the World Bank in July.

F). A further important factor that a participatory approach might help address is the strengthening of the role of women in projects -- neglect of which was common throughout this period.

The Bank report cited also draws attention to the favourable record of the small farmer projects based on rural infrastructure components such as roads (a component that figures heavily in some of the successful area development projects) and irrigation. While frequently not "simple" projects, these projects do, nevertheless, have the virtue of focusing attention and effort on one thing, and the resources are used to meet a single objective. In effect, though, since beneficiaries usually obtained the benefit of infrastructure investment virtually cost-free (see earlier discussion), one distortion -- the free access to infrastructure -- served to offset another distortion, viz. low prices for outputs. Although often successful, it can reasonably be objected that the farmer beneficiaries are unfairly advantaged relative to other farmers by these free gifts of infrastructure. Moreover, because of the success of these projects, larger problems with the system caused by inappropriate policies might be obfuscated and reform deferred.

Radical critics of the World Bank and its rural development programmes also argued that despite the claimed orientation towards low income groups, the benefits in practice at best reach only an "upper tier" of the poverty group, i.e. those with access to some land. However the information is very rarely available either to support or to contradict such views. Firstly, as argued earlier, there are frequently important spread effects from some given spurt in farm incomes, resulting in enterprise development and employment expansion on and off the farm. At a project level, the measurement of such secondary impacts and effects is still extremely difficult and rarely undertaken. They are ignored in the Bank's methodology for counting beneficiaries and assessing benefits, yet such spread effects are important for some poverty groups, including landless farm workers. Second, the "leakage" of benefits to non-targeted beneficiaries is also difficult to account for. For example, if

the land is tenanted, landowners as well as farmers are likely to benefit from farm production gains and large farmers would tend to benefit more than small ones from infrastructure investments.

The World Bank and other donors took to heart some of the lessons from the 1970s experience with rural development lending, in particular by reducing their involvement in complex multisectoral projects, by trying to increase support for the key agricultural services of research and extension addressed to small farmer systems, and by taking more account of the strength of political realities and country interests in programmes for improving earnings among the poor. There was also perhaps a greater emphasis in project lending on success measured in overall output and income terms with the hope that impacts would be broadly spread through indirect effects on employment on and off the farm. Most important, as a part of the structural adjustment orientation of the 1980s, more attention was focused on the macroeconomic context for agricultural development as well as sectoral policy reforms designed to improve agricultural incentives for production and investment.

Prospects of rural employment and development and the implications for policy

Based on the analysis thus far, how important a role agriculture and rural development can play as part of an employment strategy is likely to depend mainly on: (a) the level of development already attained in the country, and (b) the potentials for agriculture both in technical terms and as a consequence of policy and programme reform. With regard to (a), it is clear that quite a large number of middle income developing countries, notably in Latin America and the Middle East, have witnessed a decisive shift in the structure of the economy and employment against agriculture and the employment potentials in these countries are increasing bound up with prospects and policies relating to the non-farm economy. Agriculture may continue to grow, but on the basis of techniques of production and types of farm that offer little realistic prospect of much incremental labour absorption. In most middle income countries, even rapid agricultural growth may not be sufficient to maintain constant the share of the rural labour force, rural wages will stay low, the propensity to migrate will remain high, and rural to urban migration is likely to continue. If there are opportunities for employment in other countries, doubtless their will be volunteers to take them up.

Particularly in Latin America but also in parts of the Middle East, prospects for a rapid growth of industrial and service sector employment depends largely on growth in exports of manufactures, using the methods and approaches pioneered in East Asia. This is now rather widely understood, and there are a sizeable number of would-be Dragons trying to follow East Asian approaches, with recent experience marked by substantial and real efforts at policy reforms calculated to move them in this direction.

In parts of South and East Asia, prospects for a labour-intensive style of agricultural development are also limited, indeed labour intensity is already very high. Here, however, the recent history of China and, to a somewhat lesser degree, Indonesia and other countries, suggests that strong growth in a largely peasant-based agriculture could underpin progressively diversified sources of rural employment. Regrettably though, despite good technical potentials in a number of countries, the most helpful combination of

rapid growth in domestic demand and good agricultural export potential seems to be relatively rare. The international trading system is decidedly not very open for a number of agricultural products of interest to developing countries. Countries like India and Bangladesh have not yet achieved rapid urban development to support a very rapid growth of demand for the products of rural areas.

The experience of these countries and others strongly supports the idea that complementarities between rural and urban growth are very important. On one hand, there is evidence to suggest that without a strong performance from agriculture, economy-wide development is likely to be frustrated^F

TURNHAM David, op. cit., 1993 forthcoming, considers this evidence in some detail.

F. At the same time, a high growth of demand domestically and/or internationally is also necessary if rapid growth in agriculture is to be sustained. Such a growth rate is likely to be essential if rural employment (on and off the farm) is to increase in line with what will still be a rapid growth of the rural labour force in all but a few countries.

In sub-Saharan Africa, the task of achieving balance between the supply and the demand for labour is a very formidable one, not least because the growth rate of the labour force is already very high and still increasing. Rapid labour force growth is coupled with weak education systems, a poor base in infrastructure and industry, and technically backward and capital-deficient agriculture. It is thus clear that the African continent faces problems of a degree of difficulty that exceeds those of the other regions. The result could be continuing strong pressures favouring migration including international migration given the weakness of the domestic economy. Moreover, these economies are among those most likely to show sharp deterioration leading to refugee pressures to migrate.

For Africa, there is a need for fresh thinking at the conceptual level about development strategy and for a whole new generation of research work to be devoted to the problem of employment, focused especially on these very challenging low-income environments. In Africa, there is clearly a sense that the bureaucracy-led systems of planning, regulation and governance that were set in train during the post-colonial period have run their course and have come close to rock bottom in terms of energy, ideas and imagination. The development process has not been helped by the infatuation with socialism on the part of many of the post-independence generation of African leaders. Unlike Asia, in Africa the benefits from authoritarian rule in the one-party state seem to have been precious few. This suggests the need and an opportunity for some of the answers to Africa's growth and employment problems to be sought more directly from the people themselves. This might be facilitated in two ways: firstly, through giving full rein to the people's capacities as entrepreneurs and, secondly, through vesting more decision-making at the local level, through community action. In seeking to stimulate and sustain rapid economic growth from a broad base and to maximise the impact of growth on employment generation, actions to encourage entrepreneurs are especially important. It is the entrepreneurs who are most likely to recognise and create new investment opportunities that are beyond the ken of bureaucrat, planner and economist alike. It is they who mobilise and put to work the mini-savings of families, kinship groups and communities, and it is they who create employment for the working poor and provide the economic role models to succeeding generations.

A policy directed towards stimulating the development of entrepreneurs is one that sets out to create opportunities for entrepreneurial behaviour and deliberately to stimulate the market mechanism to provoke entrepreneurial responses. This is less a matter of inward vs. outward looking industrialisation policy than it is of a stable macro framework and market-friendly encouragement of entrepreneurship and investment in the broadest possible range of activities -- agriculture, trade, manufacturing and services. African entrepreneurs might respond to the challenge if encouragement and latitude are sufficient for this to happen.

A second element which applies particularly in the rural setting is for the people, through their community institutions, to have a major say in the spending of what resources there are for rural development purposes. Frequently, the most promising approach to less-favoured areas is to encourage local initiative and imagination with self-help linked to outside assistance via the use of community level grants and loans. Local communities are often able to identify opportunities to augment local incomes and a decentralised approach to the design of public investments should be more widely used. The role of the State remains especially important in the area of education and human capital development and in the provision of public infrastructure. On education, there is little need to say more -- education is crucial in order for poor people to have opportunities to upgrade their access to skilled work, and it is increasingly recognised as a pre-condition for sustained economic growth.

One can summarize the message of the paper as a whole in the following way. Agricultural development linked to employment generation has not ranked high on the policy agendas of many developing countries in the past quarter century. Yet the continuing rapid growth of the labour force in many countries poses an immense challenge in new job creation and answers in many cases must be sought through agriculture. Evidently, the assessment of potentials and policy options can only be made in the light of country circumstances. But for the foreseeable future, close to 90 per cent of people making an entry into the world's labour market will do so in a developing country. Without a new sense of urgency there are signs that the past muddling through approach to employment will fail. Even survival employments in informal sector activities may be harder to come by. As noted, some governments have taken these points to heart in recent years and have been trying to improve agriculture's situation and to strengthen their support of agricultural and rural development. Policies exist that could help to change abundant labour from a curse into a blessing. However, their adoption will require profound changes in a wide range of current practice within the developing countries and a change of heart on the part of the industrialised countries in guaranteeing greater freedom of market access through trade both for agricultural and for industrial commodities. Without such improvements -- perhaps even with them -- the chances are that migratory pressures will increase.

END-OF-TEXT