TOPIC GUIDE

Stepping out of Agriculture

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Summary

In low-income countries, rural areas are currently home to the majority of households. Most households in these rural areas are engaged in small-scale agriculture. As economies grow and countries develop it is expected that some households will specialise in farming, but that many others will move out – or 'step out' – of farming. Household members will take up work in the rural non-farm economy (RNFE) or migrate to towns and cities. This Topic Guide concerns how members of smallholder households leave agriculture for better-paying businesses and jobs.

Transformations and transitions in development

When economies grow, the share of output from agriculture almost always falls, while that from manufacturing and services rises. Agriculture's share of employment also falls, although it may take some time before the absolute number of people working on farms declines. An increasing proportion of output and jobs becomes based in urban areas, where most manufacturing and services are located, so labour moves from rural to urban areas.

If such a transition, from agrarian-rural to industrial-urban, is to see the welfare of those leaving rural areas improve, then manufacturing and services grow sufficiently rapidly and create decent jobs for those leaving farming. Also, labour productivity has to rise in agriculture to allow some workers to leave while still increasing production.

While the general pattern can be seen repeatedly in history, individual countries have made their transition from agrarian-rural to industrial-urban at different speeds. Changes have sometimes been dramatic when large numbers of people have been more or less forced off their land. But, more often than not, this has not been the case. Indeed, Asian experiences since the 1960s suggest that the transition from agrarian-rural to industrial-urban can be relatively benign, and that smallholders do not have to be forced off the land.

Social differences among farming households mean that those leaving agriculture will tend to be from landless households and households whose smallholdings are more marginal. A large fraction of rural households in low-income countries will probably see some members leave agriculture. Indeed, only a minority of households will not see members stepping out of agriculture in the future.

The rural non-farm economy (RNFE)

The rural non-farm economy (RNFE) is highly diverse in both activity and scale. That said, most non-farm enterprises provide services rather than manufacture goods. Most businesses are small and micro-scale, often using simple technology and having little capital. This dismays some observers who fear that these small enterprises have little potential to reduce poverty. Evidence nevertheless suggests that jobs in the RNFE can reduce poverty directly, while indirectly pushing up farm wages as well. This even applies when agriculture and the urban economy grow only modestly.

Most of the demand for RNFE goods and services comes from agriculture, both in production – supplying inputs, processing and marketing – as well as in consumption as farmers spend their incomes. Smallholders tend to spend much of any increased income on locally produced goods and services. For rural areas with good access to cities, however, urban demands for environmental services, amenities and land have become increasingly

important in creating new rural activities and jobs. Given variations in the natural potential of rural areas for agriculture, and access to cities, the composition and vigour of the RNFE also varies considerably.

On the supply side, an enabling rural investment climate and the provision of rural public goods – roads, power, health services, education and clean water – are critical to the RNFE. Policies and investments in basic public goods are relatively straightforward technically. The means are well known. That cannot be said about the other main area for action – mitigating rural market failures, and above all, failures in financial services. Lessons from the many pilots and trials in developing rural financial services need to be learned, and the promising initiatives seen in some countries or localities to be adapted to new circumstances. These measures, in very large part, will also benefit agriculture, and vice versa. Little trade-off exists between policies and investments for the two sectors.

Beyond these measures, local economic development (and territorial rural development) can reinforce efforts to create more jobs, but requires some decentralisation of government to provinces, districts and secondary cities. Specific skills training can also help create more jobs.

For broad-based and socially-inclusive development of the RNFE, the disadvantages and discrimination often experienced by poor and vulnerable people need to be addressed. This will come partly through attention to the basic policies and mitigating rural market failures – since deficiencies in these hurt poor people more than others – and partly through more specific corrective measures, such as additional investment in education and skills for the disadvantaged and action against discrimination.

Migration

Migration from rural households is remarkably common across a range of circumstances. Many moves are not permanent, but temporary and circular. Links between rural households and migrant members are often strong, leading to the development of households with multiple locations. Internal migrants within a country far outnumber international migrants. More households receive remittances from internal than international migrants.

Migration responds both to economic incentives, such as higher pay on offer at destinations, as well as to social motivations, such as opportunities for marriage and new experiences. Much of the migration from rural areas can be seen as decisions by households to allocate labour to where it earns the highest net return, to spread risk or to accumulate capital. In these last two respects, migration can overcome deficiencies in rural insurance and capital markets.

Although some migration reflects a desperation to ensure household survival, more often it is a response to opportunity. Migration rises as the capacities and aspirations of potential migrants rise, which means that the poorest do not usually migrate most. Social networks of migrants that span sending and receiving areas provide information about opportunities, as well as initial support for migrants seeking work, housing and urban services.

Sending households may lose labour, but the earnings and remittances from migrants often allow those who remain to compensate by investing on farm and in rural businesses, or hiring labourers to replace those who have left.

Drawbacks and dangers of migration exist. Leaving the household is often stressful for both the migrant and the rest of the family. Migrants run the danger of ill treatment in the workplace, poor living conditions and discrimination in accessing urban services.

Governments often try to stem migration from rural areas, fearing that migrants will strain services in urban areas, add to the proliferation of slums and become a source of political discontent. By and large, attempts to restrict movement have not stemmed migration, but have amplified the costs and dangers to migrants.

Rather than restricting movement, a better policy would be to facilitate rural household choices by:

- Providing rural households with better information about distant opportunities
- Reducing costs of remittances
- Protecting migrants' rights, as workers and as citizens with the right to access public services, no matter where they may reside
- Developing rural financial services so that it is not necessary for members of rural households to migrate in order to accumulate funds to invest in farming and rural businesses.

Rural-urban links

Urbanisation usually contributes to economic growth and development. Closer rural-urban links promise to stimulate both agriculture and the RNFE. Moreover, new opportunities in leisure and environmental services arise with closer links.

Attempts to influence the pattern of urbanisation and its effects on the rural economy have not generally been successful. That said, the growth of secondary towns may have stronger effects on rural areas than the growth of metropolitan centres, and may do more to reduce rural poverty.

Policies to restrict urbanisation are likely to hamper economic growth. To encourage beneficial rural-urban links, public investment might best focus on basic transport infrastructure, investing in rural people (e.g. through education, health, clean water) and strengthening the rights of rural people – especially those in peri-urban areas – to the natural resources they have long used. For example, when rural people have secure rights to their land then they can invest. This matters in peri-urban areas since peri-urban land areas have the greatest ability to serve the urban market, yet this land may also be coveted by (powerful) others. People often have precarious rights. If people do not have security, then the links will function less well.

Beyond policies to restrict urbanisation, regional and local initiatives to encourage local economic development and territorial development, and to promote industrial clusters, can have low financial costs. Most of the benefits of successful experiences stem from coordinating public, collective and private efforts based on increased social capital. Decentralisation, however, is usually a pre-condition for such efforts.

Social equity

Opportunities to step out of agriculture that promise higher incomes and better welfare may not exist for all. Changes that benefit some people may disadvantage others. The immediate and direct effects of finding work in the RNFE or through migration may tend to benefit households in rural areas that are already better off because they have the education, skills, social contacts and capital to take advantage of opportunities. The indirect effects, however, may be powerful, as rural labour markets tighten, wages rise and labourers spend their additional earnings locally – the multiplier effect. The combination of workers leaving rural

areas and an increase in activity in the RNFE that creates new jobs means that members of poorer households have more opportunities to work locally and earn higher wages.

Women face disadvantages if they step out of agriculture. They have fewer and less attractive opportunities. They may face discrimination and be treated unfairly. When men step out, women may find they have more to do at home.

Yet, stepping out of agriculture does not always mean that women are worse off. The options open to them may still be an improvement on staying at home and working on the farm. Moreover, the indirect benefits of stepping out are likely to benefit poor women who normally rely on casual work disproportionately. Gendered impacts of stepping out of agriculture can be complicated because of the interactions between changes in workloads, incomes, responsibilities and life experiences.

Remote areas, regions lagging in development and areas with low natural potential typically have poor potential for developing a non-farm economy, so that out-migration becomes the main option for stepping out of agriculture. Geographical disadvantage can be hard to overcome. Places that have become centres have tended to accumulate activity and increase their share of the economy. For people in the hinterlands, options tend to be limited and incomes lower than for people in more central areas, at least initially. With time, however, incomes tend to converge across (national) space. Regions with natural potential, but which are isolated because of lack of transport, however, can advance if transport improves.

Two broad approaches can be taken to reduce poverty and improve equity. One approach is to encourage growth that is broadly shared. Ensuring that those disadvantaged receive education and training, and developing rural financial services to provide small businesses with working and investment capital, should not only stimulate growth, but should also help make growth more broadly based.

The other approach is to design special programmes to redress the disadvantages faced by poor and vulnerable people, by women and by remote regions. The two approaches are not exclusive, although they may compete for funds, administrative capacity and political support.

Social protection programmes can be combined with measures to stimulate the rural non-farm economy. Complementarities need considering, as well as the trade-offs for poverty reduction in allocating funds between the two areas.

Lessons for DFID advisers

For agricultural development

For most low-income countries, agriculture will remain central to development efforts. The sector makes too important a contribution to gross domestic product (GDP), employment and export earnings to be neglected. That, of course, does not mean focusing exclusively on agriculture. This Topic Guide argues that most of what is needed to stimulate agriculture – an enabling rural investment climate and provision of rural public goods – serves not just agriculture, but any other rural enterprise. Thriving agriculture, moreover, tends to stimulate the rural non-farm economy.

Agricultural development, however, will take different paths. Some farms, including better-placed smallholder farms, will probably thrive given improvements in the investment climate

and rural public goods. Other farms are disadvantaged by their small scale and failures in rural markets. Tackling failures in rural markets – particularly the market for financial services – is key to broad-based, inclusive agricultural development. Some small family farms, however, will continue to be marginal and unable to provide decent livelihoods purely from farming, usually because of a lack of land or water, or remoteness.

This does not, however, imply that farm households who cannot, or choose not, to specialise in farming will abandon their land. On the contrary, recent Asian experience shows that rural households retain their land rights even when most of their income comes from off the farm, and even when some adults are away for years working in urban areas. Such households either continue to work the land part-time or with hired labour or allow neighbouring (full-time) farmers to use the land, with varying degrees of recompense – from favours to a share of crops to rent.

Two implications for agricultural development follow. One is that those farming with little labour need technologies that allow them to raise productivity without much additional labour or capital.

The other is that land tenure needs to be flexible so that those stepping out do not risk losing their land rights if they rent to others, on the one hand; and, on the other hand, that tenants have rights to certainty of occupation, including to multi-year tenancies that allow them to recoup any investments they make.

For developing the rural non-farm economy

The rural non-farm economy responds in part to demand that arises from agricultural development, and, increasingly, to the stimuli of rural-urban links. Most factors that stimulate the RNFE to grow fortunately stimulate agriculture as well.

Stimulating the RNFE starts with making sure that rural areas have an enabling investment climate – not necessarily perfect, a tall order in many low-income countries – just one where strong disincentives to invest and innovate have been removed. Then, governments need to provide the public goods and services that allow individuals, households and firms to flourish. These would include roads, power and other physical infrastructure, education, health and clean water, and public research in agriculture and other fields.

The next element is more challenging – mitigating or correcting failures in rural markets. Above all, this means correcting failures in financial services that prevent farms and small businesses from securing formal credit. Developing rural financial services matters more to small enterprises than to large firms, which can access finance from metropolitan banks and stock markets. No easy answers exist, but many promising initiatives are underway – including (some forms of) micro-finance, agency banking, mobile phone transfers, grassroots financial development through savings and credit cooperatives and credit unions – experiences from which we need to learn.

Beyond these fundamentals, scope exists for complementary actions. Among these are training in business skills, information services, local (and territorial) economic development and promotion of industrial clusters to coordinate public, collective and private initiatives to tackle (local) obstacles and take up opportunities.

For migration

People will move and with good reason. Measures to control and reduce movement achieve little but multiply the costs and hazards for those migrating. Migration should be facilitated rather than restricted. Three things need attention.

The first is information. Would-be migrants need to have a clear idea of the opportunities in their destinations, the requirements for taking them up and the costs of doing so. Not only would better information reduce costs to migrants, but it might also deter ill-informed migration.

The second is protecting the rights of migrants to fair treatment at work and to public services. This is especially the case for women migrants who are more at risk of abuse. In some countries, such as India, non-governmental organisations (NGOs) work actively on these issues. They deserve support, and their more innovative approaches need to be evaluated so that others can learn from them.

The third area for attention concerns urbanisation (next section).

For urbanisation

The migration of rural people to cities can alarm city authorities. They fear that an influx of rural migrants may strain infrastructure and services. Existing residents fear that newcomers may take away their jobs, or that they may be unemployed and resort to crime. Such dangers are real, but not inevitable. The challenge for city authorities is to invest in urban infrastructure and services that meet basic needs. With these basic goods and services in place, newcomers can invest in housing. Given time, migrants often invest heavily in extending and improving their housing. Initially, though, all they need is the right to a plot with water, sanitation and power.

Migrants from rural areas, when given the option, will usually move first to local secondary towns rather than to distant metropolitan centres. More people move to secondary cities than to primary cities, which means that moves to secondary cities do more to reduce poverty than moves to the bigger cities. Dispersed rather than concentrated urbanisation may also mean more rural-urban interactions that benefit both farms and rural non-farm enterprises. Biases in allocations of public investment that favour big cities and, in particular, capital cities – where many political leaders and their policy advisers live – need to be held in check. A more dispersed pattern of urbanisation, however, requires investment in transport to allow cities to interact productively both with their rural surroundings as well as with other cities.

For poverty reduction and gender relations

People who are poor and vulnerable typically face disadvantages when stepping out of agriculture. Providing access to education – especially for girls – health services and clean water help overcome some of the disadvantages.

The rights of households, including rights to land and water, which households may long have used under local customary rules, need protecting. The rights of migrants as citizens, no matter where they may have migrated, to services and fair treatment at work, need supporting.

Men usually have more options to step out than women do. In part, this comes from expectations that adult women will stay home to attend domestic tasks. In part it is because women often have less education, fewer marketable skills and less social contact with the world beyond the village than men. Measures such as educating women and protecting women from abuse help to redress gender imbalances. Programmes that raise awareness and develop life skills among rural adolescent girls look promising.

For remote areas and regions lagging in development

It is not clear what can be done for remote areas and regions lagging in development when public resources are scarce, as is the case in most low-income countries. Building roads can overcome isolation and will make a big difference to remote areas with natural potential, but less difference to those without natural potential. People living in isolated areas and regions lagging in development should get the same level of public services in education, health and clean water as those living in more favourable areas.

Otherwise, it is natural for people to leave for better-connected places with more jobs. Trying to prevent or reverse migration by costly measures to encourage industry to locate in remote locations is probably a poor use of resources for low-income countries. Offering incentives to locate in remote or less developed areas is justified only when countries are prosperous enough to afford generous regional support.

Overall, the processes of transition that lead to the growth of the rural non-farm economy and migration, processes stimulated as links between most rural areas and growing towns and cities develop, can be multi-stranded, complicated and fluid. Much of the current transition in the developing world eludes simple generalisations, since much depends on local and national circumstances. Understanding of the detail is, however, limited. It is surprising how little guidance exists on some of the issues covered in this Topic Guide, such as urban-rural links and the promotion of secondary cities.

Three things follow from this analysis:

- First, trying to plan these processes in detail, let alone micro-manage them, is nearly impossible. A better approach is to create an environment that enables individuals, households and firms to get on with their lives, livelihoods and businesses – facilitating, protecting and compensating where necessary.

- Second, there is a balance between insisting – as this Topic Guide does – on the importance of fundamental public policies and investments that support the empowerment of individuals, households and firms and encouraging innovative programmes that deal with the detail. Assuming that the basic elements are in place, innovative and inspiring programmes addressing the details can make a difference.

  Hence, it may often be better for countries, and certainly low-income countries, to support and encourage civil society, such as NGOs, collectives, unions, private sector forums, rather than government ministries to develop programmes. Monitoring innovative projects can identify successes that national line ministries can adopt and extend.

- Third, we need better ways to track and understand the changes taking place. Surprisingly little in the research literature, however, addresses the question of what indicators might (economically) give useful information. Since the indirect effects of the transition from rural-agricultural to urban-industrial probably do most to improve the lives of those on (very) low incomes, better tracking of rural unskilled wages would be a useful indicator of the likely advantages of transition processes for poor people in rural areas.

SECTION 1

Introduction

This Topic Guide considers the future of small-scale farms. In almost all low-income countries (LIC) most people live in rural areas and belong to households that are engaged to some degree in small-scale agriculture (or forestry or fishing). But, growth and development will change this. People will move out of farming and, in the process, some will move out of rural and into urban areas.

Not for nothing, then, did the 2008 World Development Report on Agriculture and Development (World Bank, 2007) identify three options for smallholders – farming, the non-farm economy or migration (to urban areas). More vividly, Dorward (2009) presented the options as:

- **Stepping up** through intensification and commercialisation of smallholder farming
- **Stepping out of agriculture** into the non-farm economy, which may also involve migration
- **Hanging in** by smallholders marginalised by lack of assets and opportunities. For many in marginalised households the most feasible option to avoid destitution and extreme poverty, at least in the near future, is to subsist off the farm and local work. In some cases, they may need social safety nets.

These three options apply to individuals. Some individuals may step up or step out. At the household level the household may pursue both options, albeit through different members. Alternatively, individuals may combine options, especially seasonally. For example, in the wet season, this may involve growing a crop for sale – stepping up. In the dry season, this may involve migrating to work – stepping out – or simply subsisting – hanging in.

This Topic Guide is about stepping out, about how people in smallholder farming households leave agriculture for employment that offers better returns. The Guide is organised as follows:

- **Section 2** presents a broad schema of development transformations and transitions as countries move from low to higher income status. It considers the implications, and the questions these transformations and transitions prompt
- **Section 3** looks at the rural non-farm economy (RNFE) – its nature, the opportunities it offers, and what affects growth rates and patterns
- **Section 4** deals with migration and how this can produce positive outcomes
- **Section 5** examines the links between urban and rural areas and the influence of these links on the potential for rural non-farm activities as well as for migration out of rural areas. It also reviews urban hierarchies and the different opportunities offered by metropolitan and secondary cities, since these affect rural-urban links
- **Section 6** looks at the social implications, including for gender relations, of the changes that may take place
- **Section 7** summarises the lessons for DFID advisers.

SECTION 2

Transformations and transitions: overview

This section sets out the structural changes likely in sectors and locations as economies develop. It discusses the probable implications of structural changes for agriculture and the rural economy in general. Given pronounced social differences common in rural societies, this section addresses the question of which households are most likely to see members exiting from farming.

2.1 Patterns of economic transformation by sector and location

As economies grow, the share contributed by each sector and the location of activities change:

- Agriculture's share of output falls, even if absolute output rises, since manufacturing and services grow more quickly
- Agriculture's share of labour also falls as the share working in manufacturing and services rises. Usually this fall lags behind the fall in agriculture's share of output. Hence, with a growing labour force it may be some time before the absolute number of people working on farms falls
- An increasing share of output comes from urban areas, since the bulk of manufacturing and services locate in these areas, and an increasing fraction of the labour force works in urban areas. (Breisinger et al,. 2011; Herrendorf et al., 2013; Timmer, 2009)

History bears this out. Today's high-income countries have seen these changes in the relative importance of agriculture, manufacturing and services (Herrendorf et al., 2013, Figure 1[1]): the same pattern can be seen across countries of differing income levels (see Figure 1). Similarly, urbanisation increases with average incomes, with particularly rapid increases in early development, as incomes rise towards an average of US$5,000 a head, see Figure 2.

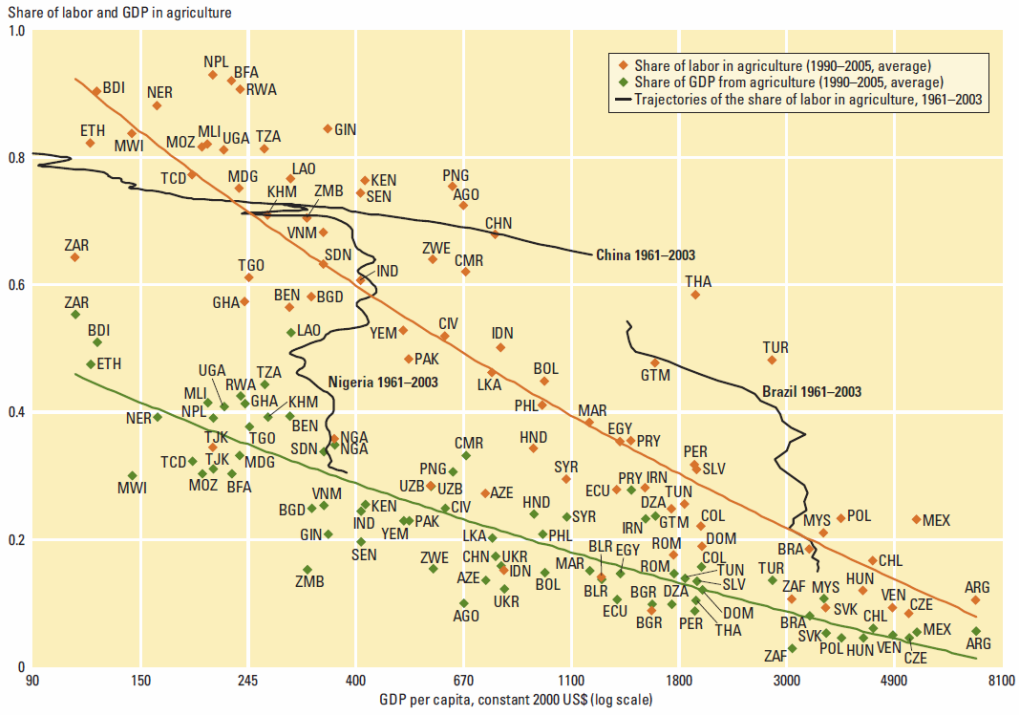
The general patterns are clear, even if by degree there is plenty of variation across countries. But why do we see such shifts? As people become better off, they spend proportionately less on food: the income elasticity of demand for most foods is inelastic.

Demand for food and other farm produce grows less, proportionately, than growth of the economy, thereby limiting the growth of agriculture. Some countries may overcome the limitation of domestic demand by exporting farm produce, but few countries have been able to overcome it completely.[2]

[1] While the shares of output and employment in agriculture and services fall and rise, respectively, with increased incomes, those for manufacturing tend first to rise, then peak when GDP reaches around US$8,000 a head, after which they decline as incomes rise higher still.

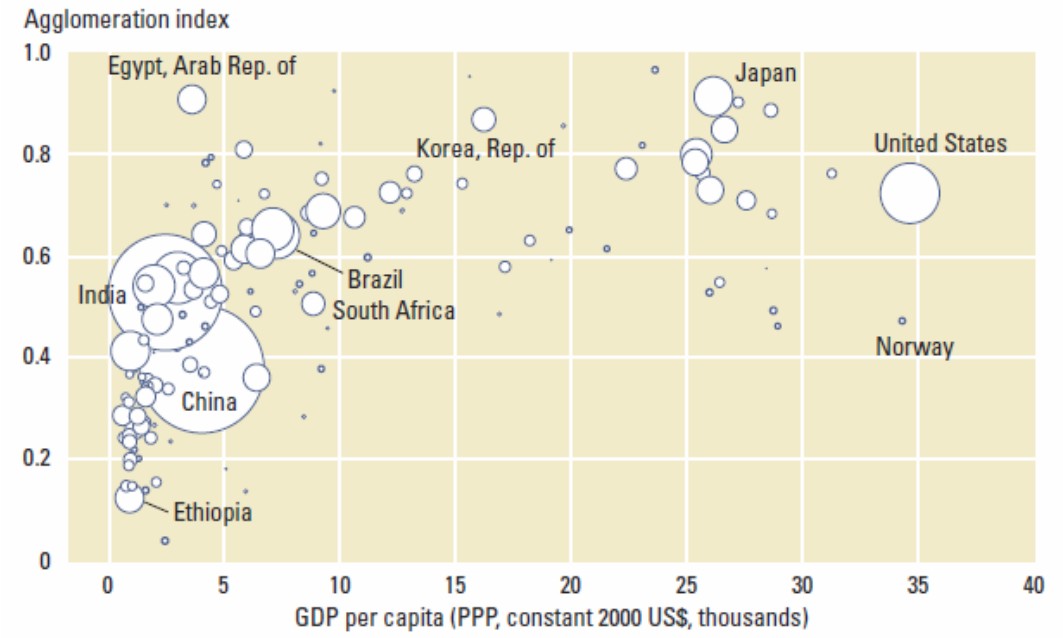
[2] In the two decades between 1990/92 and 2010/12, very few countries saw the agricultural share of GDP rise. Those that did included those with notable exports based on abundant land, such as Argentina and Paraguay; and those where agriculture only increased its share owing to stagnation or recession in other sectors, as in D.R. Congo and Zimbabwe.

Figure 1 Shares of GDP and labour in agriculture, 1990 to 2005 (average)



Source: Figure 1.2, World Bank, 2007

Figure 2 Share of the population living in urban areas (data from 2006-2008)



Source: Figure 1.7, World Bank, 2009.

Note: Sizes of circles represent the population of countries. PPP = purchasing power parity. Because definitions of urban vary by country, the WDR 2009 team created an agglomeration index that can be applied to all countries. The index defines a locality as urban if it has 50,000 or more inhabitants, a population density of 150 or more persons per square kilometre and can access a settlement of 50,000 or more persons within 60 minutes.

In the early stages of development, urbanisation occurs in trading and administration centres located centrally or at critical points on transport routes, such as ports and river crossings. As urban services and manufacturing grow, urbanisation proceeds according to economies of agglomeration (Henderson et al., 2001; Henderson, 2013; Quigley, 2008). These include lower transport costs among firms and between firms and their customers; internal economies of scale in the size of factories; and, perhaps most important of all, external economies that arise when firms cluster. Clusters of firms have grown with industrialisation and technical progress (Quigley, 2008) and have brought several benefits:

- Specialisation of suppliers of intermediate goods and services that reduce unit costs
- Transactions costs and complementarities. Often seen in labour markets, where it is easier to match up supply and demand in a large and diverse labour pool than in a small labour pool. In large labour markets, workers have incentives to train and acquire skills, while employers have incentives to invest in machines and equipment to put such skills to use.[3] Markets for business premises and (used) machinery benefit from being larger in urban areas
- Education, knowledge and mimicry. When workers of different skills work closely together, they pass on skills. Firms may imitate and learn from one another. Hence, innovations tend to spawn additional innovations, while learning leads to productivity gains
- Large numbers. When many firms, employers and customers are close together, the variability of supply and demand is cushioned across large numbers, with less risk, lower inventories and so on (Quigley, 2008).

The advantages of agglomeration for manufacturing and services are overwhelming. While cities can be congested and polluted, and space commands high rents, for many activities these costs are minor compared to the benefits. Agriculture and other primary activities are exceptions since they are tied to land, water and mineral deposits.

2.2 Implications for agriculture and the rural economy

Agriculture will at some point shed labour in the transformation from rural-agricultural to urban-industrial: the decline in work on farm will not just be relative, but absolute. This may not happen much, if at all, in the early stages of development when rural population growth is quite rapid. For example, in Pakistan, 51% of an estimated labour force of 32 million worked in agriculture in 1990: by 2010 the share had fallen to 44%, but since the labour force had grown to 56 million, the number of people working on farms had increased from 16 to 25 million.

Even before the absolute number of people working on farms declines, farm households may see individuals leaving agricultural work for other activities. That is likely when the returns from other work exceed the returns from work in farming, as applies when services and manufacturing grow faster than agriculture.

So, it is to be expected that as economies develop workers will leave, or step out of, agriculture. Some of those leaving will migrate to urban areas to find jobs in manufacturing and services, given that most of the new jobs in those sectors will be located in towns and cities. Some may be able to commute from their villages to nearby towns and thus will not migrate. Others may remain in the village and find work locally in the rural non-farm economy. [The distribution of non-farm jobs between rural and urban areas is addressed in section 3.]

[3] Since the level of worker skill does not always match the expectations of employers who have installed advanced equipment, some less skilled workers get to work with more capital than might be imagined.

Hence, transformations in economies are likely to be accompanied by transitions as economies and societies move from predominantly agrarian and rural to industrial and urban. To enable transitions, and to minimise social disruption, three things need to happen, as follows.

One, labour productivity has to rise if the agricultural sector is both to grow and to release labour for growth in manufacturing and services. A rise in labour productivity matters not only for transition, but also for rural incomes. Higher labour productivity in agriculture drives higher incomes and wages from farm work. Yet productivity in agriculture is commonly around half of the national average in low-income countries, even accounting for differences in skills, for part-time and seasonal working (Gollin et al., 2012).

Two, the non-farm economy has to grow quickly enough to generate (decent) jobs for those leaving agriculture. It helps if manufacturing and services are relatively labour-intensive, although not if that is because labour productivity is low and pay is correspondingly low.

Three, poor and vulnerable people need to be protected from harm during these structural changes. They may face several dangers. Mechanisation of farming may lead to heavy loss of jobs. People who leave the land may not have the skills required by new jobs and may thus become unemployed. Poorly informed or desperate migration may see people swapping low-paid rural jobs for precarious and badly paid employment in urban slums.

History has some lessons. While all countries that have progressed from low to middle or high-income status have seen such changes, individual country experiences have been diverse, above all in how abruptly things change. For example, the industrial revolution in the UK was preceded by radical changes in land tenure that concentrated much land in the hands of landlords (see Box 1). Since England's abrupt transition was one of the earliest, it has been unusually influential in suggesting that increasing agricultural production and productivity to support urbanisation and industrialisation requires combining land holdings into large farms. The French experience, however, suggests otherwise (see Box 1) and was not unusual: southern Germany saw a similar transition.

Box 1 Transformation and transition: England, France and Thailand

Early experiences of the transition from agrarian to industrial economies differ considerably in the speed with which labourers left farming and the speed at which agricultural land was consolidated into large holdings. The comparison between England and France is striking. In 1700, 55% of the English population and 63% of the French population were engaged in farming. But, by 1850, the share of the population engaged in agriculture in England had fallen sharply to 22%, while in France the reduction had been far less, falling to 55%.

In England, enclosures of common land and consolidation of holdings led to the creation of large farms and estates. Most small-scale farmers lost their rights to arable land and commons. Although some of the small farmers who lost their land found work in the expanding factories, not all did. For decades, a large landless population depended often precariously on paid work on large farms and estates, and lived in poverty. Many emigrated to North America, Australia and New Zealand in search of land and livelihoods.

France, on the other hand, remained a land of small family farms. In 1880, only 4% of French farms were over 40 hectares, occupying just 29% of French agricultural land. In the United Kingdom, 75% of agricultural land was in holdings of 40 hectares or larger. Small-scale farmers in France have left the land over a much longer period.

Modern Asian experience also shows a gentler transition than in England. Thailand, since 1960, has transformed its formerly agrarian economy to an urbanised economy based around manufacturing. During the 1960s and 1970s, by putting underused land and labour to work agricultural output of staples for the home market and export grew rapidly.

Subsequently, as manufacturing grew and land for expanding agriculture became scarce, farming began to shed labour. Yet, through greater use of capital and higher productivity of land and labour, agriculture has continued to grow. Many farm households have diversified into non-farm jobs. Some farmers have specialised and intensified production. Thailand has become a leading exporter in cassava chips, rubber, pineapple and shrimp.

Rural poverty fell from more than 60% in the early 1960s to barely 10% in the 2000s. The benefits of agricultural growth have been widespread. Food prices have halved, and there is much less hunger and child malnutrition.

All this has been achieved by small-scale family farms. In 1960, the average size of holding was 3.5 hectares: by 2000 the average had fallen slightly to 3.2 hectares. Of 5.8 million holdings registered in the 2003 agricultural census, only 249,000 were more than 10 hectares: Thailand reported that all its farms in 2003 were ‘family farms’.

During the 2000s, Thailand’s rural population started to fall. Farms will probably soon consolidate and grow larger. But, the transition from agrarian to urban economy has been made, quite successfully, without mass dispossession of smallholders. Thailand is far from alone in this: indeed, smallholdings dominate in most countries in South, Southeast and East Asia notwithstanding the green and industrial revolutions that have taken place.

Sources: Allen, Robert C, 2009; Overton, 2011 on England. O’Brien, 1996 on France. Thailand: Leturque and Wiggins, 2011; Lowder et al., 2014

Recent Asian experiences have been different. All smallholders were not expelled from their properties. Land reforms in the 1950s in Japan, Korea and Taiwan gave smallholders more secure tenure. People remained on their farms until they found opportunities for alternative work in manufacturing and services, either locally or in distant cities. China is an outstanding case. Since the early 1980s, spectacular growth in manufacturing has been supported by a rise in farm output, well in excess of population growth, on very small-scale family-run farms. The political background to change in East Asia is perhaps exceptional but other parts of Asia have also undergone transition although holdings have remained small, as shown in Thailand (see Box 1). Indeed, it is hard to find places in Asia where land has been concentrated and smallholders have been forced to leave their farms during the last 40 or so years.

2.2.1 Some qualifications

Theories derived in large part from historical analysis set out broad patterns. What happens in particular countries at particular times can vary considerably.

A concern is that historical patterns may be poor guides to the future. New technologies and new combinations of capital, skilled and unskilled labour may apply. Manufacturing is less important in the world economy than it has been, losing ground to services. Moreover, the value in some manufactured items, particularly in information and entertainment technologies, is increasingly in the software of technology and design rather than the hardware of the assembled physical components. It has long been the pattern that advanced, high-income economies eventually see a relative decline in manufacturing in favour of services. In recent times, it seems that this takes place at a lower share of manufacturing and at a lower level of GDP than in the past. Employment intensity in manufacturing may be falling as well (McMillan and Rodrik, 2012; The Economist, 2014).

Thus, the transitions seen in East Asia since the 1970s may no longer be possible for LICs. In particular, some (Headey et al., 2008, 2010) fear that similar transitions in sub-Saharan Africa may be impossible. The agricultural sector has to create many more jobs if the youth bulge of Africa is to find employment. Comparisons between Africa and Asia in part consider geography, such as the low population density of much of Africa, and history. But many of the differences can be attributed to policy choices. The remarkable development of China since the late 1970s owed less to fortunate geography and historical coincidence than to reforms in that period. It would be wrong to assume that Africa will continue to make poor policy choices. It would be surprising if the nature of technological advances and factor proportions were to determine the future of Africa: influence they may, but policy will surely count heavily.

Two other qualifications need to be mentioned.

First, not all stepping out responds to domestic opportunities. International migration can be substantial from low-income countries with limited economic growth, especially when a more prosperous or faster growing economy is close to hand. Migrants from Myanmar, Cambodia and Laos head for the fast-growing economy in Thailand. The International Organization for Migration (IOM) estimated that by 2009 there were around 2.5M migrants in Thailand from its less prosperous neighbours, Myanmar, Cambodia and Laos, most of them unregistered, and more than 80% from Myanmar (IOM, 2011).

Nor is all stepping out a pursuit of opportunities. Conflict, natural disasters, environmental degradation and climate change can drive people from the land in order to survive, no matter how poor the alternatives to farming.

2.3 Social differences

Those who step out of agriculture are not a random mix of farmers. The differing circumstances of households and individual household members mean that they have differing options and ambitions. Ideas about rural livelihoods in the 1990s stressed the way that varying access of individuals and households to forms of natural, physical, human, financial and social capital gave them gave them different options to construct livelihoods; depending on the context of the economy, institutions, social relations and public policies. (Ellis 2000).

The livelihoods framework embraces the great diversity of livelihoods in rural economies. Policy makers, however, cannot tailor policy instruments to the circumstances of every household or individual. Hence, in the 2000s, more schematic and less fine-grained typologies of households have been suggested.[4] Dorward's three-part typology of stepping up, stepping out, and hanging in has already been described (see Introduction). In addition, the 'rural worlds' scheme (OECD/DAC, 2006) divides rural households into five groups, according to typical incomes: large commercial farms; smallholders who produce commercially; small-scale farms mainly devoted to subsistence; landless labourers; and households barely surviving that need social assistance.

RIMISP, the Latin America Network for Rural Development, characterises Latin American family farms by household assets and the environment of the household, the latter a combination of market access plus physical conditions. This scheme defines three groups of households:

- Class A farmers who have the assets, access to market and natural resources to produce more, commercialise and escape poverty
- Class B farmers who currently lack the assets or conditions to work their way out of poverty, but who may do so with modest public assistance to overcome limitations
- Class C households, which lack assets, access to markets and good natural resources to farm their way out of poverty. Most of their often-meagre income comes from off-farm work, migration and transfers. (Berdegué and Fuentealba, 2014).

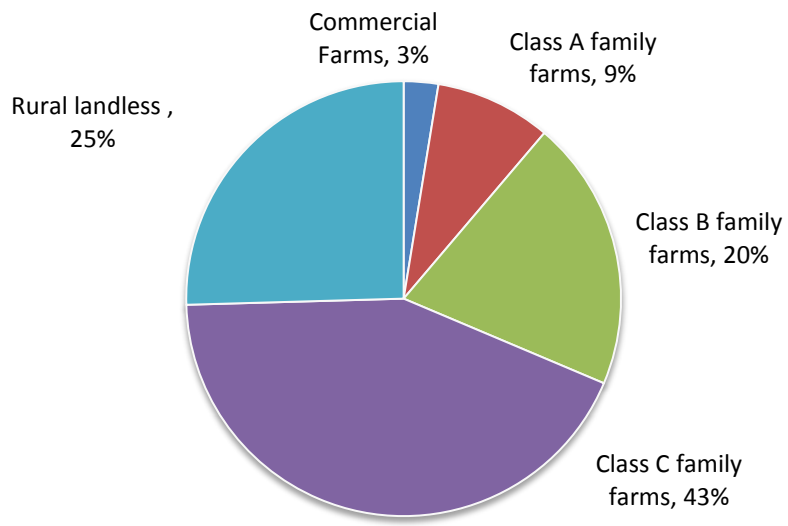
The three typologies share the idea that agriculture will only provide a living for some farm households. Others will need to step out of agriculture to escape poverty.

Typologies are useful, but what fraction of rural households might belong to the different categories? RIMISP (Schejtman, 2008; Soto Baquero et al., 2007, cited in Berdegué and Fuentealba, 2011) estimated the number of rural households in classes A, B and C and households that operate large commercial farms and the landless for twelve Latin American countries.[5] Figure 3 shows the distribution of around 19.5 million rural households in twelve Latin American countries in 2008 among these groups.

[4] Rural inequality is a longstanding concern. In the 1970s, there were intense debates over the nature of rural differences, usually in the context of Marxian conceptions of classes. Such debates all but disappeared by the 1990s with the demise of Marxian thinking.

[5] Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guatemala, Mexico, Nicaragua, Paraguay, Peru and Uruguay.

Figure 3 Types of rural households in 12 Latin American countries, 2008



Source: Calculated by combining data from Berdegué and Fuentealba, 2014 with FAOSTAT data on rural populations.

The results are striking: just 12% of households are currently capable of making a living from commercial farming, either on a large or small scale. With the right kind of public support, the Class B family farms could join this group. Even so, this makes just 32% of households. Most of the other 68% would thus leave farming as a full-time occupation, and step out into the rural non-farm economy, some migrating to cities. Some, unfortunately, may be unable to step out or migrate for lack of labour or other assets, and so may fall in Dorward's group of households who try to 'hang in'.

Although no readily available comparable estimate exists for Africa or Asia, surveys of countries in those regions show equally striking differences in access to land, incomes and measures of wealth between rural households. The main differences may be fewer large-scale commercial farms and landless in Africa and Asia, but the distribution of assets and opportunities among smallholders is probably similar.[6]

In low-income countries, many households mainly occupied in agriculture will thus see their working members increasingly step out into other activities. Indeed, more will step out than will step up by intensifying and commercialising farming.

This of course is not to deny that rural households may pursue diverse livelihoods, some household members farming, some working locally in non-farm jobs or businesses and some migrating to towns and cities. However, there will only be a few farming households in which one or more members of the household do not step out of farming.

The next two sections explore who is most likely to step out into the rural non-farm economy or to migrate to cities and why, and some of the options for those leaving agriculture.

6 For Africa, see the dispersion of access of land among smallholders reported for five countries of Eastern and Southern Africa in the late 1990s (Jayne et al., 2010), or for another four countries in the region by Ellis (2005). For Asia, see estimates of a Gini coefficient for a sample of Indian villages of 0.6: that is highly unequal (Swaminathan and Rawal, 2011).

Key points

- Economic growth and development invariably involve a reduction in the share of output from agriculture and a corresponding rise in output from manufacturing and services. Agriculture's share of employment also falls, although it may take some time before the absolute number working on farms falls. At the same time, an increasing fraction of output and jobs in urban areas means that workers move from rural to urban areas.
- These structural changes imply that labour productivity in agriculture has to rise, and that manufacturing and services have to grow to create decent jobs for those leaving farming. In addition, poor and vulnerable people should not be harmed during these transitions.
- While general patterns are clear, individual countries have made their transitions at different speeds. In some countries, changes have been radical, in others gradual. Recent Asian experiences suggest that the transitions from agrarian and rural to industrial and urban can be relatively benign, and that smallholders have not been forced off the land.
- Social differences among farming households mean that individuals leaving agriculture will tend to come from landless households and households with more marginal smallholdings. A large fraction of rural households in low-income countries will probably see some of their members leaving agriculture: only a minority of households will not see members stepping out of agriculture.

These considerations prompt wide-ranging questions about development, including whether manufacturing and services can generate enough jobs for those leaving farming, whether farming can raise labour productivity so as to release labour while still growing, and whether those leaving agriculture will have the skills to take up jobs in other sectors.[7] This Topic Guide looks at part of this agenda: the potential of the rural non-farm economy, the options that migration offer rural households and the influence of links between rural and urban areas.

[7] Partly inspired by Headey and Dorosh (2011) who set out questions about transformations of output, occupation and location.

SECTION 3

The rural non-farm economy

This section reviews the size of the rural non-farm economy (RNFE) and its significance for rural incomes, poverty and equality. The section then looks at the drivers of growth in RNFE and discusses policies to stimulate the sector.

3.1 Introduction to the rural non-farm economy (RNFE)

Non-farm activities can be defined as all those other than agriculture, forestry and fishing. Non-farm is not quite the same as 'off-farm': off-farm activities include not only non-farm work but also may include wages from agriculture carried out on the farms of others. Strictly speaking, remittances derived from migration should be part of non-farm income, so long as migrants still consider themselves part of the rural household. In practice, however, it is usually clearer to treat remittances as a separate category of income than to add them to earnings derived from local business and employment.

In practice, the RNFE covers a highly diverse set of mainly manufacturing activities and services, including processing farm outputs, services for farmers and other producers, transport, trading, personal and public services (see Annex Table A1 for a (long) list). Most non-farm activities are small-scale, often undertaken by single-person enterprises using very little capital (Nagler and Naudé, 2013). Large-scale activity is typically limited to agricultural processing, such as sugar mills and tea factories.

Most activity – typically 50–75%[8] – involves services, with trading and transport prominent, rather than manufacturing. Indeed, the share of manufacturing in the rural economy may even decline as mass-produced goods from urban factories replace rural crafts (Haggblade et al., 2007). In some instances, public employment can be important: in the late 1990s public employment accounted for 45% of rural non-farm incomes in rural Egypt, about 24% in rural Pakistan, and nearly 20% in rural India (Adams and He, 1995; Adams, 2002; Fisher et al., 1997).

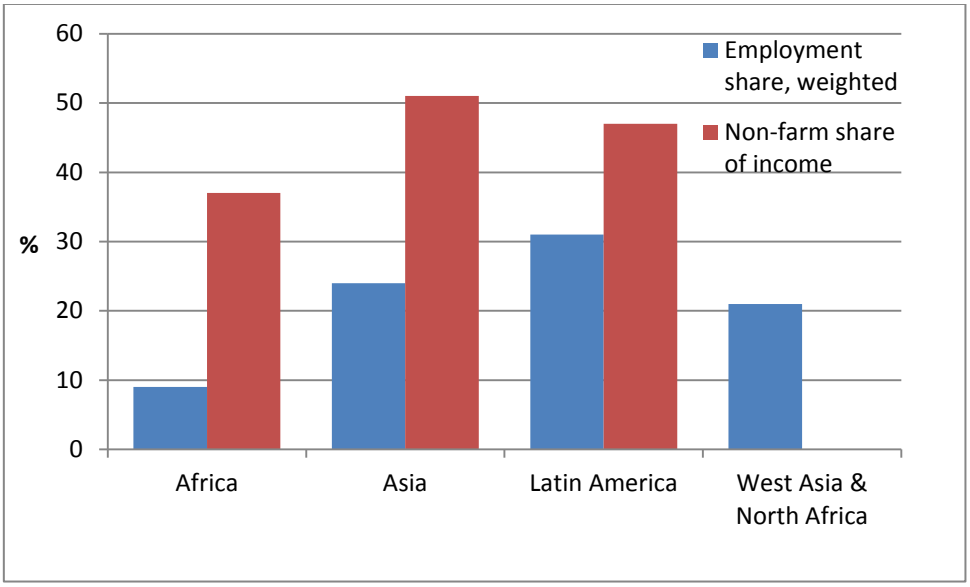
Some rural non-farm activity is seasonal: either because activity fluctuates with harvests, as applies to agricultural processing; or because it is carried out when there is little work on the farm. The 'putting-out' system, whereby factory agents take raw materials to rural workshops and collect finished products, takes advantage of seasonal rural activities. Commonly used in the English textile industry before the 19th century, when spinning and weaving were not yet mechanised, putting out was also usual in Japan in the early phases of industrialisation, in Taiwan from the 1890s onwards, and in China more recently (Grabowski, 1995). Modern examples include electronics workshops in rural Taiwan (Otsuka and Reardon, 1998; Otsuka, 2007) and household silk spinning in Thailand (Haggblade et al., 2007).

Most surveys show non-farm activities to be increasingly important in rural economies, whether in terms of jobs or contributions to rural incomes (see Figures 4 and 5). The shares of income from non-farm work tend to be higher than the shares from employment,

[8] Statistics are inexact. Measuring the RNFE is not easy: many non-farm activities in rural areas are part-time, seasonal, intermittent, micro-scale and informal. There are few written records. Comparisons across countries are not entirely reliable, owing to the differences in what is considered rural.

suggesting that non-farm work earns more than farming. That, however, may be exaggerated. Some surveys underestimate labour in non-farm activities, since they report only the main occupation, and omit secondary and seasonal activities. In rural Madagascar in 2005, for example, only 11% of households had a job in a non-farm activity, but 29% had a second job in the RNFE (Stifel, 2010).

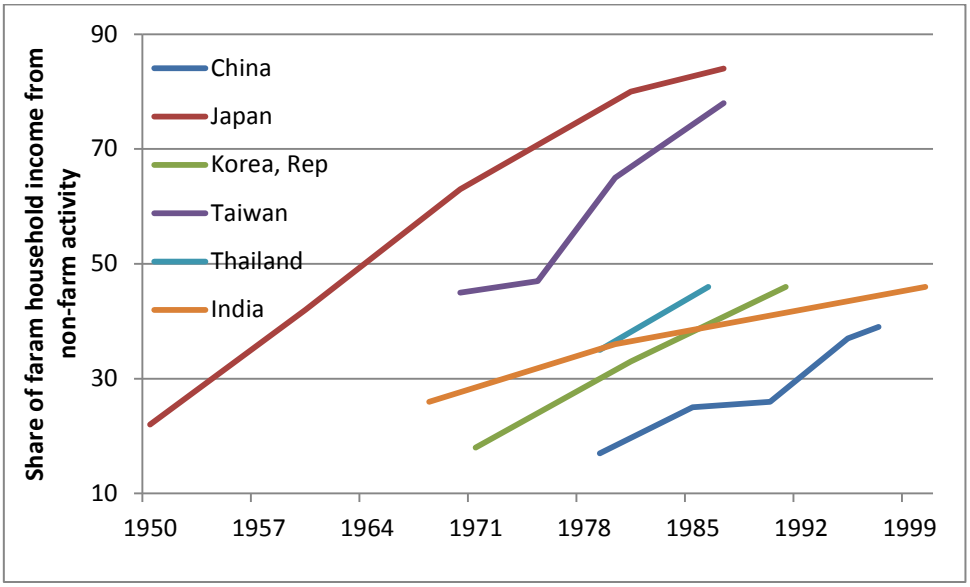
Figure 4 Shares of rural employment and incomes from non-farm sources, 1980s to 2001



Sources: Haggblade et al., 2007 Tables 1.1 and 1.2, drawing on multiple sources and taking simple averages of reported statistics. No data for non-farm share of income for West Asia and North Africa.

Countries included and dates of reported statistics: Africa – Cameroon (1987), Ethiopia (1994), Ivory Coast (1986), Malawi (1998), Mozambique (1980), Namibia (1981), South Africa (1996) and Zambia (2000); Asia – Bangladesh (2001), India (1991), Indonesia (1995), Iran (1986), Korea (1980), Nepal (1981), Pakistan (1998), Philippines (1981), Sri Lanka (1981), Thailand (1996) and Vietnam (1997); West Asia and North Africa – Egypt (1986), Morocco (1994), and Turkey (1990); and Latin America – Argentina (1980), Bolivia (1988), Chile (1984), Dominican Republic (1981), Ecuador (1990), Honduras (1988), Uruguay (1985) and Venezuela (1990).

Figure 5 Shares of farm household incomes from non-farm activities, Asia



Source: Data from Table 4.1 Haggblade et al., 2007
India statistics are for share of rural incomes, rather than farm households alone.

The impact of the RNFE on poverty and inequality is set out more fully in section 6.1. To summarise, people from better-off households usually have more capital, education, skills and social contacts compared to people from less well-off households. This capital gives them an advantage in getting the better-paid non-farm jobs or setting up local businesses. Poorer households have fewer assets and so only get less well-rewarded informal and casual work in the RNFE.

Hence, at first sight the RNFE does not promise much for reducing poverty and inequality. But that would understate its role, for two main reasons. One is that, even when poor people get low-paid jobs in the RNFE, the pay may still be as good if not better than the often low wages paid for farm work. Moreover, the RNFE work may provide work where there is none to be had in the fields. For the very poor, the RNFE can constitute an important safety net. The other reason arises from interactions and multipliers between sectors in the rural economy. The growth of agriculture and rising farm incomes stimulate the non-farm economy, creating new jobs. Farm households may withdraw their labour from the local market, since they make sufficient income without having to seek extra work. As activity builds up, demand for labour rises, more work is on offer and there is upward pressure on wages both on and off the farm. Rural households may benefit considerably. Hence, a thriving and growing RNFE is often associated with significant reductions in poverty. The impact on income inequality, however, varies.

3.2 Stimulating the RNFE

3.2.1 Demand for RNFE goods and services

In most rural economies, most demand comes from agriculture, fishing and forestry. Mining and tourism, where they exist, account for less demand. Production both upstream and downstream of farms creates demand for goods and services. Farming requires inputs, such as seeds, fertiliser, pumps and farm machinery, and services such as credit to grow, process, store and transport farm produce. While distant towns and cities may provide some inputs, there are local jobs in distribution. Artisans and workshops to repair farm machinery

need to be based locally: for example, in Bangladesh in the early 2000s, 160,000 mechanics had jobs maintaining pumps on around 760,000 tube-wells (Mandal, 2002).

Local consumption also rises as farmers spend their earnings on locally supplied goods and services. Smallholders in particular are more likely to spend their income locally than on shipping goods in from cities. Typically, they spend on housing improvements, clothing, schooling, health services and prepared foods. Visits to towns, cinemas and tea shops dramatically increase demand for rural transport. Hence, in regions where agriculture has grown robustly, the RNFE has also typically enjoyed rapid growth. Studies of multipliers suggest that each dollar of additional value in agriculture generates US$0.60 to US$0.80 of additional RNFE income in Asia, and US$0.30 to US$0.50 in Africa and Latin America (Haggblade et al., 2007).

The distribution of assets affects the influence and outcomes of demand and consumption. When wealth is concentrated, additional income is less likely to be spent locally, and has less of a multiplier effect. More even distribution of assets may encourage more broad-based rural non-farm growth, as in rural Taiwan from the 1940s to the 1960s (Ranis and Stewart, 1993; Ho, 1986; Johnston and Kilby, 1975). Dense settlements and roads reduce transport costs (see the case of Taiwan below in this section). Parts of rural Africa have weaker multipliers than parts of Asia because of sparse settlements and too few roads suitable for motorised vehicles (Headey et al., 2008).

Fewer RNFE jobs correspond to demand from beyond the local rural economy. Manufacturing goods in rural areas for sale in urban areas is not common. Few manufacturers can produce goods more cheaply in rural areas than in urban areas. Exceptions include crafts and souvenirs, whose value depends in part on their association with a particular place, perhaps because they are made from local raw materials or embody a local craft tradition.[9] Larger-scale exceptions include goods produced under putting-out systems to take advantage of farm labour in slack times. Industrial plants may move out of cities to avoid high rents but generally they remain within ready reach of cities (less than one hour's drive): such plants are rarely seen in the deep countryside.

Rural manufacturing, moreover, is vulnerable to urban competition. As links to urban centres improve, some cottage industries wither in the face of competition from goods brought in from cities. Labour-intensive small-scale manufacturing of baskets, pottery and roof thatch is displaced by imports of cheap plastic pails, metal pots and corrugated roofing. Surveys show that employment in rural manufacturing typically shrinks over time, while overall employment in non-farm activities grows at around 1.2% a year (Haggblade et al., eds., 2007, Chapter 4, Table 4.4).

Depending on national wealth and public policy, public services can be a significant element of the RNFE, and often the most common source of formal, salaried jobs.[10]

Peri-urban areas have more possibilities for RNFE (see section 5) as urban residents look to rural areas for leisure, for environmental services and for homes within commuting distance. In favoured rural areas with unusual amenities or environmental attributes, possibilities for tourism and conservation arise, especially as urban incomes rise.

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9 Faroe island knitwear exemplifies both these conditions. Still knitted on the islands, sweaters and cardigans have become very high value fashion items. Similarly, Harris tweed is still woven in the Hebrides.

10 In remote areas of high-income countries, public employment may be one of the largest sources of jobs. In remote rural areas of the UK, for example, such as the Highlands and Islands and central Wales, 30% or more of the workforce are employed in public services.

3.2.2 Geographical variations

The strength of these drivers and opportunities to develop the RNFE vary depending on the natural potential for agriculture (soils, water) and, of increasing importance, connections between the rural area and cities.

Rural areas with good access to cities can produce high value fruit, vegetables and dairy products. Associated non-farm activities provide inputs, market outputs and meet demand generated by higher incomes. Moreover, well-connected areas benefit from the urban demands described above. Industries looking for lower rents will relocate to areas with good connections or sub-contract to rural workshops. Commuting to towns and cities can often be an option for rural residents. Good access is often complemented by better than average infrastructure, roads and power supplies.

For less well-connected rural areas, agricultural potential matters. Well-endowed areas can stimulate farming economies by creating links to RNFE activities. Some manufacturing may take place during the slack season for agriculture.

Some poorly connected areas may have unexploited potential because of inadequate physical infrastructure, lack of agricultural technology suitable for local conditions, risk of disease or conflict. Areas where such difficulties have been overcome include northeast Thailand and the Cerrado of northern Brazil. In both cases, their potential lay dormant until new roads and better ways of managing modest soils enabled investment. Since then, these areas have thrived on agricultural exports (World Bank, 2009).

Finally, remote areas with limited potential for agriculture often also have weak demand for non-farm activity. Most non-farm activity is likely to be small-scale and unproductive, and any work is likely to be poorly rewarded. Consequently, these regions are likely to see strong out-migration. In some cases, their remoteness may conserve natural beauty and amenities that stimulate tourism.

As cities grow and links to them improve, the drivers of the rural non-farm economy may change. For example, in Bangladesh during the Green Revolution in the 1990s, non-farm jobs were created as a result of the increase in production of rice (Hossain et al., 2003; Mandal, 2002). By the 2000s, however, areas close to the metropolitan areas had more and better-paid non-farm jobs than more distant areas with better agricultural potential (Deichmann et al., 2009). Urban links became a stronger driver of non-farm activity than agriculture.

3.2.3 Pull or push?

How much does non-farm activity respond to the pull of demand, or the push of labour supply[11] as underemployed poor people look for something, however low paid, to earn more? As described, much depends on geography: areas well connected to cities and those with agricultural potential will tend to see demand stimulating non-farm activity; while in other areas non-farm activities may be taken up by people with little else to do.

The key point is productivity, above all returns to labour. Many non-farm jobs are found in very small enterprises, operated by a single person with at most some part-time help, using little capital, low technology and often competing for business against many other similar businesses: for example tailoring, preparing snack food at a roadside stall and selling

[11] Growth of the rural work force has implications for rural labour markets that may be under-appreciated. Contemporary China and India provide examples. Between 2000 and 2014, while rural population fell by 23% in China, it rose by 14% in India. This goes a long way to explain why China's unskilled rural wages have been rising faster than those in India.

vegetables in rural markets. What is more, evidence (reviewed in Liedholm, 2007) suggests that these businesses do not often grow, capitalise or upgrade their technology.

Opinions differ sharply, however, on the interpretation of these observations. For Nagler and Naudé (2014) small-scale non-farm businesses in Africa exist largely because the formal economy has not grown and created better jobs. The RNFE signals economic failure, not success: one should therefore 'not expect a significant contribution from rural non-farm entrepreneurship to employment creation and poverty reduction'.

Yet the same facts are interpreted very differently by Fox and Sohneson (2012) who see micro-enterprises within households – largely in rural areas – as not only providing better incomes than many farm jobs, but also as a source of growth. Given the many youth who will be looking for jobs over the next ten years in Africa, the enterprises they study offer better returns than in farming.

> *'…developing a HE [household enterprise] sector is therefore not a coping strategy, it is a growth strategy. With 40-50 percent of households engaged in non-farm enterprises on average, and the share increasing in many countries, any investments which result in more households having a viable HE or higher incomes for even half of the HEs would have a substantial impact on GDP and poverty.'*

Although partly an argument over whether the glass is half full or half empty, much depends on how much these small enterprises can develop through capital investment and upgrading their technology. Will micro- and small-scale enterprises perform better given more access to finance, technology and training of owners? Perhaps more important, how much better would they perform if the overall economy grew faster, thereby increasing demand for the goods and services these micro-enterprises produce?

Or, might they be superseded by larger-scale enterprises with better access to capital and technology? And, if so, might these provide better jobs for those operating micro-businesses? Since not much evidence exists on theses dynamics, this debate is unresolved.

3.2.4 Learning from the rural non-farm economy in Asia: Korea, Taiwan and Thailand[12]

More insight into the development of the non-farm economy can be gained from particular countries. In Southeast and East Asia where many economies have grown rapidly, experiences of developing the rural non-farm economy have varied. Taiwan and Thailand seem to have largely succeeded, while Korea has been less successful.

In 1950 almost half of Taiwan's industry was rural, a share that was to increase as rural industry grew faster than urban from 1956 to 1980. The composition of rural industry, however, changed markedly, reflecting the national shift from import-substituting industrialisation in the 1950s to export industries in the 1960s. In the 1950s, rural industry was mainly processing food and beverages, wood products and textiles. Since 1970, the main rural industries became metals and machinery.

Yet this has not necessarily been large-scale manufacturing: on the contrary, most industry is small- and medium-scale. That has been possible because many rural plants sub-contract from urban-based export industries. Sub-contracts from the urban to the rural allow rural workshops to get access to information on markets and design. They also allow for transfers

[12] Draws largely on material from: for Taiwan, Ranis and Stewart, 1993; Otsuka and Reardon, 1998; for Korea, Otsuka and Reardon, 1998; for Thailand, DAN, 2003, Martins et al., 2002; Rigg and Nattapoolwat, 2001; Rigg et al., 2012; Rigg et al. 2014

of raw materials under a putting-out system that reduces working capital requirements. Well-developed relations between rural entrepreneurs, most of them former urban employees or traders, and urban concerns have underwritten the contracts.

As rural industry has prospered, rural labour has shifted from farming to rural non-farm activities. In Taiwan from 1962 to 1980, farm incomes rose by 3.3% a year, but rural non-farm incomes rose by 11.7% a year.

Rural industry was stimulated by encouraging former landlords, whose land had been transferred in the early 1950s to their tenants, to invest in rural business. The landlords had been compensated in long-term bonds, the value of which however could be turned into liquid capital if they were prepared to add funds and invest locally. In addition, rural electrification and standard tariffs for energy across the country helped rural entrepreneurs; as did a road network and well distributed urban centres.

In contrast, South Korean industry tended to locate in large and intermediate cities, where large-scale plants were established using high technology. Government policy until the 1990s favoured large conglomerates (*chaebols*), and encouraged concentration of factories in agglomerations around Seoul and Busan. Growth of rural industry, in comparison, was sluggish. Not only was there little public support for rural locations but also labour was not much cheaper in rural areas: in 1981, rural wages were more than 90% of urban pay rates.

Thailand has seen its rural non-farm economy grow to provide around half of all rural jobs. Some are linked to thriving agriculture, such as rice mills, sugar refineries and workshops manufacturing agricultural machinery. But a different pattern has been seen in the less agriculturally prosperous northeast, where a growing population has tended to outstrip increases in agricultural output. With households struggling to make a living from their farms, many have migrated out to find work in other parts of the country. Most of these migrants return when they have amassed funds. At one point these returning migrants, using the skills they have learned on their travels, set up workshops in their villages for cutting gems, weaving silk and making artificial flowers, mostly for export. It seems that subsequently these activities have declined, but jobs have been created in a more diverse rural non-farm economy.

Thailand has promoted the rural non-farm sector since the early 1970s through measures such as micro-credit and savings schemes, support to small and medium enterprises, and one-village-one-product initiatives. Some NGOs, such as the Population and Community Development Association [PDA], have actively attracted investors to rural locations. The Association has helped create an industrial park in the northeast for factories producing garments and footwear and mainly employing young women, for example. It is not so much the direct jobs in the factories that count, but the ancillary activity that accompanies them, in transport (including servicing the ubiquitous motorbikes), providing lunches to factory workers, and in shops and services where workers spend their wages.

Not all NGO efforts have worked. The Chakkarat/Jakkarat Development Foundation encourages agriculture and rural crafts. Village crafts were hit when the price of finished silk products fell, gem cutters left the area, and hand processing of cassava, cashew and sesame could not compete with industrial units.

Overall, non-farm rural jobs in Thailand tend to be more productive compared to those on farms but less productive than those in urban areas: [in 1999]

> *'… 25% of agricultural workers create about 8% of GDP, 25% of rural workers (in non-agriculture) create about 20% of GDP, and 50% of urban workers create about 73% of the GDP. … These facts are reflected in earnings as well. Workers in urban areas earn more than those in non-agricultural rural jobs, and farm workers earn the least.' [DAN, 2003]*

So what may be learned from these experiences?

- If industry is to set up in rural areas to take advantage of lower labour (and land) costs, then drawbacks need to be minimised. Above all, roads have to be in good condition to cut transport costs and power supplies need to be on hand and reliable.
- Export industry is more likely to locate rurally than industry that serves domestic markets. The latter need to keep down transport costs and can be more responsive to local demand when located where consumers are concentrated, that is in cities. For exporting industries, the clients are remote no matter where the plants are located: co-ordination with customers, design and marketing can be done from an urban base, while the production of components and their assembly can be sub-contracted to rural plants.
- Experienced and skilled factory workers returning to the countryside where they were raised are well placed to set up and work in rural manufacturing. Not only do they have the know-how to manage rural workshops, but they may also have the urban contacts to form trusting, working relations for sub-contracting.
- All this presupposes, of course, that manufacturing is well established in urban areas.

These lessons are mainly about rural industry that typically makes up only a small part of the rural non-farm economy.

Less has been documented on rural services, but something can be inferred from a comparison between China and India. In both countries the majority of rural non-farm activity is services, and increasingly so with time, so that differing growth of the RNFE in the two countries can be attributed to the dynamism of rural services.

In China the rural non-farm economy grew rapidly after the reforms of the late 1970s so that the RNFE's share of employment grew from just over 5% in 1978 to almost 25% by 2000. Success in this case was associated with active local government that needed tax revenues and profits from township and village enterprises[13] (TVE) that were part owned by local governments. Hence, local authorities were keen to spend on roads and water – as well as irrigation for agriculture – and to maintain law and order. They also reinvested profits from TVEs: a 1992 estimate indicated that half were reinvested. It also helped that the state had invested in the education of the rural workforce (Mukherjee and Zhang, 2007).

The RNFE developed less well in India, despite more specific measures such as directed credit, protection for small-scale rural industries, tax breaks and creation of rural industrial estates. But investment in rural public goods lagged (ibid).

A lesson from this comparison is the importance of roads, power and education. China did more in this respect than India.

[13] Although in the late 1970s more than 60% of jobs in TVEs were industrial, by 1990 the industrial share had fallen to 47% as commerce and transport increasingly provided the non-farm jobs (Mukherjee and Zhang, 2007).

African experience of developing the RNFE is less well documented. Moreover, most public programmes to stimulate the RNFE have not produced clear successes: indeed, more is documented on what to avoid – such as constructing rural industrial estates.[14]

3.2.5 How much of the non-farm economy will be rural?

Three factors heavily influence the location of manufacturing and services. First, some activities have to be located in rural areas since they need to be close to either customers or sources of raw materials. For the former, think of rural services: schools, shops, cafes, repair workshops and so on. These locate close to users and customers. For the latter, think of agricultural processing where to avoid produce perishing or to save bulk in transport, plants need to be close to fields, forests and wharves.

Second, as already emphasised, economies of agglomeration make urban areas highly attractive to most manufacturing and services.

Third, much of agriculture does not provide a full-time job year round. During slack seasons farm households may have time to carry out other activities, for low returns or low pay. Historically some industries, such as textiles, have thus supplied raw materials to rural artisans for manufacture – the 'putting-out' system. Costs of transport and organisation have been compensated by cheaper labour.

These factors depend in turn on others, such as specific agricultural products and their need for processing in situ. They also, however, depend on policy. To anticipate briefly the next section 3.3, when governments invest in rural roads and power supplies, provide good rural schooling and health services, then it is likely that rural activity will be stimulated. Conversely, when urban areas receive a disproportionate amount of public investment, or where urban location is subsidised and otherwise encouraged, the reverse is likely. The comparison of Taiwan to the Republic of Korea is instructive.

3.3 Policies to stimulate the rural non-farm economy

Policy to stimulate the RNFE may act indirectly, by raising demand for outputs from the RNFE, or directly, by facilitating supply response from non-farm activity.

Increased demand (see previous section) will come mainly from thriving agriculture and, particularly for peri-urban zones, from urban demand for rural services such as environmental services, recreation and tourism. Policy for agricultural development is beyond the remit of this Guide. Rural-urban links are discussed in section 5.

Given the diversity of rural circumstances at any time and in any place, the main sources of demand for non-farm goods and services need to be identified and consideration given to ways to increase such demand. As will be proposed below, many of the measures needed to stimulate agriculture are also the same as will facilitate supply from the RNFE. Hence, rather than trade-offs, there are synergies in policies for agriculture and the RNFE.

[14] Not much information exists on the size and performance of rural non-farm enterprises in Africa, so the kinds of Asian comparisons reported here cannot readily be made for Africa. Development programmes for the RNFE in Africa, where they can been seen, have tended to be piecemeal efforts – probably reflecting that activities to stimulate the RNFE correspond to different ministries – such as provision of business services, training and the rural industrial estates mentioned.

Turning to measures to stimulate the supply response of RNFE directly, the list of potential policies can be long. It helps, then, to group them. They can be usefully set in a hierarchy from national to district, village, enterprise and household levels, as shown in Table 1 (broadly following the proposals of Haggblade, Mead and Meyer, 2007).

Issues	Policies, programmes, projects	Key actors in planning and implementation
National		
Favourable rural investment climate *Basic*	'Good-enough' governance including peace and stability Macro-economic, trade and other economic policies Fostering basic economic institutions including property rights	Central government Donors, especially international financial institutions (IFIs)
Regional and district		
Rural public goods *Basic*	Public investment in: • Physical infrastructure: roads, electricity, etc. • Education, health, water, sanitation • Research, extension	Central government+ donors Regional and local government
Rural market failures: monopoly power, high transactions costs *Tricky*	Development of rural financial systems Competition policy	Government Formal private enterprise NGOs Informal enterprise Groups of farmers, citizens
District, village, enterprise, household issues		
Enterprise promotion *Local detail*	Provision of: • Information, co-ordination • Skills and training	Government Formal private enterprise NGO
Participation by poor households *Inclusion*	Fight discrimination in labour markets, land rights, credit market, etc.	Central government NGO, civil society Grassroots groups
	[Social protection]	Central government NGO

Table 1 Policies to stimulate the rural non-farm economy

A hierarchy of policies helps to keep in mind two things: that some policies are necessary but not sufficient; and that working higher up the hierarchy potentially has a greater effect – and often at lower cost. For example, most measures to stabilise a macro-economy cost little and require few skilled staff.[15]

What matters for these policies? Within the hierarchy, policies can be seen as basic, tricky, those concerning local detail and those for social inclusion.

[15] This may seem obvious, but has been lost to sight in the past. From the 1950s to at least the 1990s, policy for the RNFE tended to focus on promoting supply from individual enterprises (see Haggblade et al., 2007 for a history of non-farm promotion). Industrial estates in market centres, training in skills, grants and cheap credit for business start-ups and business advisory services were typically the instruments deployed.

By and large, these measures were not that successful. It is not hard to imagine why. By focusing on supply, demand was easily overlooked. Manufacturing was often the focus of attention – not surprising since the implementing agency was often a ministry of industry. But this meant that services, the majority of rural businesses, were ignored. With efforts focused on individual enterprises, or at best, a cluster of businesses, limited budgets meant the programmes lavished attention on a small fraction of non-farm businesses, leaving the rest unattended.

3.3.1 Basic policies and investments

Basic policies include establishing an enabling investment climate both nationally and in rural areas, and investing in public goods that the private sector will not provide – physical infrastructure such as roads and power, investing in people through education, health, water and sanitation, and funding research and its dissemination. Both of these are fundamental and necessary: without them, business of all kinds is hobbled.

This may seem perfectionist, but a critical insight from Asian development is that the investment climate does not have to be perfect. Most Asian economic successes of the last twenty years have occurred with conditions of governance, at least initially, that fell far short of 'good governance' (Chang, 2003; Khan, 2002).

The climate for rural investment depends in large part on national conditions. But it also has its own distinctive features in rural areas where prominent issues include cattle rustling, disputes over land ownership, predatory local politicians running what amount to protection rackets, and local taxation that weighs heavily on business and especially on small enterprises (for Tanzania and Uganda, see Balihuta and Sen, 2001; Ellis and Bahiigwa, 2001; Ellis and Mdoe, 2002). Recent reviews of rural investment climates have shown that rural enterprises face problems that most urban enterprises do not. For example, in Indonesia micro and small enterprises in rural centres reported their main concerns as 'demand constraints, access to credit, poor roads and unreliable electricity' (World Bank, 2006).

3.3.2 Tricky policy: dealing with rural market failures

Given political will and funding, basic policies are relatively straightforward to carry out: the means are well known. That is not the case for rural market failures, above all those in finance. Rural businesses, and especially smaller ones, find formal financial services are either inaccessible or only available at (very) high cost. Hence, managing cash flows, getting working or investment credits, or insuring against risks prove difficult or impossible. For example, in rural Bangladesh in 2000 more than 70% of enterprises reported that their main source of start-up capital, as well as more recent injections, had been their own savings (Hossain, 2010). Only one in ten reported getting loans from banks.

Financial services, and especially credit, may not be vital for informal businesses starting up.[16] But, for those that prosper and expand, sooner or later they will benefit considerably from such services (Agar, 2011; Beck and Cull, 2014).

Rural financial systems suffer from the high costs of information: finance providers need to know the character and competence of would-be borrowers, and the risks the borrowers run. To determine such risk for small businesses is costly, so that banks either just refuse to lend to small operators, ask them to prove their character and competence with much documentation, demand high collateral or other guarantees or put a hefty premium on interest rates – or some combination of these.

In the past, public provision through state banks and agencies rarely overcame the underlying high costs of rural banking. Moreover, they were often politically directed to lend no matter what the risks, and often at subsidised interest rates (von Pischke et al., 1983 and Adams et al., 1984). As bad debts rose and costs outran earnings, many were closed in the 1980s and 1990s.

[16] The cost of deficiencies in rural financial services is usually a matter of specialist opinion. Few objective estimates of the cost have been made. An exception is Rwanda, where Ali et al. (2014) report significant differences in the chances of off-farm self-employment for rural households with limited access to credit. Households with credit can produce 17% more than those without, all other things being equal.

Since then many approaches have been tried to build rural financial systems, including:

- linking informal savings and credit groups to banks;
- encouraging banks, through incentives or legislation, to open rural branches;
- setting up micro-finance agencies with the specific purpose of serving poor people;
- introducing micro-insurance and index-linked insurance; and
- tying credit and other services to transactions in value chains between formal firms and their smallholder suppliers.

All have had their successes, but none provide blueprints that are readily transferable. For example, attempts to replicate the much admired Grameen Bank outside of Bangladesh have usually failed. Effective finance needs adaptation to local circumstances. Learning is critical: promising approaches have to be tried, monitored and adjusted as lessons become clear. The way to improved rural finance in most low-income countries has yet to be mapped out (Meyer 2015, forthcoming).

3.3.3 Local detail

At district level and below there may be scope for fostering enterprises through local economic development (LED). LED looks to create conditions to encourage investment by coordinated action by public, voluntary and private actors at the municipal level. This might be through building physical infrastructure, adapting municipal regulations and setting incentives, training managers and staff, or through less tangible initiatives to improve co-operation among businesses with similar interests. While encouraging investment and innovation, LED usually also looks to create jobs and otherwise make business inclusive by, for example, encouraging start-ups by small entrepreneurs. The starting point, as with value chains, is usually to convene a forum of stakeholders to identify opportunities and obstacles.[17] These then become the focus of plans for action, usually combining the efforts of public and private parties (Haggblade et al., 2007; Swinburn et al., 2006).

Local economic development assumes some decentralisation of authority and funds to local governments (Bardhan, 1996; Binswanger-Mkhize et al., 2009). In the last two decades, many developing countries have decentralised to some degree, in some cases by transferring specified fractions of central revenues down to local authorities for them to allocate as they see fit. Decentralisation is rarely smooth (Manor, 1999). Working out precise modalities and helping local authorities become effective and efficient takes time and patience. But, the advantages compared to over-centralised government that ignores local circumstances usually justify the effort.

Section 5.3 also deals with LED, setting it in the context of other measures that deal with spatial development, including territorial development and industrial clusters.

[17] Haggblade et al. (2007) expand on the way in which local economic development draws on previous work: '*The local economic development practitioners have borrowed analytical and implementation tools from the other schools and have made some advances of their own. Frequently they draw on the work on competitive advantage and economic clusters of related firms, a concept closely allied with value chains, supply chains, and subsectors that has come out of agricultural marketing and small enterprise development. They have developed and refined an assortment of assessment tools, including participatory analysis of competitive advantage and subsector analysis, as aids in assessing promising key activities, mapping and understanding competitive and input supply relationships in the supply chains, and developing concrete interventions that can stimulate economic growth among economic clusters of enterprises linked together in what are commonly termed supply chains, value chains, or subsectors.*'

3.3.4 Inclusive development

Poor and vulnerable people are usually disadvantaged either when trying to start a micro-enterprise or when looking for work in the RNFE. They typically lack capital, physical assets, education and skills, and social contacts. Hence investing in people as a public good is particularly important for them. Better financial systems can also help, since poor and vulnerable people are least likely to be able to access current financial services.

Some rural people suffer from further disadvantage through outright discrimination in access to public services, in fair treatment by police and justice, in respect for the property that they use – especially the commons, and when hired as labour. Correcting this needs a combination of national legislation on rights, local action to denounce and oppose violators, raising awareness of the issues with all concerned, and in some cases specific actions to redress inequity – including special treatment in access to education, grants and subsidies on capital. India, for example, has several schemes designed to correct the disadvantages of scheduled castes and tribes.

Trade-offs may apply between objectives for inclusion and stimulating economic activity: disadvantaged, poor and vulnerable people may need more support than others. Indeed, it would be wrong to assume that most poor people are embryonic entrepreneurs who need little more than micro-credit to build successful businesses (Rogaly, 1996; Matin et al., 2002).[18] Some may be. But, for others, a more promising route out of poverty lies in working for a business run by others who are not poor. Indeed, the number of additional jobs created in rural areas by public investments may, in some circumstances, be greater when not focusing on businesses of poor people.

Overall, three things are worth stressing about policy for the RNFE.

First, creating overall opportunity for rural business through an enabling investment climate with public goods and services matters more than implementing specific projects designed to assist individual businesses. It is very difficult and costly to reach all rural businesses. Informal businesses are started, then succeed or fail, all the time – without specific state prompting.

Second, basic policy for the rural non-farm economy overlaps considerably with that for agriculture. Policies for the two sectors differ on items that are not particularly costly: agriculture needs research and extension services specific to farming; some business services may be fairly specific to services and manufacturing and of little value to farmers. Hence there is little trade-off between promoting the RNFE and agriculture.

That said, some public goods may matter more for non-farm businesses than for farms. For example, education and vocational training may be more important for non-farm activities, especially when producing for higher value markets. Even this may overstate the qualification: smallholders engaging with emerging supply chains benefit from being literate, numerate and informed. It confirms the overall point: most rural public goods serve all sectors, RNFE and agriculture alike.

Third, most RNFE activities serve demand coming from agriculture or the urban economy. Hence economic growth matters. This may seem obvious, but in the past supply-side interventions, such as building rural industrial estates, have been promoted regardless of demand.

[18] In the 1980s BRAC, Bangladesh, hoped that micro-credits could transform the lives of very poor people in rural areas. They soon realised that the very poor needed more direct assistance before they could contemplate the risk of taking on loans (Matin and Hulme, 2003).

Key points

- The rural non-farm economy is diverse, both in scale, although the majority of businesses are small and micro scale; as well as in activity, although most activity is usually in services rather than manufacturing.
- Some observers are dismayed by small-scale enterprises with little capital and simple technology, fearing that they have little potential to reduce poverty. Evidence nevertheless suggests that jobs in the RNFE can reduce poverty directly, while indirectly pushing up farm wages as well. This even applies when agriculture and the urban economy grow only modestly.
- Most of the demand for RNFE goods and services comes from agriculture in both production and consumption links. For areas with good access to cities, however, increasing urban demands for environmental services, amenity and land provide a stimulus. Much variation in the composition and dynamics of the RNFE can be seen across regions according to the strength of agriculture and access to cities.
- On the supply side, an enabling rural investment climate and the provision of rural public goods are critical to the RNFE. Policies and investments in these basics are relatively straightforward: technical means are well known. That cannot be said about the other main area for action: mitigating rural market failures, above all those in financial services. Lessons from pilots and trials need to be learned, with promising initiatives seen in some (national, local) circumstances adapted to others.
- These measures in very large part will also benefit agriculture. Little trade-off exists between policies and investments for the two sectors.
- At local level, local economic development (and territorial rural development) and specific skills training can reinforce efforts, provided the basics outlined above are in place. LED requires some decentralisation of government to provinces, districts and secondary cities.
- For broad-based and socially inclusive development of the RNFE, the disadvantages and discrimination often experienced by poor and vulnerable people need to be addressed. This will come partly through attention to the basic polices and mitigating rural market failures that hurt poor people more than others, and partly through more specific corrective measures such as those against discrimination and additional investments in education and skills for the disadvantaged.

SECTION 4

Migration

Migration is the other main option for those stepping out, as some find jobs in towns and cities.

This section reviews what is known about migration by rural people, focusing on moves made to find employment. It sets out types and scale of migration, reviews the reasons for moving, assesses outcomes and considers implications for policy.

What follows is largely about moves from rural to urban areas. In some countries, usually those with sparsely populated regions, moves from rural to rural areas can be considerable. Since most such moves concern farmers seeking more land, they are not covered in a guide on stepping out of agriculture. Also not covered here is the movement of refugees fleeing from conflict or natural disasters.

4.1 Migration described and explained

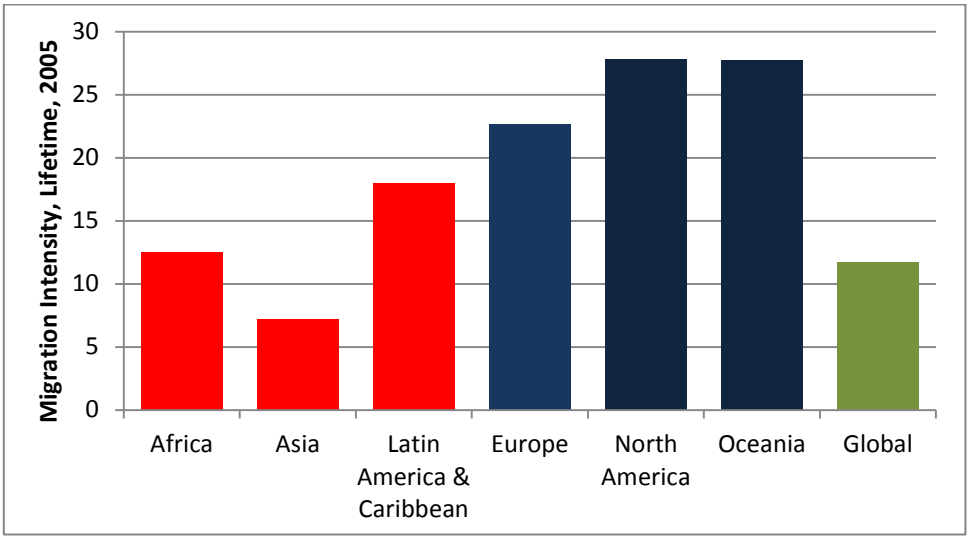
Migration takes various forms, distinguished by:

- Destination – international versus domestic, rural to urban, rural to rural and urban to urban; and,
- Length of absence – permanent moves of a year or more, and seasonal moves – to which might even be added daily commuting.

Taking the estimates available, it seems that just over 3% of the world's population are international migrants (UN Population Division, 2013), while domestic migrants are at least 12% of world population (Bell and Charles-Edwards, 2013). In some developing countries, the proportion of the population engaged in migration can be greater. For example, more than 10% of Mexicans are currently migrants in the US (Shroff, 2009), while 15% of the Mexican rural population are migrants (Wainer, 2011). India estimated in 2011 that as many as 33% of the population were migrants (Indian census data, 2001 and 2011; UNESCO, 2014).

Looking at internal migration, movement is greater in high-income regions than in the developing world, see Figure 6. Within the developing world, however, there are great differences between Latin America where more than one in six persons has moved in their lifetime, and Asia where it is just one in thirteen. Variations across countries are similarly large.

Figure 6 Intensity of internal migration, lifetime, 2005, world and major regions



Source: Bell and Charles-Edwards 2013
Note: Intensity measures the proportion of all those in censuses and surveys declaring that they live outside their home region.

Precise and reliable statistics are, however, elusive owing partly to differences in definitions[19] and partly to imperfect capture of movement by censuses or other national surveys, especially when it comes to temporary movements.

A common perception is that migration is increasing. That may not be so. The fraction of the world's population who are international migrants has remained at around 3% for several decades (de Haas, 2014. Statistics on internal migration show migration since 1990 rising, stable and falling in different countries, with no clear patterns (Bell and Edwards-Charles, 2013).[20]

4.1.1 Reasons for migration

Motivations to migrate are several: to find work, to study, to marry or accompany a spouse or to experience a different social life – young people to city lights, the elderly back to rural roots, etc. These motives arise from opportunity. Other moves may be seen as distress, as for example when people move to find health care, to seek work when local livelihoods collapse, or to flee conflict and natural disaster.

19 Differences in definitions arise from considerations of time and location. For time, migration rates may be taken as any move during a lifetime, or a move in the last five or fewer years. For location, the question is the distance moved to count as migration. Generally people make more short moves than long ones: if then a census only records moves beyond a person's home state, province or region, there will many fewer movers than if it records moves out of their home parish, canton, municipality, ward or sub-location.

20 Human history over the long run is about settlement, not movement. The great migrations that populated the continents lie in the very distant past: the agricultural revolution that began around 10,000 years ago saw people settle down, rather than move in search of what could be hunted and gathered (de Haas, 2014). Technical progress has tended to fix people in place, rather than encourage migration. On the other hand, very short term moves such as commuting, business trips and tourism have increased with wealth and technical progress; but not evidently changes in residence.

Economic theories of migration stress the decisions made by individuals and households to relocate. One of the earliest and best-known models, that of Harris and Todaro (1970), proposes that individuals decide to migrate from rural to urban areas considering wage differences, moderated by the chance of getting an urban job. Rural workers thus migrate to urban areas whenever urban wages, discounted by the perceived possibility of obtaining work, exceed rural wages. Given the element of chance in finding a well-paid formal job, the model explains why people move to cities in the hope of getting such a job, only to add to the ranks of those formally unemployed who survive by informal and illegal means. The model has thus been influential in framing rural-urban migration as a problem to be discouraged (Lall et al., 2006).

Subsequent economic approaches –'the new economics of migration' – see the decision to migrate more positively. While it may be individuals who move, the decision is seen as one by households, motivated by one or more of the following considerations:

- to earn more;
- to reduce risk by diversifying the portfolio of incomes – especially for households who otherwise would depend on rain-fed farming; and
- to build up capital and circumvent the typical lack of formal credit in rural areas (Stark and Bloom, 1985).

The vision here is far more positive: migration raises productivity, overcomes market failures, benefits those on low incomes and reduces risk.

Other social scientists find economic explanations incomplete (de Haas, 2014). Clearly, there are important non-economic reasons to migrate, such as marriage, the social attractions of destinations, and moves to study or find health care. Some social scientists also dislike the economist's assumption that people make voluntary choices to move, since choices seem limited. Others want to delve deeper, to explore the reasons for wage differences and other economic conditions that lead to migration, rather than taking these as givens.

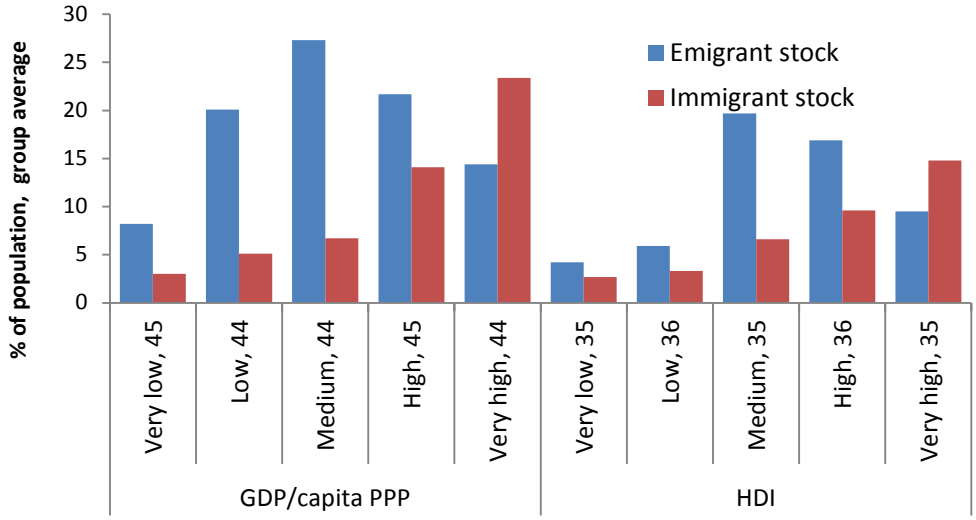
An alternative model of migration stresses capabilities and aspirations, with moves facilitated by social networks (de Haas, 2014). Capabilities raise the chances of moving successfully: people with education and skills, in good health, and able to access reliable information have more options to migrate than those with lesser capabilities. Aspirations depend in part on information, with news from personal contacts being particularly influential. Social networks that connect people in the area of origin to those at a destination provide a channel for information, as well as a way to help new migrants find work and accommodation. Such ideas help explain why migrants at a particular destination and employed in the same industry often come largely from the same district or even village.[21] They also explain why migration is often stronger from places that have seen some development, rather than from places with the lowest wages.

[21] In the mid-1990s a Mexican village we studied had several dozen (informal, illegal) emigrants to the USA. Almost all were in one suburb of Chicago where most worked as contract gardeners.

Some evidence confirms this. While some migration is by people from very poor backgrounds,[22] much migration is by people with skills and education who have the capability and aspiration to move. For example, most international migrants come from middle, not low-income countries, and predominantly go to high-income countries (see Figure 7) (Clemens, 2014; de Haas, 2010a). The same applies when looking at countries by levels of their human development index (HDI).

For this reason, migration is least common in sub-Saharan Africa, where one might have expected much movement by those on very low incomes to escape poverty. To be sure, Africa may be more on the move today compared to the recent past, but increased movement is as likely to result from people having more schooling, more information, and easier transport, as it is from desperation.

Figure 7 International migration compared to country wealth, 2005



Source: Appendix Table 2 in de Haas (2010a).
Note: Numbers on the horizontal axis refer to the number of countries in each group. Thresholds for GDP per capita: >2083, 2083–5000, 5000–9032, 9032–22273, > 22273. Thresholds for HDI: <0.5336, 0.5336–0.7286, 0.7286–0.7974 0.7974–0.8744, > 0.8744

While most formal models deal in reasons to move, it is also recognised that there are barriers to movement that dampen migration, some but not all of which are the inverse of the incentives, including:

- Ability to move and costs. Some may not migrate since they lack skills for jobs at destination, capital to pay for the journey – particularly important for international moves, credible information on jobs and conditions at destination, and do not belong to a social network that spans home and destination;
- Incentives for some of the household to remain in the village. It is often cheaper to raise children in villages than in urban destinations, so mothers may remain in the village. They may also be expected to care for the elderly. Where, as often applies in rural Africa, custom gives residents access to housing plots, farm land, water,

[22] Net migration statistics for low income countries show negative figures (emigration>immigration), while figures are positive for high income countries (World Bank WDI). South-south migration is also common, and often from poorer to richer areas: for example, Bangladeshi migration to Malaysia to work on plantations or to Gulf states to work in construction.

grazing and forests, rights may be lost if all members of the household move out; and,

- Administrative controls on movements, above all on crossing borders. Some countries discourage internal movements by residence permits which formally restrict moves to cities, but which in practice mean that migrants move with lesser rights to urban services and less employment protection than those formally allowed to live in cities.

4.1.2 Patterns of migration

When compared to observed migration, none of the above principles are invariable and absolute. Experiences of migration are highly varied, depending on the specific circumstances and histories of the rural areas from which migrants come. Some insights can be gained by sifting the evidence to answer questions about who migrates, whether they are pulled or pushed, how – since the interest is in rural migrants – land tenure affects migration, and whether migrants return home. Annex Table A2 provides more detail on the patterns described below.

Do men or women migrate most? Is it just the young who move?

By and large, migrants tend to be young. That may be because they have more education, skills and information than older members of the household. It may be because there are fewer opportunities locally, including too little land to farm on their own account. It can be that they need to earn and save to accumulate capital to marry, acquire land, buy tools, invest in a small business and so on.

Older members of households, on the other hand are tied down by their responsibilities, above all adult women who are expected to maintain the house and take care of children.

Great differences can be seen in movement by sex. Men generally have more freedom to move, and fewer responsibilities that tie them to the household. Women can migrate, but generally only when they are young before marriage, and when they are allowed to. Some striking regional differences emerge: in Latin America, for example, young women often leave rural communities to work in cities as domestic help – with the intention to save as much as possible and return with capital. The Philippines has extraordinary numbers of young women who emigrate to work as domestic help or as nurses. In other areas, such as Middle East and North Africa, most young migrants are male.

Cultural differences may seem to explain these differences, but economic opportunity can outweigh longstanding ideas about women staying home. For example, in Bangladesh the garment industry depends on many young women from the countryside who move to the workshops of Dhaka and other cities.

Do migrants move pulled by opportunity, or pushed by desperation?

While some recent ideas about migration stress opportunity and the greater mobility of those with capabilities and aspirations, nevertheless some remote areas with few local opportunities have for long been centres of emigration – such as the upper east region of Ghana, and further north, the Sahel.

Local opportunity, counter-intuitively, can sometimes cause some to migrate since that is the only way they can save funds to invest in the opportunity. For example, in Jharkand State, India, some people left their districts when irrigation was introduced, so as to earn the funds to rent irrigated land. In such cases, if rural credit markets worked well, people would not need to leave, but often a loan of sufficient size cannot be had.

Does land tenure affect migration?

Rural landless people are more likely to migrate out to find better-paid work than those with land.

Those with land, but insecure or ambiguous tenure, can be discouraged from migrating when residence is key to retaining land rights. That does not necessarily prevent some members of the household from moving, but it does mean that part of the household will remain to maintain access to land. Across much of sub-Saharan Africa, being resident in the community gives rights to farmland, to build a house, and to use common lands to graze animals, and to collect fuel wood and wild foods. Hence, migration is rarely undertaken by the whole family: adult women, children and the elderly remain while men move.

Do migrants return home?

Migration, particularly moves to cities, gives an impression of permanence. But it seems that for every permanent move, many more temporary moves may be undertaken. Indeed, it is now clear that some migrants may leave their home villages for decades, and yet still return home. The city may have its attractions when working but, for retirement, the village offers the security of land to farm, as well as a familiar social and cultural setting. That has long been seen in Africa, but it can also be seen in contemporary Thailand.

4.2 Outcomes of migration

Migration, once often seen negatively, is increasingly seen as positive.[23]

> *Most migrants, internal and international, reap gains in the form of higher incomes, better access to education and health, and improved prospects for their children. (Human Development Report, 2009; UNDP, 2009)*

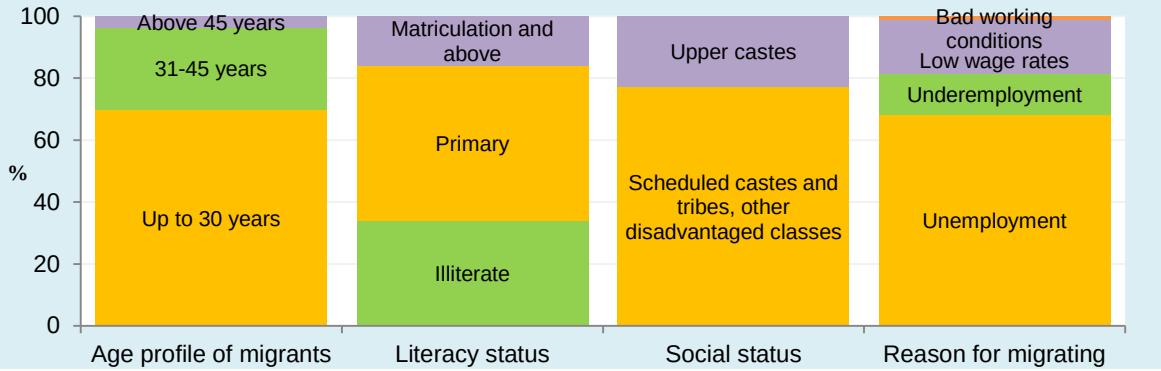
Examples of this can be found locally in contexts as different as Bihar, India (Box 2), and Kagera Region of Tanzania (Box 3).

[23] The migration literature has changed in tone in the new century. Before, much of the writing was sceptical, seeing rural emigration as problematic: see for instance Perz (2000) for Brazil; Zhang and Song (2003) and Lague (2003) for China; Bryceson (2002) for Africa generally, Meagher (1997) for Nigeria, Goldsmith et al. (2004) for Senegal. Subsequently, influenced by booming remittances, the recognition of 'brain gains' as well as 'brain drains', and the potential of diaspora communities to aid development, the tone has been optimistic (de Haas, 2008).

Box 2 Life improving for migrants and their families in Bihar, India

Bihar, northern India, has long seen deep poverty and high inequality. Out-migration is not new, but has increased in recent times, given the opportunities to migrate to more prosperous parts of India, either to cities or to commercial farms in Uttar Pradesh, Punjab and Haryana. Some travel farther to Gulf building sites and beyond.

Migrants are mostly male: men made up 86% of migrants in Mahsham and 73% in Chandkura villages in 2009-2011 (Datta et al., 2014). Migrants were mainly young, had little education beyond primary schooling, overwhelmingly came from the more disadvantaged classes, and were seeking work that they could not find at home (See Figure 8).



Source: from Table 1 and 3 in Singh et al., 2011, data for migrants from Bihar

Figure 8 Characteristics of male migrants and reasons for migrating

Impacts

Women are affected by this (primarily male) out-migration. Female household headship in Bihar went from about 7% in 1993 (below the national average of 9%) to about 22% in 2006, well above the national average of 14%, and the fourth highest of Indian states (Demographic and Health Surveys data).

Women's workloads increased, especially in activities previously shared between males and females, or in those in which women may not have otherwise been involved – such as selling milk and managing animals, managing farms, going to banks, and attending village meetings and social events (Singh et al., 2011; Datta and Mishra, 2011). Women from disadvantaged groups, particularly Mallas – traditional fishers – and Koeri – a caste who grow vegetables, were increasingly involved in previously almost exclusively male preserves of selling farm produce, fish, or prepared snacks in the local marketplace (Datta and Mishra, 2011).

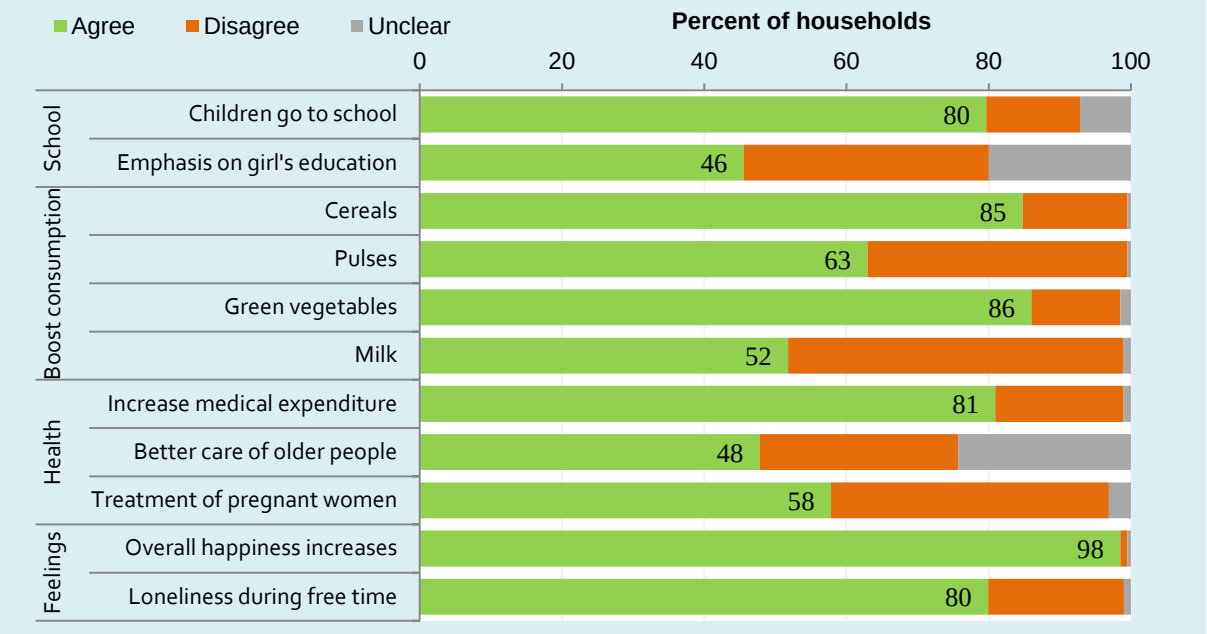
While there was more work and responsibility, women's decision-making power, and possibly autonomy was probably increasing, although women often continued to consult husbands (by phone) or parents-in-law regarding major decisions (Datta and Mishra, 2011; Singh et al., 2011).

Farm wages have risen as men migrate out. Daily agricultural wages in some Bihari villages have tripled in the last 30 years (Datta et al., 2014). Women's wages may have risen by

more than those for men, narrowing the gap. From 2000/01 to 2008/09, Bihari women's real wages for harvesting grew by 15%, while those for men grew by 11%. Nationally, the comparable figures were 9% for women and 8% for men (Usami, 2012).

Most remittances from migrants are spent on food (31%), followed by houses (17%), savings and investments (14%), clothing (9%), medicines (8%), farm inputs (7%), social functions (6%), educating children (4%) and credit payments (4%) (Table 2 in Singh et al., 2012).

Most households reported migration had led to improvements in education, particularly of girls, improved consumption of green vegetables, cereals, pulses, and milk, as well as improved uptake of healthcare options and spending on healthcare (Figure 9).



Source: From data in Table 5 in Singh et al., 2011

Figure 9 Perceived outcomes of migration in Bihar

Overwhelmingly respondents from Bihar reported migration had increased their overall happiness, though more than three-quarters also reported feelings of loneliness (Singh et al., 2011).

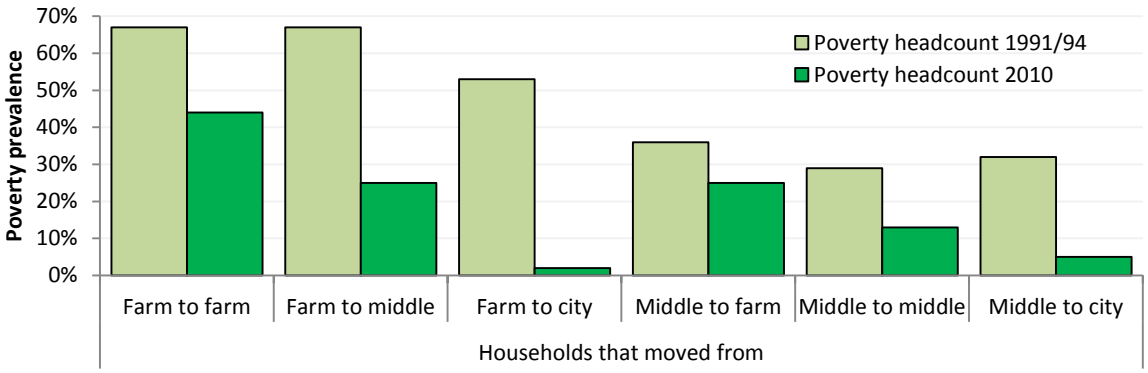
Box 3 Migration and stepping out of poverty in Kagera, Tanzania

Kagera, northwest Tanzania, typifies much of mainland Tanzania in being largely rural, depending on farming and some mining for livelihoods. A panel survey started in 1991–94 has tracked households through to 2010, following them when they have moved, whether to other rural areas, secondary towns or to Dar and other major cities. More than 40% of the panel has moved at some point.

Moving out of the home village contributed enormously to improved living standards across the sample: so much so that by the time of a 2004 re-survey, it was observed:

> *'Had we not tracked and interviewed people who moved out of the community … we would have seriously underestimated the extent to which poverty has gone down over the past 13 years in the Kagera Region; we would have reported poverty reduction at about half of its true value.' (Beegle et al., 2008)*

By 2010, poverty had fallen for all groups in the panel, but especially for those that moved (see Figure 10). The largest relative reduction in poverty came by moving from farm to city. Given, however, the sheer numbers of people moving from farm to 'middle' (i.e. secondary towns), most households escaping poverty had moved from farm to secondary cities.



Source: Table 2 in Christiaensen et al., 2013

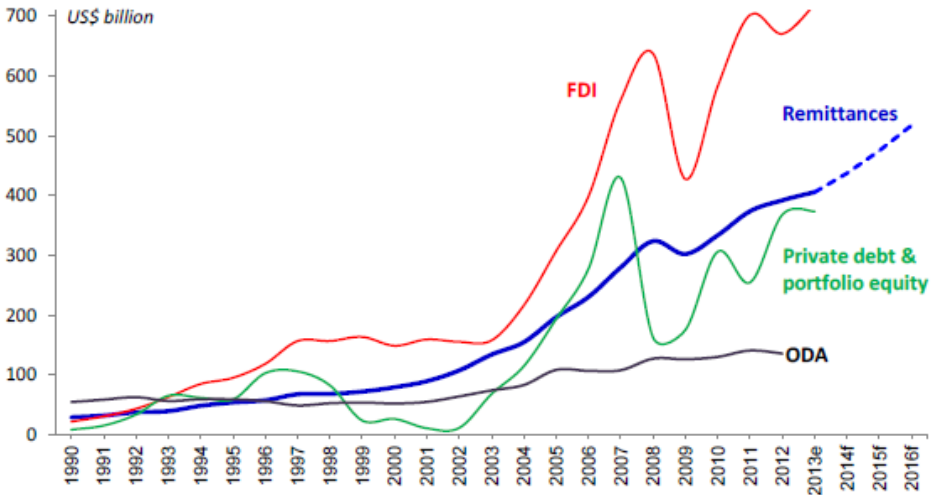
Figure 10 Change in poverty incidence in Kagera panel households: early 1990s to 2010

Overall, half of the households escaping poverty moved out of agriculture to the rural non-farm economy or to secondary towns, and one in seven by migrating to a large city. One in three households exited poverty while continuing as farmers (Christiaensen et al., 2013).

4.2.1 Incomes in sending areas

Remittances can directly raise the incomes of people in areas of out-migration. International remittance flows have boomed in the new century to more than US$430 billion a year, not including funds sent through informal channels: far more than official development assistance (see Figure 11) (World Bank, 2014).

Figure 11 Official remittance flows compared to other large monetary flows, 1990–2016 projection

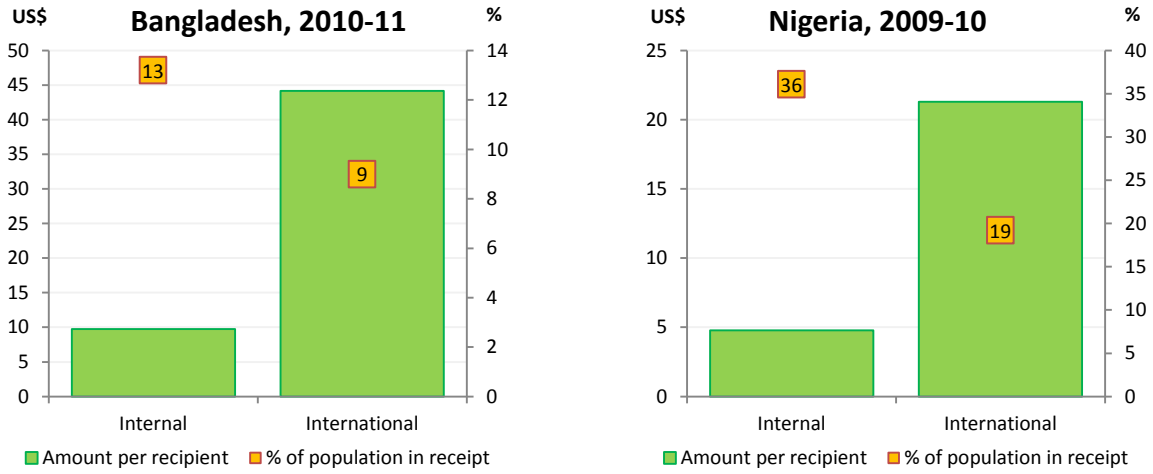


Source: Figure 1 in World Bank, 2014. Original source: World Development Indicators and World Bank Development Prospects Group

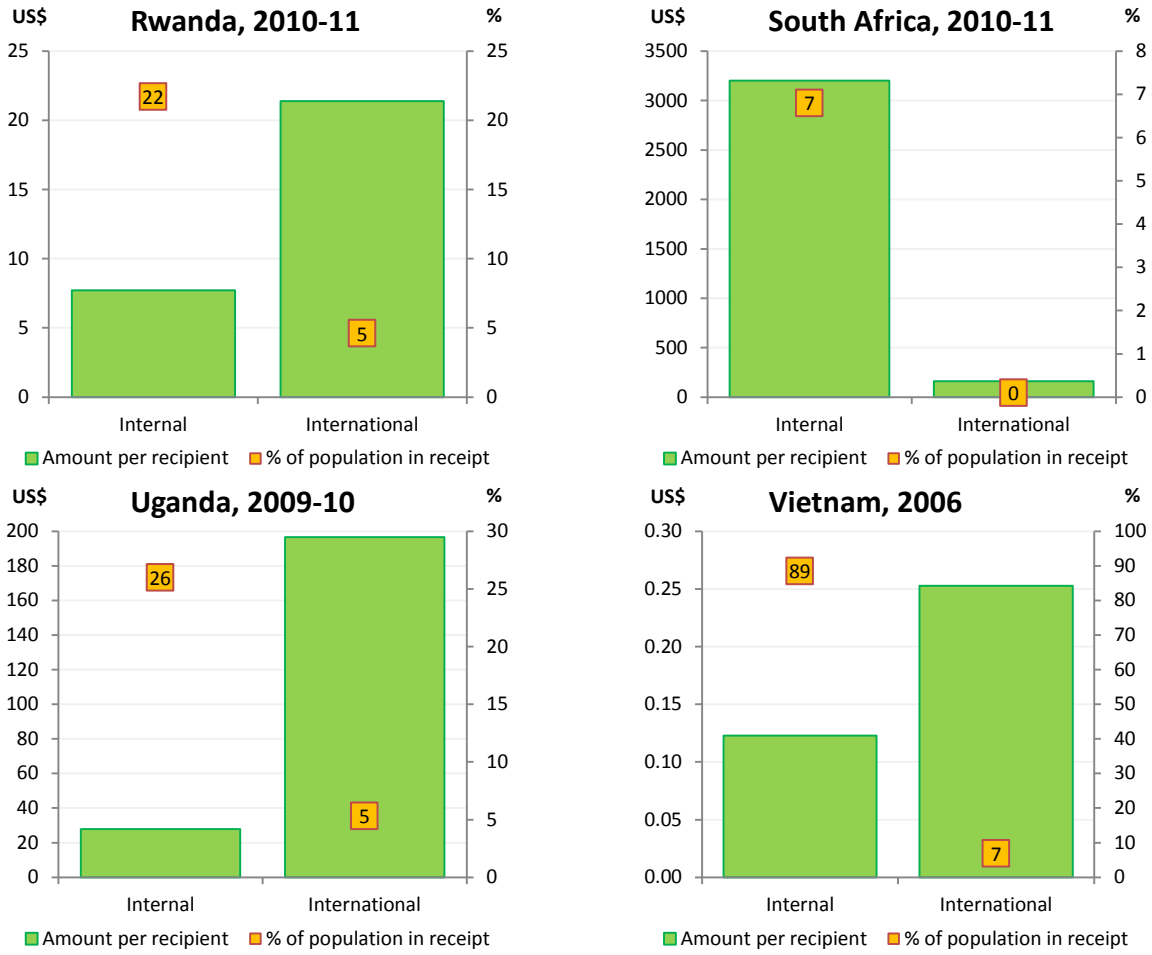
Note: FDI = foreign direct investment, ODA = official development assistance

Internal remittances are part and parcel of livelihoods for many poor families in the developing world with migrant members. In China in 2005, for example, internal migrants transferred some US$30 billion (Gransow, 2012). Given more domestic than international migrants, it is not surprising to see that more households receive internal remittances than get international transfers (see yellow squares in Figure 12 that report estimates for a sample of six developing countries). Remittances, however, are often small, especially internal remittances.[24] Rural areas often receive the lions' share of remittances (see the example of Uganda in McKay and Deshingkar, 2014).

Figure 12 Amounts received per head, and proportion of the population in receipt of remittances, selected developing countries



[24] Nepal provides another example: just 30% of internal migrants recorded were remitters in 1996, sending home only 4% of their incomes (Regmi and Tisdell, 2002 using National Migration Survey data). International remittances, however, tended to be much larger.



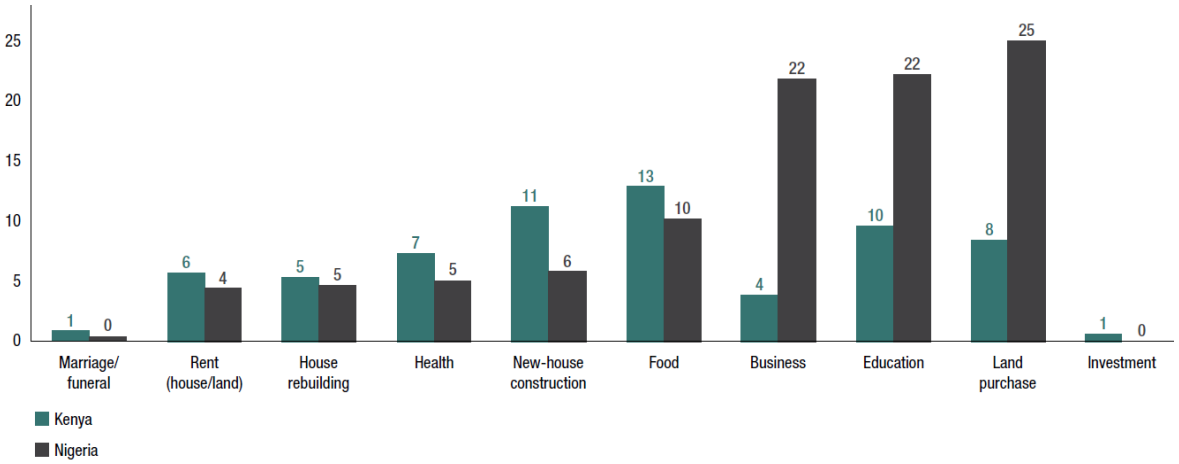
Source: Tables 2 and 4 in McKay and Deshingkar, 2014. Amounts converted to US$ from local currency units (LCU) using World Bank World Development Indicators (WDI) data on official exchange rate for survey years.

Amounts received by household in Bangladesh and Vietnam were converted to individual figures using household size estimates of 4.5 in 2010 for Bangladesh (Household Income and Expenditure Survey for Bangladesh) and of 4 in 2006 for Vietnam (from census data). Vietnam figures include gifts, not just migration related remittances

Levels of remittances vary according to what migrants earn, but tend to be higher for shorter duration moves, when the migrant clearly intends to return, and when migrants feel attached to their homes (Regmi and Tisdell, 2002 on Nepal). Young women migrants, in particular, may feel under more obligation to send home funds than young men (Eversole and Johnson, 2014 on the Philippines).

Most remittances are reported to be used for higher consumption, and are spent on food, medicines, consumer goods and better housing. But some may be invested: in school fees, in businesses, and in land and agricultural production (see Figure 13 for the diversity of uses in Kenya and Nigeria). Households in northeast Burkina Faso that had members who migrated seasonally to Côte d'Ivoire used their earnings to invest in livestock and in millet. They not only raised their incomes but also diversified their portfolio of farming as a bulwark against bad weather (Konseiga, 2006).

Figure 13 Use of international remittances in Kenya and Nigeria, 2009, share of total value



Source: Figure 2 in Watkins and Quattri (2014). Original source: Mohapatra and Ratha (2011), with calculations based on household surveys from Kenya and Nigeria in 2009, as part of the Africa Migration Project.

Investment of remittances may depend on the ability to generate returns. In Kenya, the relatively better-off rural households were those that used remittances to intensify their agricultural production and invest in soil conservation, as they had better access to contracts and similar incentives to commercialise, unlike their poorer more subsistence-oriented neighbours (Grenier and Sakdapolrak, 2012).

Remittances can flow from originating households to migrants, typically as farm produce sent from rural households to their urban members (Greiner and Sakdapolrak, 2013, citing examples from Kenya (Djurfeldt and Wambugu, 2011; Uwuor, 2007).

4.2.2 Labour loss in sending areas

Migration reduces household labour, often removing young adults in their most active years. For farming households that can mean less of the farm is cultivated, or that intensity of production falls.[25] Loss of labour may result in extra work for family members left behind. Agricultural workloads for women may increase with high (largely male) out-migration, as seen, for example in China (de Brauw et al., 2012). 'Feminisation' of agriculture not only increases women's work, but also can reduce output if women have less access to fertiliser and inputs than men typically do (Croppenstedt et al., 2013; Peterman et al., 2010).

But, these drawbacks are not inevitable. In Bihar (Thakur et al., 1997), Java (Firman, 1994) and Sumatra (Leinbach and Watkins, 1994) out-migration had little effect on farm labour since migrants left in the off-season and returned for the farming season. Even if households have less labour at peak seasons, they may compensate by hiring in labour, financed by remittances. Alternatively, they may mechanise, as reported for contemporary China (Yang et al., 2013).

[25] See studies in Bolivia (Gisbert et al., 1994), Botswana (O'Laughlin, 1998), parts of China (Croll and Ping, 1997), north-east Ghana (Cleveland, 1991), Lesotho (Plath et al., 1997), Swaziland (Low, 1986; Leliveld, 1997), north-east Thailand (Jones and Pardthaisong, 1999)

Another response is to substitute other inputs for scarce labour. In lowland Lesotho households with migrants substituted fertiliser for absent labour[26] to grow maize and sorghum, so that their yields were not significantly different to the yields of non-migrant households: they were actually technically more efficient than non-migrant households (Mochebelele and Winter-Nelson, 2000). A similar study from Burkina Faso (Wouterse, 2008) found households with migrants in other parts of Africa were significantly more technically efficient (78%) than households without migrants (68%), although that of households with intercontinental migrants was significantly lower at 61%. In China, remittances and earnings from local off-farm employment allow farmers to buy higher-quality inputs for grain production (Yang et al., 2013).

When migrants simply cannot farm their land, they may lend it to family or rent it to neighbours, as seen on the Bolivian altiplano when entire families have moved to El Alto to work in manufacturing (Urioste, 2005).

4.2.3 Migration and child care

Of perhaps more concern is that increasing demands on women's time will detract from children's health, care and nutrition. In the 1940s in northern Zambia the wives of men who had migrated to the mines of the copper belt were too busy farming to prepare meals frequently enough for infants. Subsequently commercialisation of maize farming in the 1970s and 1980s had similar effects: household incomes rose, but so too did malnutrition among children (Moore and Vaughan, 1987). Similar results were seen in studies from the 1980s, where mothers' work harmed the nutrition of infants in the Philippines, Kerala and south India, although in other cases additional incomes usually had a positive impact on child nutrition (Gillespie and Mason, 1991). In some cases, it was seasonality that mattered: for example, when demand for labour to plant crops coincided with a high incidence of disease to which infants were particularly vulnerable. More recently rural Nepalese preschool children were seen as less likely to get care from mothers working on cash crops when there was only one child: but when there was more than one child, field work did not detract from childcare. This surprising outcome could have resulted from the stronger demand on mothers' time from multiple children that prevented unwitting neglect, plus the likelihood that mothers with several children would have received more education and training (Paolisso et al., 2001). The relationship between farm work by mothers and childcare is thus neither straightforward nor direct, and may be mediated by a wide range of factors.

Migration can see both parents leaving, leaving children with grandparents. In China in 2008 an estimated 58 million children were left behind in the countryside (Gransow, 2012, citing research from the Chinese Women's Federation). These children may benefit from remittances sent by their parents and achieve higher education or better nutrition, but the cost of separation is high for all parties. Children with migrant mothers in the Philippines were found more likely to lag behind in school compared to those with migrant fathers (Cortes, 2011).

4.2.4 Loss of skills

A particular concern is that migration leads to loss of skills in sending areas. For international migration, the term 'brain drain' was coined in the 1950s to describe science and technology workers migrating from post-war Europe to North America. Subsequently, it has been used for the loss of skilled workers from developing countries, as for example in Ghana, where 60% of doctors trained in the 1980s were lost to migration (Ramamurthy, 2003).

[26] Curiously they also used less seed.

It is not necessarily true, however, that skilled people leaving developing countries slows development. Some countries may simply not be able to absorb the skilled manpower they generate, as Ramamurthy (2003) claims for India. But, there are more powerful reasons to question the cost of brain drain. Educated migrants remit more since they earn more (Bollard et al., 2011), so sending locations gain capital. Remittances help to pay for education of family members back home, the 'brain gain' effect. Brain gain also results if prospective emigrants invest in higher education and skills development.

Moreover, many migrants come home even after years of being away, bringing with them acquired skills and knowledge. (Ramamurthy, 2003; de Haas, 2010b). In Morocco for example, migrant-sending regions such as the Rif, Sous and southern oases have been transformed in large part through remittances improving living conditions, education, and thereby helping to spur agricultural, real estate and other business. These areas are now attracting 'reverse' migrants (de Haas, 2007).

4.2.5 Environmental impacts

Impacts on the environment of sending areas are not well documented. Loss of labour could lead to less time for conserving soils. On the other hand, remittances may allow conservation work. In the hills of Nepal, when men out-migrate households may give up farming on steep slopes partly for lack of labour, but also because it is no longer necessary to undertake such difficult cultivation when households receive remittances. While that may relieve pressure on the land, it may leave old terraces in disrepair so they collapse with much subsequent erosion (Khanal and Watanabe, 2006).

Environmental impacts of migration may not readily be predicted, since usually there are other changes taking place that affect land use.

4.2.6 Living and working conditions for migrants

Migration from rural areas often alarms leaders since they fear it will place pressure on housing and services in cities, leading to growth of slums, where already a billion people are estimated to live (Ooi and Phua, 2007). Given that much of the growth of urban areas comes from the already resident urban population (Potts 2012 for Africa), or from reclassification of growing settlements from rural to urban, it is far from clear that migration is the main contributor to the growth of slums.

Some migrants face serious risks from poor or dangerous working conditions. Recent examples include men held against their will on fishing boats off Thailand (Davey, 2014); abuse of migrant domestic workers, especially young female maids, and unpaid wages in Bahrain (Gulf Daily News, 2014; Unnikrishnan, 2014); Greek farm guards shooting at illegal migrant strawberry pickers, wounding 35 (Smith, 2014); workers in India's brick kilns punished with amputation (Hawksley, 2014); squalid labour camps and unsafe working conditions in Qatar for mainly South Asian labourers (Hosea, 2014); and a host of other 'all too common' human trafficking examples cited by the US Department of State (2014). While such examples may be extreme, not representative of the experience of most migrants, they underscore the urgent need to protect the rights of migrant workers.

More commonly, if less newsworthy, migrants are not afforded the basic rights of their neighbours, and may be marginalised or discriminated against in their new or temporary homes. Internal Indian migrants have not been entitled to social services or development scheme benefits in the places to which they migrated (see example in Rogaly et al., 2001). The *hukou* or household registration system in China has for a generation marginalised rural migrant workers and their families in urban areas. It has prevented them accessing education and health care in cities and left them open to being paid less and treated worse

than urban residents (Chan, 2010). Fortunately the system is being relaxed (Branigan, 2014).

Loneliness can affect those migrating alone, especially when moving for long periods and to distant locations where there is little chance of coming back for holidays. International migrants from the Philippines and their families back home recognise these hardships, but see them as overall worthwhile given the immediate material benefit – and the better chances created for the household in the future through investments in education, land and business possible with remittances (Eversole and Johnson, 2014).

4.2.7 Migration and inequality

While inequality is clearly a driver of migration, it is not clear exactly how migration might influence existing inequality. If migrants tend to come from better-off households, and if the more educated migrants get the best jobs and remit more, then migration could widen income distribution in sending villages. Although cases of this can be seen, such as in western and northwestern Cameroon where better-off households were more likely to receive remittances than poorer ones (Schreider and Knerr, 2000), in other cases inequality has fallen because migrants from poor households have been able to earn so much more than they could have at home. Much depends on context: who moves, what work they get, how much they remit and so on (Gent and Black, 2006).

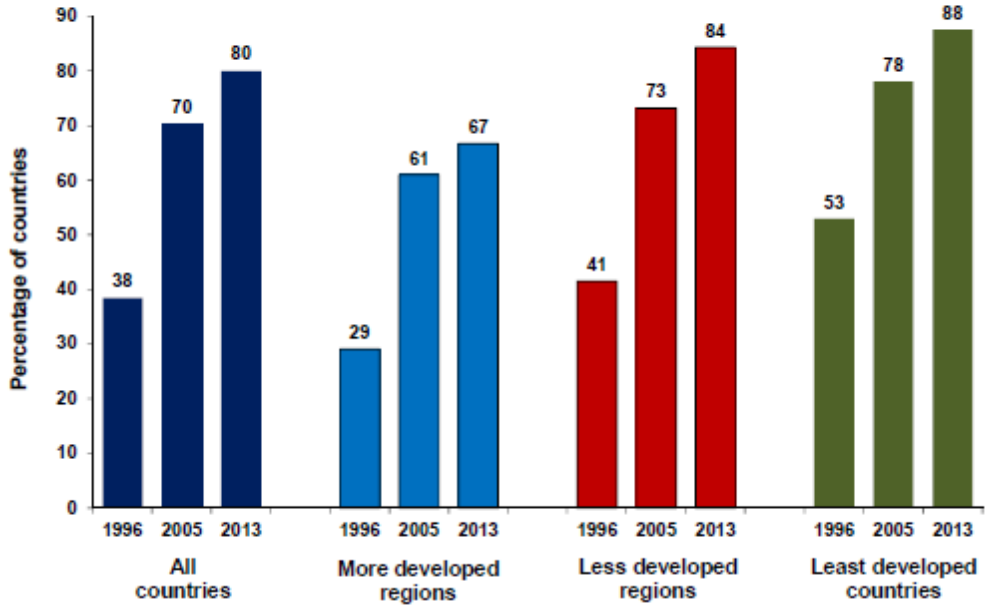
For example, migration from a village in Sylhet, Bangladesh, though raising inequality between wealthier households and the very poorest also caused inequality to decrease between the wealthiest elite who used to hold positions of power and many poorer households who had previously depended on them for economic and social support (Gent and Black, 2006, citing Gardner, 1995).

In Mexico, communities with longstanding migration had less inequality between households compared to others (McKenzie and Rapoport, 2007). Although early on most migrants were not poor owing to high costs of migration, the networks that formed then lowered the cost for subsequent migrants. This, it seems, was also happening in communities with a shorter history of migration.

4.3 Policy implications

While patterns of migration may be diverse, defying simple characterisation, the most common policy aim is simple: to limit migration from rural to urban areas. Governments typically see migration as abnormal and inconvenient: a sign of failure in the countryside, a bringer of congestion and potential social discontent to cities. Both perception and objective appear to be strengthening (see Figure 14). By 2013, 80% of countries had policies to limit rural-urban migration, up from 38% in 1996. This is particularly the case in least developed countries, where the percentage had risen from 53% to 88%.

Figure 14 Countries with policies to limit migration from rural to urban areas, by level of development, 1996–2013



Source: Figure V.2 in UN 2013

Policies range from making it harder for people to move to cities through residence permits, deterring informal settlement in urban areas, etc.; and, on the other side of the equation, using rural development programmes to make remaining in rural areas more attractive. To judge by the levels of continuing migration, these policies have not been that effective – although it begs the question of what might have happened in their absence, a proposition rarely tested in studies to date.[27]

Given that the bulk of the evidence (Lall et al., 2006 is a good summary, as is World Bank, 2009) sees migration as positive on balance, then why the aversion to allowing people to move where they wish? While migration may raise welfare given time, in the short run informal urban settlements proliferate, increasing demand on urban infrastructure and services, while established urban workers see arriving migrants threatening their jobs and wage levels.[28]

A positive agenda for migration has two main strands: accommodating and facilitating movement, including facilitating remittances; and protecting the vulnerable.

On the first, more information would allow would-be migrants to make better choices of where and when to move, and how they may prepare for success by, for example, training in skills. Information may also deter unwise moves. Rural Indonesians who watch television are less likely to see themselves as much poorer than their urban counterparts: they have a lower estimation of the benefits of urban living compared to those who do not and, hence, they migrate less (Farré and Fasani, 2013).

At urban destinations, city authorities could plan for appropriate settlements for those arrivals likely to be on low or modest incomes by providing plots serviced with water, sewerage and

[27] Studies from China however suggest that *hukou* registration has hindered migration to cities (Lall et al., 2006).

[28] A common conundrum: policies and processes that lead in time to net welfare gains will often be opposed when either there are short-term drawbacks, or some groups lose with little prospect of compensation from those gaining (Rodrik, 2013).

electricity. Arriving migrants would then be able to construct their homes in stages as they accumulate the means to improve their housing. This potentially costs less than trying to construct fully serviced public housing.[29]

Less costly and convenient ways of sending remittances would help. It costs Africa's diaspora an average of 12% commission to send US$200 back home – almost double the global average (World Bank, 2014; Watkins and Quattri, 2014). Internal remittances can be equally costly. For example, few migrants in India can use banks to send funds home since most cannot open accounts. The Post Office is an option, but money orders charge 6% commission. Most payments are therefore informal, through travelling friends and family or hawala (hundi) schemes.

Three recent developments in India may reduce the costs and increase convenience. One is the entry of payment transfer companies using biometric smart cards to set up accounts for illiterate migrants. Another is mobile phone payments. (UNESCO, 2013). More recently, in September 2014, the government announced that all Indians are to have a simple bank account – and set up 15 million accounts on the first day.[30] In Africa, money transfers via mobile phones are now well established in Kenya with the M-Pesa scheme that is being widely imitated by mobile providers in other countries.

Protection of the vulnerable includes providing migrants with information on labour law and rights and allowing unionisation. It also means giving them the same rights to public services that existing residents have, such as health, education and childcare (de Haan and Rogaly, 2002, Lall et al., 2006). Indian experience shows that access to services, as well as protection from abuse by police, may be enhanced by the simple matter of proof of identity. Hence, several schemes from NGOs have been started to create identity cards that are recognised by city authorities. Some of these include insurance, others include union membership (UNESCO, 2013).

In addition, developing rural financial services (see the previous section) might eliminate the need to migrate to accumulate capital to invest back on the farm or in a rural business.

29 'Site and service' schemes have long been advocated, but they are far from panacea in practice since traps await the unwary. Bredenoord and van Lindert (2010) review ideas about self-help urban housing.

30 http://www.eastasiaforum.org/2014/09/19/modis-new-financial-inclusion-plan-is-a-step-in-the-right-direction/

Key points

- Migration from rural households is remarkably frequent across a range of circumstances. Many moves are not permanent, but temporary and circular: links from rural households to migrant members are often strong, leading to the formation of households with multiple locations.
- Internal migrants far outnumber international migrants, and more people receive remittances from internal rather than international migrants.
- Migration responds to economic incentives of higher pay on offer at destinations, as well as to social motivations of marriage and new experiences. Much of the migration from rural areas can be seen as a household decision to allocate labour to where it earns its highest net returns. Some of these moves effectively overcome limitations in rural insurance and capital markets.
- Although some migration reflects desperate moves to ensure household survival, more often it is a response to opportunity. It increases with the capacities and aspirations of potential migrants, which means it is not always the poorest who move most. Migration is often substantially influenced by social networks that provide information about opportunities, as well as initial support for migrants seeking work, housing and urban services.
- Migration can help households increase their portfolio of livelihoods and hence reduce risk and enhance welfare. Sending households benefit from remittances. They may lose labour, but the increased earnings and remittances allow compensating investments on farms and rural businesses, including hiring in of extra labour.
- Drawbacks and dangers of migration exist. Leaving the household is often stressful for both migrant and the rest of the family. Migrants run the dangers of being badly treated in their workplaces, living in poor conditions, and suffering discrimination in access to urban services.
- Governments often try to stem migration from rural areas, fearing that migrants will strain services in urban areas, lead to the proliferation of slums and may also become a source of political discontent. By and large, attempts to restrict movement have not stemmed migration, but have increased the costs and dangers to migrants.
- Better policy would seek to facilitate rural household choices by:
  - providing them with better information about distant opportunities;
  - reducing costs of remittances; protecting their rights as workers and in access to public services as citizens no matter where they may reside; and
  - developing rural financial services so that it is not necessary to migrate to accumulate funds to invest in farming and rural business.

SECTION 5

Rural-urban links and the urban hierarchy

5.1 Introduction: resurgent interest in urbanisation and growth

The growth of manufacturing and services almost always sees these activities concentrated in urban areas, owing to the economies of agglomeration described in section 2.1. Hence urbanisation runs in parallel with development.

Recognition of the importance of cities has been revived in development thinking.[31] If 10% more of the population were to move to towns and cities of Ethiopia and Uganda by 2025, then economic growth would probably be faster, according to International Food Policy Research Institute (IFPRI) modelling (Dorosh and Thurlow, 2012). Although public spending in rural areas is more effective in reducing poverty. Urban development need not be at the cost of rural areas, however. The Uganda model shows that the more developed the urban economy, the greater the benefits of urbanisation for the rural economy from demand for produce and other links.

This section explores how urbanisation affects the rural economy and how links between town and country can be mutually advantageous.[32]

5.2 How urbanisation affects the rural economy and livelihoods

Growth and development usually result in closer links between rural and urban areas. This arises in part from reduced transport costs between villages and towns, owing to investment in better roads (and occasionally railways), as well as to increasing closeness to towns as local market centres grow to be urban in size and function. Links are further encouraged by the sheer size of urban centres: more interchanges are likely between a rural district and a large city than a smaller one, distance and other things being equal.[33]

Between rural and urban areas flows of the following take place:

- People – migration, commuting, market visits, leisure and social visits;
- Inputs – industrial inputs for farming from towns to farms, agricultural raw materials from farms to towns;
- Produce – food from farms to towns, consumer goods from urban factories and import warehouses to villages;
- Finance – flows of capital to and from rural areas, including remittances from migrants. Rural savings with banks are often held in cities; and

31 Since the early 1990s when Krugman (1991) and others set out the '***New Economic Geography'***, interest in the geography of development and urbanisation has grown. The 2009 World Development Report (World Bank, 2009), ***Reshaping Economic Geography*** summarises economic thinking about location.

32 A forthcoming topic guide on '***Building Reciprocal Rural-Urban Linkages through Infrastructure and Development***' also summarises rural-urban links, focusing on the needs of DFID's infrastructure cadre.

33 For this reason, models of trade often take a gravitational analogy and posit increasing flows with the size of the centres trading, while increased distance reduces flows.

- Information – technical advice, market prices, urban conditions and work opportunities, etc. (Douglass, 1998; Satterthwaite, 2000; Tacoli, 1998).

What effects do closer links to urban areas have on the economy and livelihoods of rural areas? Three sets of effects are likely (Table 2 summarises):

Stimulus to existing production: agriculture and the rural non-farm economy

Closer links should result in lower transport costs between towns and villages, thereby raising the price paid for farm produce at the farm gate, while reducing the cost of industrial inputs whether from domestic factories or else imported. Price changes should raise returns to farming, and thereby stimulate more production, especially through intensified use of fertiliser, agro-chemicals, tools and machinery.

Better flows of information on technical innovations and market opportunities should further increase the incentives to produce for market. So too should easier access to services such as banks and other finance agencies, legal services, sellers of advanced inputs, technical specialists and so on that are usually only available in towns and cities. Such productive services should also stimulate rural non-farm enterprises as well. Closer links to cities should also make it easier to access some public programmes and services, including training schemes and investment grants.

Not all rural enterprises benefit from closer links to cities: reduced costs of industrial goods often signal the end of craft and artisan manufacturing in rural areas. The consolation here is that such manufacturing provides only a small share of employment in the rural economy, and in some cases has never been well-paid work.

Increased rural welfare

Lower transport costs should bring down the cost in rural areas of consumer goods, allowing people more consumption for the same income. Less cost and time to travel to towns should allow rural people better access to services predominantly found in urban areas such as hospitals and higher education.

Immediate effect	**Likely consequences *(negatives in italics)***
Stimulus to existing production: agriculture and the rural non-farm economy	
Reduced transport costs result in: (a) Increased effective demand for agricultural output, since farm-gate prices will rise with reduced transport costs	Incentives for agricultural production, with intensification through increased use of purchased inputs *Competition for land*
(b) Reduced costs of agricultural inputs – manufactured fertiliser, chemicals, machinery – at the farm gate	
(c) Increased flows of information about markets and ruling prices, technical innovations, and about alternative opportunities in the urban economy	Closer focus of farms and other rural enterprises on urban markets Technical improvement as news of innovations travels more easily More migration from country to town
(d) Reduced costs of consumer goods produced in urban areas or imported	*Competition eliminates rural cottage industries*
(e) Better access to productive services usually found only in towns such as financial services	Lower costs of financial services for both farms and non-farm businesses
Increased rural welfare	
Reduced costs of consumer goods produced	Better welfare for rural households

Immediate effect	Likely consequences *(negatives in italics)*
in urban areas or imported	
Better access to services that are either only usually found in towns and cities or where quality and variety are much greater in urban areas – hospitals and higher education for example	Better welfare for rural households
New opportunities for rural livelihoods – and threats	
Less travel time to cities	Commuting from villages in peri-urban areas to towns
Increased demand for rural services for growing cities, including: • **leisure** • **environmental services such as water supply** • **housing for commuters** • **industrial space for decentralised factories** • **waste disposal.**	New opportunities for rural enterprise in leisure, construction, etc. Rising land values in peri-urban areas *Land disputes in peri-urban areas* *Rural resources appropriated largely for the benefit of city dwellers with inadequate compensation for existing rural users – game, forest and environmental reserves*

Table 2 Effects of closer links to urban areas on rural areas

New opportunities for rural livelihoods – and threats

Being closer to cities can change not just the degree of already existing rural activity, but also create new ones, especially when urban economies grow and residents see their incomes rise. City residents increasingly look to rural areas to provide them with leisure and environmental services such as water supply from rural catchments. Some urban workers prefer to live in rural areas, and so look for houses in peri-urban areas. For some manufacturing plants, the advantages of agglomeration do not depend on being in the centre of cities, so to escape congestion and high rents they locate in the peri-urban periphery looking for land and services. New opportunities for rural households and businesses thus arise: renting out land, constructing homes and factories, providing hotels and restaurants for tourists and day trippers, and protecting environmental assets.

Not all interactions are beneficial. Some municipalities and industries may see adjacent rural areas as places to dispose of waste with dangers of pollution of land and water. Demand for land in peri-urban areas can become intense. Rights to land can be confused when rural land governed by longstanding traditional authorities comes within an expanded municipal boundary so that town councils also believe that they have jurisdiction. The result can be a mess, with those looking for a housing plot finding themselves buying land from a rural user, registering the land with the council and paying taxes, as well as also paying for recognition by a traditional rural leader.

By and large, urbanisation can benefit rural areas. The question then is how best to promote positive interactions.

5.3 Fostering rural-urban links: urban functions and hierarchies

Can rural-urban links be stimulated by particular kinds of urbanisation, either by the functions of urban centres, or by their size and concentration?

5.3.1 Enhancing spatial interactions

Interest in fostering links is longstanding. An early expression was Perroux's ideas (1955) about growth poles in which linkages from dominant industries would encourage further investment and growth. If thriving urban centres, growth poles, were created in rural areas, then they would energise the surrounding rural economy. Although the idea captured imaginations, attempts to put it into operation were not that successful (Tacoli, 1998; Douglass, 1998).

Later, in the 1970s and 1980s, a similar idea arose in the 'agropolitan' approach. This proposed district towns as centres for political, administrative and non-farm business functions. Towns would be close enough to rural areas to allow decentralised and democratic administration, but would be large enough to capture some economies of agglomeration (Douglass, 1998). Once again, however, attempts to put the concept into operation had limited success. Closer examination of the functions of cities with significant rural surroundings shows that it is far from automatic that the urban centre fulfils all the urban-rural links expected (see Box 4 on the experience of Pokhara, Nepal).

Box 4 Rural-urban interactions, the case of Pokhara, Western Nepal

Since the 1960s trade and services businesses in Pokhara, western Nepal, have expanded. In the early 2000s, interactions between the city and five selected rural centres within 60 km were studied.

Links between Pokhara and its hinterland were not that well developed. Manufacturing, for example, used raw materials form distant locations in Nepal and India. Some local manufacturing – such as spinning, weaving and metal refining – had disappeared in the face of competition from imported goods, mainly from India.

Construction was labour intensive and provided local employment, although some skilled workers came from India. Most construction materials – cement, steel, paints and tin sheets – also came from India.

While people from the rural hinterland visit Pokhara to sell whatever surplus they have, they generally buy more than they sell, and what they buy is generally imported into Pokhara from afar. Indeed, the rural economy of the hinterland has been undercut by the increasing availability of imports. When farmers try to produce vegetables, fruits and dairy for the city, they face competition from products hauled from India.

Pokhara tended to draw in finance from rural areas. Rural savings tended to be invested in towns, not villages. The funds were invested in housing, hotels and some businesses. Most non-farm income came from migrants, with distribution skewed towards members from the better-off households.

Indeed, Pokhara was overwhelmingly dependent on external income flows — remittances, pensions (from British and Indian armies) and tourism receipts.

All in all, Pokhara's interactions with the surrounding rural areas were limited.

Source: Adhikari and Seddon, 2002

Even if to date theories of spatial interactions have not readily produced practical policies for developing countries, in the new century at least three related sets of ideas have captured imaginations, as follows:

- Local economic development (LED) (as described in section 3.3 above);

- Territorial development – *desarrollo territorial* – has attracted much interest in Latin America. It resembles LED, but takes a broader view of cities and their surrounding regions. Very different patterns of economic growth, equity and reduction of poverty can be seen across Latin America regions, leading to the question of why some have been successful on all three counts and others have not. The search for answers has looked not only at economic factors, but also at the local social networks, cultural norms, and the institutions that arise out of these.

  As with LED the approach is partly formal investigation and partly practical action with stakeholders from the city-regions. Studies reveal fascinating insights (Berdegue, 2014), but not necessarily readily transferable lessons – other than guides to local processes beginning by forming coalitions of stakeholders in government, business and civil society prepared to create and sustain a long term vision for a city and its region.

- Industrial clusters are groups of firms in the value chain of a particular industry, both those engaged directly in production and those providing services to them. Successful cases include knitted textiles in northern Italy, [34] shoes in Brazil, metalworking and textile industries of Ludhiana in the Indian Punjab, engineering and electronics in Bengalaru – and many more. They seem to show how manufacturing can start in locations with little or no prior experience, and develop through relatively small firms.

  Case studies show that such small firms have been able to both innovate and produce at sufficiently low cost to compete, thanks to mutually beneficial interactions among these firms. Clusters function well when high levels of trust among the firms allow contracting with low transaction costs; when geographical proximity creates external economies in enterprises that service them and in public support through training; and when friendly rivalry leads to innovation as firms seek to produce different designs and technical refinements to their outputs. (Humphrey and Schmitz, 1996; Humphrey, 2003; Schmitz and Nadvi, 1999).

All three approaches qualify notions that economic forces of agglomeration are the only ones in play. Less tangible social networks and institutions also play a role in reducing transactions costs and fostering innovation.

5.3.2 Urban hierarchies

Questions about urbanisation and its effects on rural areas do not only concern functions: size is another consideration. Across the world, the distribution of the urban population along a hierarchy from the largest to the smallest urban units varies. In Argentina, for example, Buenos Aires (population 13.5 million) has eight times more residents than the next largest city, Córdoba (1.6 million). In contrast, in Germany the ratios are much closer so that, after Berlin (3.5 million), Hamburg (1.8 million), Munich (1.4 million) and Cologne (1 million), there

[34] Northern Italy is also home to a vibrant manufacturing cluster that produces cycling components and bicycles, clothing and footwear – known and admired amongst cyclists for their quality and style.

are no less than ten cities with populations ranging from 0.68 million for Frankfurt to 0.51 million for Nuremburg.

Does the degree of concentration affect rural-urban links? A high concentration of populations in metropolitan areas might be expected to have strong agglomeration economies and hence rapid growth. By concentrating urban population, however, the median distance from rural areas to the nearest city may be greater than in a more dispersed hierarchy, thereby reducing linkages. Implicit in ideas of growth poles and agropolitan centres is that a more dispersed pattern would lead to stronger (and beneficial) interactions with rural areas. Surprisingly little, however, is known about secondary cities and how to stimulate them (Roberts, 2014; Chen and Kanna, 2012).

Two recent studies shed light on this. The simulation models for Ethiopia and Tanzania (Dorosh and Thurlow, 2012) show that investment in metropolitan areas promotes more growth than the same investment in secondary towns. Effects on poverty, however, differ: in Ethiopia investing in secondary towns reduces poverty more than investment in cities; in Uganda, the effects are reversed.

Rather than models, Christiaensen and colleagues (2013a and 2013b) used empirical observations at national level to test the impact of urbanisation on poverty across countries. They find that growth of metropolitan cities, boosted by migration from rural areas, leads to faster growth, but also to higher income inequality. Growth of secondary towns, however, typically facilitates more inclusive but slower growth with more reduction of poverty. This results because more people leave rural areas for secondary towns, with reasonably good chances of finding work there, albeit often unskilled and modestly paid work. Those going to cities potentially can earn more, but finding a job is less certain and hence a riskier option.

Hence the limited evidence suggests that growth of large cities maximises economic growth, but secondary cities help diffuse the benefits of urban growth and so do more to reduce poverty in low-income countries. The studies cited in this sub-section, however, suggest that the benefits of promoting secondary centres outweigh any loss of growth in metropolitan centres.

5.4 Policy to simulate urban-rural links

The above suggests three general conclusions for policy makers concerned with rural development:

- Since closer links usually benefit both urban and rural areas, invest in roads and other infrastructure to improve transport and communications between town and country;
- More urban-rural interaction potentially creates more options for rural households: but only if they have the assets to take advantage. Hence rural areas need infrastructure – roads for access as above, but also power supplies. Rural people need to get the education, health and clean water to allow them to work and live to their potential. It also means developing financial services by overcoming the market failures that impede their development; and,
- To avoid harm from closer links, strengthen the rights of rural households to land, water and other natural resources they have long used. This applies especially in peri-urban areas.

Are there specific policies for the pattern of urban development and rural-urban links? Specific, planned attempts to shape patterns of cities and influence regional development

have not always had notable success;[35] hence, a general lesson is caution (Henderson, 2012) in these matters. That is partly because we do not understand well enough the detail of the complex processes of spatial development, and partly because most governments do not have the capacity to intervene to good effect.

That said, regional initiatives to foster local economic development, rural territorial development and to encourage the creation of industrial clusters in secondary cities may pay off. Since they do not necessarily involve much additional financial cost – successes seem to arise from co-ordination and networking that require time, commitment and leadership, there is little to be lost and something to be gained by making the additional effort.

Guidance on such initiatives comes in two forms. One is general guidance on processes that usually start by forming coalitions of stakeholders in government, business and civil society prepared to create and sustain a long term vision for, variously, the city and its region for territorial development, or the municipality in the case of local economic development, or particular value chains for industrial clusters. The other comes in the form of case studies of success in these areas. Common to most is the creation of coalition of interested parties, followed by pragmatic actions that address local opportunities and bottlenecks incrementally, often with learning, reverses and enough determination to find working solutions. Blueprints are absent.

Regional and local efforts will have more chance of success if administration is decentralised so that lower tiers of government have space to lead or support local initiatives (Roberts, 2014). Decentralisation is a major topic in itself (see recommended reading).

35 Not that public action has had no effect on urbanisation: on the contrary, decisions to invest in particular roads, ports and airports, or to devolve government to sub-national units, and so on, clearly shape urbanisation. More specific actions, however, where, for example, tax breaks are offered to induce the location of private firms, have too often made little difference.

Key points

- Urbanisation is good for growth and development. Policies to restrict urbanisation are usually misguided;
- Closer rural-urban links promise to stimulate both agriculture and the rural non-farm economy. Moreover, new opportunities in leisure and environmental services arise with closer links;
- Attempts to influence the pattern of urbanisation and its effects on the rural economy have not generally been successful;
- That said, the growth of secondary towns may have more effects on rural areas, and help reduce rural poverty, than the growth of metropolitan centres;
- Policies to encourage links and beneficial effects from them might best focus on the basics of transport infrastructure, investing in rural people and strengthening the rights of rural people to the natural resources they have long used; and,
- Beyond those policies, regional and local initiatives in local economic development, territorial development and promoting industrial clusters often have low financial cost and are worth trying. Decentralisation, however, is a pre-condition for such efforts.

SECTION 6

Social implications of stepping out

Stepping out of agriculture is about options that promise higher incomes and enhanced welfare. Yet opportunities may not exist for all. And possibly changes that benefit some may leave others disadvantaged. This section looks at the implications of stepping out for poverty and equity: by income and wealth, gender and location.

Equity is at the heart of development debates, first out of concern for adverse impacts on already poor and vulnerable people. But, there is also a political dimension: change may bring overall welfare gains, but change will be opposed if there are significant losers who are unlikely to be compensated. Would-be reformers need to appreciate this if they are to propose politically acceptable changes.

6.1 Poverty and equity in income

Individuals and households that have more assets, education and skills, social contacts – the 'five capitals' of the livelihoods framework – will have more opportunities to step out of agriculture than their less favoured neighbours. Hence, it is no surprise to learn that the prime salaried jobs and businesses that require capital in the rural non-farm economy tend to be taken up by those from favoured households (see section 3). Similarly, migrants from better-off households who have had more schooling have more opportunities to move and obtain well-paid jobs than those with lesser qualifications. The former may also be able to afford to travel to more distant destinations than those from poorer households (see section 4).

This, however, does not necessarily mean that stepping out of agriculture will do little to alleviate poverty. On the contrary, the rural non-farm economy can benefit the poor in three ways (Lanjouw, 2007):

- Directly, from earnings from occupations in the rural non-farm economy;
- Indirectly, as a thriving non-farm economy creates demand for produce from farmers, or tightens the rural labour market to the benefit of agricultural labourers; and,
- By providing a fall back when shocks occur, thereby acting as a safety net that prevents destitution.

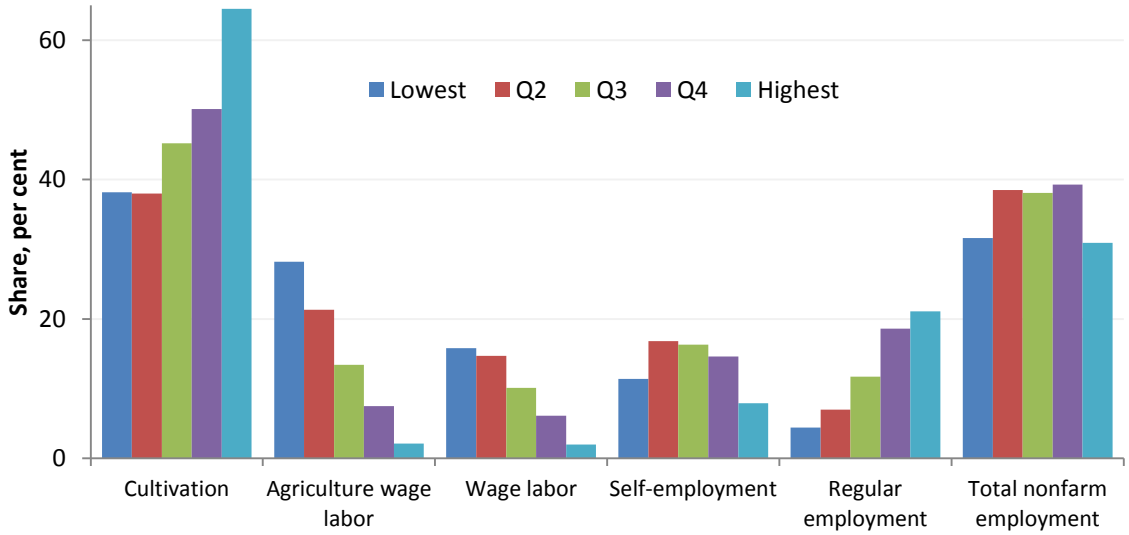
Much the same applies to migration: it too provides direct earnings, tightens rural labour markets, and can provide a safety valve when times turn hard.

Direct employment in the RNFE for the poor may not do much to lift them out of poverty, since poor people – lacking skills and capital – tend to work in low-return activities such as cottage industries, small-scale trading, construction, portering and personal services. The better-paid jobs off the farm, such as teaching, tend to be taken up by people with formal education and qualifications who mainly come from better-off households.

Rural India in the early 1990s illustrates this (see Figure 15). All income quintiles had similar shares of incomes from non-farm activities, between 30% and 39%; yet the composition of both agricultural and non-farm income differed markedly across the quintiles. The poor relied

disproportionately on earnings from labouring, while they were least likely to have earnings from regular jobs off the farm.

Figure 15 Sources of income in rural India by per capita income quintile, 1993–1994 (percent)



Source: From Table 3.2a Lanjouw, 2007, taken from Lanjouw and Shariff, 2004

Indirect effects, however, can be powerful for those of the poor who depend in large part on farm labouring. As the rural non-farm economy grows and offers more jobs, it can drive up rural wages, including those for agricultural labouring (see examples from India in Box 5).

Box 5 Poverty reduction from multipliers in the rural economy

Village studies from Tamil Nadu, India show multipliers in the rural economy. When in the 1970s the green and white (dairy) revolutions allowed modest increases in agricultural output and farm incomes, strong linkages to the non-farm economy meant additional jobs in processing and in providing goods and services for farmers with more to spend. Agricultural wages rose by 20% (Hazell and Ramasamy, 1991).

More recently, Harriss et al. (2010) report that farm wages doubled between 1981 and 2008 in a village of northern Tamil Nadu. The village had been repeatedly surveyed since 1916: previously wages had persisted at the equivalent of three kilos of grain a day for decades. The doubling of wages came from off-farm opportunities in the local economy that drew labourers away from the fields, not from more work on farms: indeed, landowners mechanised many operations to save on the now 'expensive' labour. In central Tamil Nadu, resurveys of villages between 1979 and 2004 (Djurfeldt et al., 2008) confirm this: while mechanisation meant less farm work than before, wages for farm labouring were rising. Losses of jobs on farm were compensated by jobs in non-farm activities.

The findings from Tamil Nadu are striking: the Green Revolution boosted farm output and incomes significantly for many farmers from the late 1960s to the early 1980s. Subsequently, it seems that agricultural growth has been more modest, at least on the very small farms that poor people have. Much of the improvement in rural incomes seen in the last two decades has come from the dynamism of the non-farm economy: in the process starting to reduce longstanding inequalities and deep poverty.

Findings from village studies are supported by analysis of national data. From 1983 to 2004/05, across India a modest growth of the RNFE had helped reduce rural poverty directly owing to creation of rural jobs off farms, as well as indirectly owing to the growth of non-farm employment pushing up agricultural wages (Lanjouw and Murgai, 2009).

Binswanger (2012) confirms the importance of the growth of the RNFE for rural incomes and poverty. Although neither manufacturing nor agriculture have been growing since the early 1990s fast enough to provide jobs for new entrants to the labour market, the rural non-farm economy has been growing for several decades more quickly than most sectors. By the late 2000s, no less than six out of every ten new jobs in rural areas were non-farm. The RNFE has become the largest source of new jobs in India. Increasingly rural households participate in this sector: between 1999 and 2007, the share of households with non-farm jobs (as primary occupations) doubled from 10% to 20%.

Rural incomes (in constant terms) rose between 1999 and 2007 at an annual average rate of 5.7%, similar to that seen in urban areas, despite modest growth of agriculture. While returns to agriculture grew for both farmers and labourers, incomes from the RNFE grew faster – by an annual average of 9.3%.

There seems little doubt, then, that not only have rural non-farm activities in India provided much-needed jobs for a growing population, but also that for most participants, their incomes have risen considerably. Rural poverty has fallen from a headcount rate of 52% in 1993 to 34% in 2009 [according to PovcalNet, the on-line tool for poverty measurement developed by the Development Research Group of the World Bank, http://iresearch.worldbank.org/PovcalNet/index.htm].

For the Philippines, Thailand, Bangladesh and Tamil Nadu, India, Otsuka and Yamano (2006) report similar patterns of fewer farm jobs, rising farm wages, and increasing shares of rural incomes coming from off the farm in both high potential and marginal areas.

It is not only Asia: rural jobs in Latin America during the 2000s came overwhelmingly from the RNFE. Indeed, it was only growth of non-farm jobs that created more jobs in rural areas, since farming was actually shedding labour at the time (Dirven, 2011). For example, in Mexico farm jobs were lost at the rate of 2% a year, but non-farm jobs grew by 2.3% a year, giving a small net gain in rural employment. For some countries in Latin America the growth rate of non-farm jobs in rural areas was high: six countries registered 4% a year or more, rates that should have done much to reduce rural underemployment.

A third way that the RNFE can benefit the rural poor is by providing a safety net when times are hard. For example, in 1992 in Chivi District, Zimbabwe, following one of the worst droughts of the twentieth century that led to severe crop failure, non-farm activities – together with selling livestock and working on public schemes – allowed people to cope. People traded in vegetables, panned for gold, brewed beer, sewed and crocheted, searched for casual jobs, went building, sold sex, made clay pots and collected tree pods for sale – in that order of frequency (Scoones et al., 1996).

Even in normal times, some non-farm pursuits fulfil this function. For example in rural Mexico embroidering leather belts was a common activity in one village surveyed in the 1990s, despite the estimated returns per hour worked being as low as US$0.25, compared to US$0.41 an hour for agricultural labour. Those embroidering, however, appreciated the chance to use some of the time not working on the farm to gain additional income, however modest. Embroidery could be done at almost any convenient time, picked up and set down (Wiggins et al., 1999).

Regarding equality, do rural non-farm jobs make the distribution of rural income more or less even? By providing additional work part-time and in the agricultural slack season, it may allow agricultural labourers with precarious incomes to earn more and so tend to equalise incomes. On the other hand, most of the better-paid RNFE jobs – especially formal, salaried jobs such as school teaching – are only open to those with qualifications that poor people rarely have. Households with capital are usually the only ones who can open businesses of a decent size, using technology that gives good returns to labour. Hence, the RNFE could raise income inequality.

Given these different possibilities, it is not surprising that patterns vary across countries (see Table 3 for six historical cases). In some countries, non-farm earnings constitute a larger share of rural incomes among the poor than among the rich. In others, it is the reverse: non-farm earnings tend to widen inequalities. In other cases the relationship between household welfare and the share of income from off the farm proves U-shaped, with both the poorest and richest households getting much of their income from non-farm activities (Reardon et al., 1998). No consistent pattern emerges.

	Equity-enhancing		Neutral		Inequitable	
	Kenya	Pakistan	India	Ethiopia	Ecuador	Vietnam
Quintile (a)	1975	1989	1999	1990	1995	1997
Poorest	82	75	32	32	22	40
Q2	80	63	39	–	37	42
Q3	45	36	38	30	37	50
Q4	40	33	39	–	46	60
Highest	–	21	31	31	64	82

Source: Lanjouw, 2007.

Note: (a) Kenya data by quartile, Ethiopian data by tercile

Table 3 Rural non-farm income as a share of total income: impact on income equality

Migration might be expected to have similar direct effects through migrant earnings, and indirect effects through the impact on labour markets in sending areas, as well as on the rural non-farm economy when households with migrants spend remittances locally. While the direct benefits to migration may be concentrated on the better-placed households, the indirect effects may benefit poorer households unable to take up the best migration opportunities.

Direct benefits from migration may arise in sequences. In Mexico, early migrants have come from favoured households, but later they are followed by people from poorer households who benefit from social connections to the early migrants. This may explain why communities with longstanding migration in Mexico had less inequality between households than others (McKenzie and Rapoport, 2007). In both Mexico and Thailand (Rigg et al., 2012) out-migration has sometimes allowed poorer households to leapfrog others to become some of the more prosperous households in their communities.

In sum, it is likely that the immediate and direct effects of finding work in the RNFE or through migration may tend to benefit the already better-off households in rural areas. Indirect effects, however, may be powerful, as rural labour markets tighten and as additional earnings are spent locally generating multipliers, so that those from poorer households gain from more work at higher wages.

6.2 Gender and stepping out

No matter which sex takes up opportunities off the farm, there are implications for the other sex. Since the main concern is that women may be at a disadvantage, this discussion is restricted to women's experiences: there is a male side as well, but it is not as well documented.

6.2.1 Restricted opportunities for women

Women's options are limited by lack of assets and social attitudes. Women typically have less education, [36] marketable skills, access to financial services, including credit, and to social networks that bridge village and town than men. Attitudes about women's place in the world can make it difficult for women to leave the house for work, to work in a public place, or to migrate from the village. In similar vein, women are almost always expected to carry out most domestic responsibilities, above all child care, making it difficult to leave the house for more than a few hours at most.

While women may have fewer options than men, both the RNFE and migration may offer women extra options. Some non-farm activities, such as putting-out handicrafts such as the leather belts in Mexico just mentioned, are welcome since they can be fitted into the lives of farm housewives in between their domestic chores. In Chile, women working in commercial farm packing houses welcomed the work not only for the chance to earn, but also for the chance to socialise (Jarvis and Vera, 2004). Some young women who move to the city not only earn more than they could had they stayed home, but may also gain experience and confidence that would be unlikely in the village.

6.2.2 Terms and conditions for women stepping out

When women do find work in the RNFE or as migrants, it is often poorly paid, monotonous, with few opportunities for promotion and advancement. Partly the consequence of most rural women having fewer marketable skills than men, gender norms contribute, since women are often seen as more biddable and prepared to work for less pay than men (Luci et al., 2012). For example, women were preferred in garment factories in Bangladesh because they were seen as less troublesome than men: less likely to agitate for more pay or to join union meetings after work as they had obligations at home, etc. (Kabeer, 2000).

In Latin America, women are overrepresented in informal jobs compared to men – particularly in Peru, but also in Paraguay, Bolivia and El Salvador (Keifman and Maurizio, 2012). Women typically get the lowest ranked jobs, while men take up more skilled work and dominate as supervisors and managers (Fontana and Silberman, 2013 on Vietnam). Where commercial farm jobs have become industrialised, women tend to be employed. For example, most workers in the cut-flower tents[37] of Ethiopia are women (Staelens et al., 2014).

Most worrying of all is that women may be abused, especially when they migrate. Young women who work in domestic services may be held in virtual slavery, without access to passports, working very long hours, remaining unpaid, and are physically or sexually abused (see a recent example: Dix and Pollock, 2014; also US Department of State, 2014).

Across the world, women often receive less pay than men for similar work (see for example ILO, 2010). That said, this may be improving in some cases. Central America has been

[36] For example, girls are more likely than boys to be out of school: 31% of rural girls were absent on average over 2000–2008, compared to 27% of boys (United Nations, 2010). Girls particularly lag behind boys in secondary schooling, especially in low-income countries where for every 100 boys enrolled there were 88 girls, and in sub-Saharan Africa where the ratio was 100 to 84 (World Bank WDI data). Those gaps, however, are markedly less than in 1990 when the equivalent ratios were 100 to 64 and 100 to 76. [The largest regional improvement has been seen in South Asia where the ratio improved from 59 to 93 girls for every 100 boys between 1990 and 2000–2008.] Gender gaps in schooling, however are not as large as the rural-urban divide, nor as large the divide across wealth quintiles.

[37] The cut flower tents are factories in all but name: for all intents and purposes this is stepping out of agriculture.

picked out, where women's earnings are now close to those of men. Improved pay for women has been attributed to improved education of women, and changes in family structures; with much of the change taking place among women from poorer backgrounds where it seems that attitudes and norms may be changing (World Bank, 2011).

Some of the most pressing issues for women arise with migration, as set out for India in Box 6, together with responses.

Box 6 Protecting migrant women in India

Fully 70% of migrants within India are women. Although this includes some who moved for marriage, many also move for work. Single women in particular migrate from villages to find work as domestic workers in urban households. Women typically end up with the most casual and precarious of jobs, poorly paid. They face discrimination and potential abuse at work – at worst they may be trafficked into sex work; as well as dangers in everyday urban living that most men do not face.

Specific initiatives to combat these dangers include:

- Ethical placement agencies for domestic workers that commit to: providing young women seeking to move with simple training and information on dangers and rights; to checking out employers; and to documenting and registering migrants with police at the destination;
- Campaigns for more toilets in urban areas for women to avoid the indignities and perils of open toileting;[38]
- Working with municipal authorities for more street lighting, and with public transport operators for women's safety on buses.; and,
- Organisations that seek to rehabilitate those who have been trafficked and abused, as well as to educate young women in the village on how best to guard against the traffickers.

Details and examples of these initiatives, some of which look to be transferable to other countries, can be found in UNESCO, 2013, Section 5.

6.2.3 Impacts of stepping out on women who do not

When men migrate out, women in the household can be left with additional work and responsibilities (see section 4.3). On the other hand, they may gain from remittances: for increased consumption, investments that save them time – piped water, electricity, household tools such as washing machines, and for hiring in labour. Much depends on the specifics of which non-farm activities, who leaves the household to migrate, how much additional income stepping out generates, who controls it and how they choose to use it.

Indirect benefits of stepping out as rural labour markets tighten can be particularly beneficial for poor rural women who depend on casual work.

[38] Campaigns for more toilets have used memorable hooks: **'Queue to Pee**' in Mumbai, **'No Toilet, No Bride'** in Haryana, and '**Occupy Men's Rest Rooms'**.

6.3 Geographical disadvantage: lagging and remote regions

What are the opportunities to step out for people in regions that suffer geographical disadvantage on account of their remoteness from cities and ports, or their low potential for agriculture, or as often applies, both of these conditions?

Contrary to the hope that the non-farm economy might offer an alternative to agriculture in areas limited by low natural potential, the RNFE tends to be more active in areas close to cities. For example, in Bangladesh the prospects for finding well-paid waged jobs and self-employment were better closer to towns and cities, than for those in more remote areas (Deichmann et al., 2009). This result still applied when the more distant area had greater agricultural potential, indicating that much of the dynamism of the Bangladeshi rural non-farm economy came from close interactions with urban areas, rather than being the result of multipliers from agriculture. This is particularly gloomy news for areas both remote and lacking in agricultural potential. For example, in the lagging regions of Gansu and Inner Mongolia, China, the RNFE – mining exempted – seems to have done little to increase incomes and reduce poverty (Christiaensen et al., 2010).

If the prospects for the RNFE are not bright, then that leaves out-migration as an option to step out of agriculture. The Sahel of West Africa, for example, sees many of its men leave for coastal areas once the main cropping season has passed, a pattern that goes back decades. More recently, an increasing fraction has been migrating further, to Europe. Migration out of the Sahel can be seen as acts of desperation with much personal hardship: a sign of failing economies (Watts, 1983). Others, however, stress that households in the Sahel choose migration that provides additional livelihood options and reduces overall risk faced by the household (Mortimore, 1989). Households with migrants are often better off than those without (Konseiga, 2006; Wouterse and van den Berg, 2004, on Burkina Faso), although the causality is not clear: it may be that the poorer households cannot afford the initial costs of migration.

Geographical disadvantage, once conferred[39], is hard to overcome: economic history shows that places that have become central have tended to accumulate activity and increase their shares of the economy (World Bank, 2009). For those who remain in the hinterlands, options tend to be limited and incomes lower than in more central areas: at least initially. With time, however, incomes tend to converge across (national) space (ibid).

The qualification here is that some regions have overcome much of their previous disadvantage: examples include northeast Thailand, the plains of Santa Cruz, Bolivia, and parts of the Southern Highlands of Tanzania. In such cases, the key – but not the only factor – has been road construction that has reduced transport costs. In these cases, better transport then allowed these regions to realise the potential of their land and water. It is hard to think of examples where a region that has been both remote and with low natural potential has become prosperous, at least in developing countries.[40]

[39] Centrality is as much socially as naturally constructed: the locations of the world's largest cities owe as much to historical accident as to any natural advantage.

[40] High income countries, on the other hand, can afford to subsidise the economies of remote areas with limited potential, partly since they have often have low populations so that the cost is not that high.

6.4 Policy implications

Two approaches can be taken to get more poverty reduction and equity from stepping out. One is to encourage shared growth by actions to stimulate investment and innovation, as set out in section 3.3, with a particular focus on inclusion of the disadvantaged. Education and training stand out: poor and vulnerable people often have less formal education, fewer skills, and less confidence in their abilities compared to their better-placed neighbours. Since both farms and small rural businesses often suffer from restricted access to working and investment capital, rural financial services need to be developed – although as described in section 3.3 simple, replicable recipes for this are elusive.

Beyond these measures, there may be scope to encourage hiring of labour, for example by removing subsidies on machinery and fuel, or taxes on labour where these apply.

The other is to use specific and complementary measures that redress the disadvantages faced by poor and vulnerable, by women, and by remote regions, including:

- Programmes to empower women by forming groups to bolster collective confidence, provide information on rights, and some training in life skills – as seen, for example, in *Empowerment and Livelihood for Adolescents (ELA)* run by BRAC in Uganda. It targets girls from disadvantaged backgrounds and provides them with mentorship, life skills training and micro-finance (BRAC website, 2014; Bandiera et al., 2012; Kashfi et al., 2012);
- Minimum wages may be effective for some formal employment, and can signal appropriate wages for informal jobs as well. But they may depress labour hiring, and may have little impact on informal hiring so prevalent in rural economies;
- Similarly, legislation to outlaw discrimination by age, gender, ethnicity, etc. can be difficult to enforce, but may have value in raising awareness and changing attitudes;
- Labour standards, including voluntary codes such as the *Ethical Trading Initiative* (http://www.ethicaltrade.org) or the ILO Domestic Workers Convention (http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::p12100_instrument_id:2551460), can make a difference, but usually only where employment is formalised and those hiring are corporations with reputations to protect; and,
- Encouraging unionisation and collective negotiation with employers. Again, this is most likely to apply when employment is formal by corporations with reputations to protect.

Measures to overcome geographical disadvantage lie beyond the scope of this Topic Guide. Those such as substantially improving transport infrastructure, or incentives to locate businesses in such areas, may be largely too costly for low-income countries.

Poverty reduction can also be addressed by social protection. This lies beyond the scope of this Guide [see Scott 2012 for a Topic Guide on social protection], but a consideration is to look for complementarities between social protection and rural non-farm activities. For example, public works programmes can be designed to construct or maintain physical infrastructure useful for non-farm enterprises. Cash transfers may allow some households to take the risk of setting up micro-enterprises – although in some (marginal) areas where transfers are provided, the market for non-farm goods and services may be limited.

At the margin, investments to encourage non-farm enterprise and social protection measures compete for funds. Questions then arise about the relative returns from measures

to encourage non-farm business, such as spending on rural public goods or public support to develop rural financial systems, compared to those from spending on social protection. [41]

Key points summarised

- Opportunities to step out of agriculture that promise higher incomes and enhanced welfare may not exist for all. Some changes that benefit some people may leave others disadvantaged.
- The immediate and direct effects of finding work in the RNFE or through migration may tend to benefit rural households who are already better off because they have the education, skills, social contacts and capital to take advantage of the best opportunities. The indirect effects, however, may be powerful. Growth of the RNFE – as well as of agriculture – causes rural labour markets to tighten. Additional earnings are often spent largely locally generating demand for goods and services. The combination of these means that those from poorer households can find more work at higher wages.
- Women face disadvantages when they step out of agriculture: they have fewer opportunities and less attractive ones; they may be discriminated against and treated unfairly. When men step out, women may find they are left with more to do at home.
- Yet this does not always mean that they are worse off since the options open may still be an improvement on staying at home and working on the farm. Moreover, the indirect benefits from stepping out (outlined in the previous point) are likely to benefit poor women disproportionately when, as often happens, women rely on local casual work.
- Gendered impacts are not easily assessed owing to the many interactions between changes in workloads, incomes, responsibilities and in life experiences that occur when some members of household and community step out. It is thus not simple to predict the impacts of any given change on the lives of women: careful and informed analysis of specific instances is needed.

41 Such questions can be seen for India's National Rural Employment Guarantee Act (NREGA), which provides jobs to those seeking them at public cost. An alternative might be to use such funds to subsidise private labour hire in rural areas. This would free public administration from having to create jobs under NREGA, and might also lead to more efficient uses of labour (Gulati et al., 2013). On the other hand, unless the subsidies had social targets as conditions, they might not be as equitable as NREGA which targets women and marginalised groups.

(continued…)

- Remote and lagging regions with low natural potential typically have fewer economic possibilities than better-connected areas to develop a non-farm economy, so that out-migration becomes the main option to step out. Geographical disadvantage, once conferred, can be hard to overcome: places that have become central have tended to accumulate activity and increase their shares of the economy. For those who remain in the hinterlands, options tend to be limited and incomes lower than in more central areas: at least initially. With time, however, incomes tend to converge across (national) space.
- Regions with natural potential isolated for lack of transport, on the other hand, can advance if improved transport links are provided.
- Two broad approaches can be taken for more poverty reduction and equity. One route is to encourage growth that is broadly shared. Ensuring that those disadvantaged get education and training, and developing rural financial services so that small businesses can get more working and investment capital not only should stimulate growth but also help make it more broadly based.
- The other is to design special programmes that redress the disadvantages faced by poor and vulnerable people, by women, and by remote regions. The approaches are not exclusive, although they may compete for funds, administrative capacity and political initiative.
- Social protection programmes can interact with measures to stimulate the rural non-farm economy. Complementarities need considering, as well as trade-offs in poverty reduction from allocation of funds between the two areas.

SECTION 7

Lessons for DFID advisers

Few of today's rural households with smallholdings will specialise in agriculture over the medium term. Latin American estimates suggest that no more than one-third of current farm households will do so. More common will be that some individuals and entire households will step out of agriculture, finding jobs – including self-employment – in the non-farm economy, either locally in rural areas, or in towns and cities to which they migrate or commute.

These changes will see wholesale transitions in those LICs that can grow and develop, as these countries move from being agrarian and rural to industrial and urban – following the experience of almost all high-income and middle-income countries. The overall result has been higher productivity, incomes and welfare. Hence, these are changes to be welcomed, rather than resisted.

While transitions can involve rapid and mass expulsion of small farmers from their land, with much suffering, recent Asian history – and older European history – suggests that more benign transitions are possible, in which poor and vulnerable people increase their options with some leaving the land voluntarily rather than under compulsion.

What then are the implications for policy makers?

7.1 For agricultural development

For most low-income countries, agriculture will remain central to development efforts: the sector is too important a contribution to GDP, employment and export earnings to be neglected. That, of course, does not mean an exclusive focus on agriculture. This Guide argues that most of what is needed to stimulate agriculture – an enabling rural investment climate and provision of rural public goods – serves not just agriculture, but any other rural enterprise. Thriving agriculture, moreover, tends to stimulate the rural non-farm economy.

Agricultural development will, however, be differentiated. Some farms, including the better-placed smallholder farms (Class A in the RIMISP scheme), can probably thrive given just the investment climate and rural public goods mentioned. Others are disadvantaged by the failures in rural markets that arise from their small scale (Class B). Tackling those failures – with the market for financial services the prime example – is key to broad-based and inclusive agricultural development. Not all smallholders will necessarily choose to specialise in farming even when they have the chance. When household members have better options off the farm, they may well leave agriculture.

Moreover some small family farms will remain marginal (Class C farms), usually on account of their lack of land and water or their remoteness,[42] and hence unable to provide decent livelihoods purely from farming.

[42] Where marginality is only a function of remoteness, where local resources are good, then investment in roads may transform local prospects – as seen for the Cerrado of Brazil and northeast Thailand.

This does not, however, imply that farm households who cannot, or choose not, to specialise in farming will abandon their land. On the contrary, recent Asian experience shows rural households retaining their land rights even when most of their income comes from off the farm, and even when some adults are away for years on end working in urban areas. Such households either continue to work the land, part-time or with hired labour; or they allow neighbouring (full-time) farmers to use the land, with varying degrees of recompense – from favours to crop shares to cash rentals.

Two implications follow. One is that those farming with little labour need technologies that allow them to raise productivity without full intensification that would require much additional labour – and often capital as well.

The other is that land tenure needs to be flexible so that those stepping out do not risk losing land rights if they rent to others, on the one hand; and, on the other hand, that tenants have rights to certainty of occupation, including to multi-year tenancies that allow them to recoup any investments they make. A strong case thus exists for registration of land rights, that recognises the rights of all members of the household, not just the (often male) head of household, using simplified processes recognised locally as legitimate. Strengthening rights to land in times of change not only protects those who may be vulnerable to dispossession, but also allows rights to use land to be transferred effectively.

7.2 For developing the rural non-farm economy

The rural non-farm economy responds in part to demand that stems from agricultural development, and increasingly to the stimuli of rural-urban links. The good news here is that most things that help the RNFE grow in response to demand are the same factors that stimulate agricultural development as well.

These start by making sure that rural areas have an enabling investment climate: not necessarily perfect, which would be a tall order in many low income countries, just one where strong disincentives – insecurity, rampant inflation, (heavily) distorted exchange rates, high implicit taxation of farms and businesses, restrictions on setting up businesses and moving goods with national boundaries, etc. – to invest and innovate have been removed. Then government needs to provide the public goods that allow individuals, households and firms to flourish: roads, power and other physical infrastructure; education, health, and clean water; and public research in agriculture and other fields. These parts of the agenda are fairly straightforward, given will and funding.

The next element is more challenging: mitigating or correcting failures in rural markets, above all financial services that mean that farms and small businesses get next to no formal credit. Developing rural financial services matters more for small enterprises than large firms that can access finance from metropolitan banks and stock markets. There are no easy answers to how to do this. In many parts of the developing world, however, a variety of promising initiatives are underway – including (some forms of) micro-finance, agency banking, mobile phone transfers, grassroots financial development through savings and credit cooperatives and credit unions, etc.: experiences from which we need to learn.

Beyond these fundamentals, scope exists for additional actions that can be effective: training in business skills and providing information services. Local economic development, territorial development, or promotion of industrial clusters can help take up opportunities and tackle obstacles specific to localities; through coordination of public, collective and private actors. Decentralised administration is a prerequisite for this.

7.3 For migration

People will move and with good reason: measures to control and reduce movement seemingly achieve little other than to increase the costs and hazards to those migrating. Instead of restricting migration, it should be facilitated. Three things need attention.

Information is one, so that would-be migrants have a clear idea of the opportunities at destinations, the requirements for taking them up, and the costs of doing so. Not only would better information reduce costs to migrants, but also it might also deter some migration.

The second is protecting the rights of migrants to fair treatment at work and to receiving public services at destinations as a right. In some countries, such as India, NGOs work actively on these issues: they deserve support – and their more innovative approaches need to be evaluated so that others can learn from them.

The third concerns urbanisation, as in the next section.

7.4 For urbanisation

From the point of view of rural people stepping out of agriculture, two things matter in urbanisation.

One, from above, is that rural migrants will arrive in cities. City authorities fear that this will strain existing infrastructure and services, existing residents fear they will take away their jobs, or that they will be unemployed and resort to crime, while slum landlords look forward to easy pickings. Such dangers are real but not inevitable. The challenge is to invest in infrastructure and services that meet basic needs that then allow new comers to begin investing in their housing. Given time, migrants often invest heavily in expanding and improving their housing, although initially all they need is a right to a plot with water, sanitation and a power connection.

Two, migrants from rural areas will usually, given the option, move first to local secondary towns rather than head for distant metropolises. Since more move to secondary than primary cities, these movements do more to reduce poverty than do moves to the bigger cities. A more dispersed urbanisation may also mean more intense rural–urban interactions that usually benefit both farms and rural non-farm enterprises. Biases in allocation of public investment that favour the big cities and in particular capital cities – where many political leaders and their policy advisers live – need to be held in check. A more dispersed pattern of urbanisation also means having sufficient investment in transport to allow the cities to interact productively.

7.5 For poverty reduction and gender relations

For people who are poor and vulnerable, there are two implications. One is to make sure that they can overcome at least some of the disadvantages they typically face when stepping out of agriculture. Making sure they get a decent education — especially important for girls — and are healthy can reduce some of the disadvantage.

The other is to strengthen and protect rights, including those to land and water that households may long have been using under local customary rules. It is also about maintaining rights to services as citizens, no matter that they may have migrated; as well as to fair treatment at work.

Men usually have more options to step out than women. Partly that comes from expectations that adult women stay home to attend domestic tasks, partly it comes from women often having less education, fewer marketable skills, and less social contact with the world beyond the village than men. Reducing gender imbalances includes female education and protection of rights where women are usually much more at risk of abuse than men. Programmes that work with rural adolescent girls to raise awareness and develop life skills look promising.

7.6 For remote and lagging regions

It is not clear what can be done for remote and lagging regions when public resources are scarce, as applies in most low-income countries. Building roads can overcome some of the remoteness of such areas – which will make a big difference to remote areas with natural potential, but less so for those without that. People living in them should get the same level of public services, above education, health, and clean water, as those living in more favoured areas.

Otherwise, it is to be expected that people are likely to leave these areas for better-connected places with more jobs on offer. Trying to prevent or reverse that by costly measures to encourage industry to locate in remote locations is probably a poor use of resources for LICs: justified only when countries are prosperous enough to afford generous regional support.

Overall, processes of transition with the growth of the rural non-farm economy and migration, aided by increasing links between most rural areas and growing towns and cities, can be multi-stranded, complicated and fluid. Much of what can be seen in the contemporary developing world eludes simple generalisations. In part, that is because so much depends on circumstances of local and national conditions: processes are (highly) contingent. In part is because understanding of the detail is limited. Indeed, it is surprising how little guidance exists on some of the issues covered in this Guide, such as urban-rural links and the promotion of secondary cities.

Three things follow from this:

- First, trying to plan in detail for, let alone micro-manage, these processes is near impossible. A better approach is to enable individuals, households and firms to get on with their lives, livelihoods and businesses – facilitating and enabling, protecting, and compensating where necessary.
- Second, there is a balance between insisting – as this Guide does – on the importance of fundamental public policies and investments, because it is these that do so much to facilitate individuals, households and firms, on the one hand; and, on the other hand, encouraging innovative programmes that deal with the detail. At the margin, and always assuming that the bigger elements are in place, these additions can make a difference.

  For example, India has active NGOs developing many small-scale, innovative and promising initiatives to help migrants. At the margin they can be useful. Some of them may shed light on failings in the overall policy environment for migration and, hence, help influence thinking about the bigger levers. Similar things might be said about the plethora of ideas seen in the field of local economic development, and in rural financial services.

  Hence it may often be better for countries, and certainly LICs, to support and encourage civil society in its various forms – NGOs, collectives, unions, private sector forums, etc. – to develop such programmes, than to try and do the same

through regular ministries. Innovative projects need monitoring to identify success, so that working models can subsequently be adopted and extended nationally by line ministries.

- Third, is that we need better ways to track and understand the changes taking place. Surprisingly little in the research literature, however, ponders the question of what indicators might (economically) give useful information. Since indirect effects probably do most to improve the lives of those on (very) low incomes, better tracking of rural unskilled wages would be a useful indicator of the strength of these processes and their likely advantages to poor people in rural areas.

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Recommended reading and further sources

Transformation and transition

A useful primer:

Chapter 2. 'Lessons from Transformation Theory and Practice'
Breisinger, C., Diao, X., Kolavalli, S., Al Hassan, R. and Thurlow, J. (2011) *A new era of transformation in Ghana. Lessons from the past and scenarios for the future. Research Monograph*. Washington D. C.: International Food Policy Research Institute.

Also:

Timmer, C. (2009) *A World without Agriculture. The Structural Transformation in Historical Perspective.* Washington, D. C.: AEI Press Publisher for the American Enterprise Institute. Available at: http://www.aei.org/article/economics/a-world-without-agriculture-book/

Rural non-farm economy

Comprehensive guide:

- Haggblade, S., Hazell, P. and Reardon, T. (eds.) (2007) *Transforming the Rural Nonfarm Economy: Opportunities and Threats in the Developing World*. Johns Hopkins University Press.

The following shorter synthesis draws considerably on Haggblade et al.:

- Wiggins, S. (2014) 'Rural non-farm economy: current understandings, policy options, and future possibilities' (Chapter 17), Hazell, P. and Rahman, A. (eds.) *New directions for smallholder agriculture*. Oxford: Oxford University Press.

For more insights on **local economic development**, see:

- Rogerson, C. and Rogerson, J. (2010) 'Local economic development in Africa: Global context and research directions', *Development Southern Africa*, 27(4), p465-480. Available at: http://www.tandfonline.com/doi/abs/10.1080/0376835X.2010.508577#.VK-5ziusWtY
- Potter, J. and Marchese, M. (2010) 'A Review of Local Economic and Employment Development Policy Approaches in OECD Countries: Case Studies of Regional Economic Development Approaches', *OECD Local Economic and Employment Development (LEED) Working Papers*, 2010/08. Available at: http://dx.doi.org/10.1787/5km7rq22x8kl-en

Websites: ILO, World Bank and OECD

- http://www.ilo.org/empent/areas/local-economic-development-led/lang--en/index.htm
- http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTLED/0,,contentMDK:20185186~menuPK:399161~pagePK:148956~piPK:216618~theSitePK:341139,00.html
- http://www.oecd.org/employment/leed/

For rural territorial development, see the following website on Latin American experiences:

- http://www.rimisp.org/proyecto/programa-cohesion-territorial-para-el-desarrollo/

- For inclusive business, see DFID-supported The Practitioner Hub, http://businessinnovationfacility.org/

Migration

An authoritative guide to the rural-urban migration literature:

- Lall, S., Selod, H. and Shalizi, Z. (2006) *Rural-Urban Migration in Developing Countries: A survey of Theoretical Predictions and Empirical Findings. World Bank Policy Research Working Paper No. 3915*. Washington, D. C.: The World Bank.

For a short and cogent review of thinking about internal migration, see

- Groppo, V. 'Internal Migration in Developing Countries', *DIW Roundup, Politik im Fokus*, 29th July 2014. Available at: http://www.diw.de/de/diw_01.c.471438.de/internal_migration_in_developing_countries.htm

On international migration, this article, although only dealing with experiences from the Philippines, addresses wide range of issues with insight and sympathy:

- Eversole, R. and Johnson, M. (2014) 'Migrant remittances and household development: an anthropological analysis', *Development Studies Research*, *1(1)*, p1-15. Available at: http://dx.doi.org/10.1080/21665095.2014.903808

For a guide to working with internal migrants with many examples of innovative and inspiring programmes from India, see

- UNESCO. (2013) Social Inclusion of Internal Migrants in India. Delhi: UNESCO.

Web site:

Global Knowledge Partnership on Migration and Development (KNOMAD), established in 2011, "is envisaged to be a global hub of knowledge and policy expertise on migration and development issues." The secretariat is hosted at the World Bank.
http://www.knomad.org/

Rural-urban links

On urbanisation in general, see:

- McGranahan, G. and Satterthwaite, D. (2014) *Urbanisation concepts and trends. Working Paper*. London: IIED.

On the reasons why cities are attractive places to locate most businesses other than those linked to natural resources, see:

- Quigley, J. (2008) *Urbanization, Agglomeration, and Economic Development. Working Paper #19.* Washington, D. C.: Commission on Growth and Development, World Bank.

On economic geography and spatial development, see:

- World Bank. (2009) *Reshaping Economic Geography. World Development Report 2009*. Washington, D. C.

On decentralisation

- Manor, J. (1999) *The political economy of democratic decentralization*. Washington D.C.: World Bank.

Social implications

On making the rural economy more socially inclusive:

- Lanjouw, P. (2007) 'Does the rural non-farm economy contribute to poverty reduction?' (Chapter 3), in Haggblade, S., Hazell, P. and Reardon, T. (eds.) (2007) *Transforming the Rural Nonfarm Economy: Opportunities and Threats in the Developing World*. Johns Hopkins University Press.

On gender and rural development:

- World Bank, FAO and IFAD. (2009) *Gender in Agriculture Sourcebook*. Washington, D. C.: World Bank.

On spatial development:

- World Bank. (2009) Reshaping Economic Geography. World Development Report 2009. Washington, D. C.

Annex A. Additional tables and charts

Table A1. The diversity of the rural non-farm economy

Rural non-farm activity	Typical activities	
Non-farm primary activity Often small-scale, but quarrying may be industrial	Mining of minerals Quarrying and production of building materials: stone, sand, gravel, bricks, clay tiles, lime, cement	Charcoal production Salt extraction Fuel wood gathering and trading Water collection
Manufacturing		
Processing of farm outputs Mostly carried out prior to shipping produce to urban markets, but some processing for local consumption – especially grain milling, butchery, oil extraction, brewing and soft drinks	Milling grains Sugar refining, jaggery Slaughtering, butchery, salting, drying, (ham, bacon, sausage) Dairy processing to cream, cheese, yoghurt Coffee, tea processing Fruit and veg packing and canning	Brewing and distilling Soft drink making Rolling cigars and cigarettes Honey cleaning Oil crushing and extraction Fish drying, salting Timber sawing, drying Cotton ginning
Production of farm inputs	Simple tool making and repair	Animal feed making
Manufacture and repair of consumer goods for rural market Usually artisan work carried out in small workshops	Furniture-making Domestic utensils Clothes, Blankets Shoes	Mats, Baskets Pottery Repairs – tools, clothes, shoes, electrical, vehicle Ice blocks
Manufacture of consumer goods for domestic and export markets: • Utilitarian, artisan • Artistic, Fine crafts	Textiles: blankets, clothes Leatherwork Furniture Mats, baskets	Ceramics Wood carvings Decorations Tourist items
• Industrial Not that common, but when seen often as sub-contracting from urban businesses, often located in peri-urban areas	Textiles and clothing Glass Metals	Plastics Electronics
Services		
Services for agriculture	Tractor and ox ploughing and other mechanical hire services	
Transporting	Passenger transport Freight haulage	
Trading Mainly small-scale, owner-operated, low capital. Often comprises 20% or more of all village economic activity.	Wholesale trading and storage of consumer goods Retailing of consumer goods	Wholesale and retail of fertiliser, agro-chemicals, veterinary medicines
Private services for rural residents Micro-scale usually	Barbers, beauty salons Healing Cooked food sale, café, tea-stall, tea-shop, bars, restaurants, etc. Lodgings and accommodation Transport: taxi, bus, etc. Cleaning, cooking and child-minding	Construction and building repairs Photography Musicians Religious instructors, teachers, priests Pawn-broking, money-lending, deposit-taking Typing, photocopying, fax, phones
Public services for rural residents Some jobs relatively well-paid and dependable. Some posts	Primary and secondary schools Health posts and centres	Communications (posts, phones, radio) Police

Rural non-farm activity	Typical activities	
occupied by outsiders, often not resident in village.	Road maintenance	Extension services, usually agricultural and veterinary
Services for outsiders	Tourism: hotels, restaurants, entertainment, etc. Amenity and leisure: Maintenance of parks and other valued habitats and landscapes	Commuter or weekend homes Environmental services: watershed protection

Table A2. Evidence on patterns of migration

Motivations	Reports
Age and gender ***Women responsible for their children and other domestic roles are least likely to move.*** ***By and large those who move are young, often unmarried and without children.***	Most seasonal and circular migrants are men, or to a lesser extent, young women. In many areas, (slightly) older adult women are expected marry, raise children, and otherwise attend to domestic work. Most migration out of rural areas in Bihar, India for instance is by young men (Singh et al., 2011). This is also the case for China's rural out-migration (Mu and van de Walle, 2010). Most circular migrants tend to come from large families. In India, larger families tend to have more need to diversify resources, and more ability to maintain labour inputs in the area of origin if part of the family migrates (de Haan, 2011). Young, single women are more likely to migrate than older women, especially women with children, although adolescent women may be expected to remain at home to help their mothers. In Bolivia, young women often migrate before marriage to accumulate a dowry (Gisbert et al., 1994). In China women's migration has picked up over the last decade or so, but mostly for young, single women. China's export industry, catering and services employ many migrant young women, who tend to start work at an earlier age than young men (Mu and van de Walle, 2010 quoting Du et al., 2005 and de Brauw et al., 2008). In Bangladesh opportunities have grown for (almost exclusively women's) work in garment factories, leading many to migrate from rural areas (Kabeer, 2000). Migration of older women may be rising however, as opportunities for women increase or as women join their husbands. In the Philippines, although international migrants were less likely to be married with children than non-migrants, a clear trend of more married women with children migrating was observed whereby a third of female migrants in 1990 had children, while almost half did in 2007 (Cortes, 2011). Generally, women are less likely to migrate in areas with strong traditional patriarchal culture. In India, women migrate more in the southern than northern States where seclusion of women impedes their migration and employment (de Haan, 2011, citing Shanthi, 2006; Singh, 1984). Women often migrate for marriage, though many also end up taking up new employment opportunities after migrating. In the northern States Uttar Pradesh and Rajasthan less than 25% of female migrants move to find work, compared to more than 80% in the southern States of Andhra Pradesh, Karnataka and Tamil Nadu (De Haan, citing Shanthi, 2006).
Economic incentives ***People are more likely to migrate from economically depressed areas in search of jobs elsewhere***	Rural migrants often come from poorer farming areas (Berkvens 1997; Bryceson 1998, Croll and Ping 1997, Pérez Crespo 1991, Thakur et al., 1997). For instance, the upper east region of Ghana with poor soils, unreliable rains, and a high density of rural settlement has long sent young men to earn in the cocoa groves of southern Ghana

Motivations	Reports
	(Cleveland 1991). Bihar, India is another case of an economically backward zone from which people, mainly young men, move to other parts of India – see Box 4A. Within districts, those moving may have fewer chances than those who stay. Seasonal migrants from the North-East of Burkina Faso are more likely to come from households with more variable income, and higher dependence on farming (Konseiga, 2006).
Skills and education ***Having skills and education increase the probability of moving, particularly when the migration is longer-term rather than seasonal***	Often, better-educated rural residents are more likely to move – particularly where moves are longer-term. Access to formal-sector jobs in cities often requires certain skills and education qualifications: thus often the better-educated rural residents move. Some households may deliberately invest in children's education to enable them to migrate and win urban jobs. In the Philippines, international migrants (both sexes) were close to twice as likely as non-migrants to have a college degree (Cortes 2011). The picture for shorter-term migrants appears the inverse: most are from poor or marginalised groups. In Bihar for instance the vast majority of migrants in a recent study were from scheduled castes and tribes, and other poorer classes– see **Box 4A** for more detail. A recent survey for India broadly found that while most long-term migrants in a recent survey were found not to come from the poorest classes, temporary migrants did (de Haan, 2011).
Location and social networks ***Migration more likely from rural areas well connected to potential destinations*** ***More likely when there is reliable information, especially personal information*** ***More likely when there are social networks that facilitate movement, finding work and settling in at destination***	Before 2000, most Mexican migrants to the USA came from States with above-average rural earnings, from northern and central areas. Fewer came from the poorer States in southern Mexico, although migrants from these area have increased over the 2000s.[43] For international migration in particular, much initial capital is required: a journey from a village in central Mexico to Chicago as an illegal immigrant for instance costs more than US$1,000 a person, including transport and commissions for agents arranging for border crossings at unguarded places. Poor people, however, may migrate in stages. Migrants from poor communities in Oaxaca, southern Mexico first move to vineyards and vegetable farms in northern Mexico to gain labour skills, knowledge, and some capital before subsequently moving to the fields of California and Oregon (Zabin and Hughes 1995). Social contacts, either family or neighbours, can enable migrants to find jobs (Winters et al., 1999; Haug, 2008; Eversole and Johnson, 2014). Migrants benefit from information about how to move, how to find work, temporary accommodation at the destination, and so forth. Social networks spanning homes and destinations are now so common in Mali that migration has become as much a rite of passage for some young people as it is an economic opportunity (de Haan et al., 2002).
Land tenure ***Migrants are more likely to be either landless or in possession of secure land tenure. Insecure land tenure can prevent migration as households fear land appropriation.***	Migrants typically come from groups either lacking land, or from those with secure land tenure. Fewer long-term migrants at least come from those in between with insecure land tenure. Landless people are motivated by the differences in pay between farm work and city opportunities. At the other end of the scale, villagers with above-average skills may be more likely to migrate despite earning more than their neighbours, as they potentially have better access to well-paid, secure urban jobs. Those with insecure land rights can be discouraged from migrating if they may lose their right to the land back home, which

[43] Over the decade to 2008, migrants from Chiapas for instance increased from 0.6 to 14.2% [according to a survey of migration on the northern border of Mexico accounting for about 94% of total border crossings (air crossings excluded)] (Terrazas, 2010)

Motivations	Reports
	may explain why relatively few people leave rural areas in sub-Saharan Africa for cities despite potentially large economic benefits on offer to migrants (de Brauw et al., 2014). People may move to the same opportunities for very different reasons. Seasonal migrants from Jharkhand State into West Bengal, India to harvest and transplant rice included those from one district who had too little land, even though agriculture was prospering; those from other districts who migrated to diversify the portfolio of options in precarious livelihoods; and those looking to earn funds to rent land in their home districts since irrigation had made farming more attractive (Rogaly et al., 2001).
Long-term circular migration **Many rural migrants return to their villages when they retire**	In some places, even if people migrate away for a long period of their lives, they often return to a home village later in life. Having land in these places may be a form of old age security, as well as a familiar social and cultural context – see for instance Rigg et al, 2014 in Thailand.

Table A3. Evidence on rural-urban links

Stimulus to existing production: agriculture and the rural non-farm economy
Incentives for agricultural production, with intensification through increased use of purchased inputs The impact on farming of closeness to urban areas can readily be seen in many low income countries, where farmers who live within one or two hours of cities produce high value perishables, including dairy produce, fruit and vegetables often using fertiliser, agro-chemicals and irrigation equipment. For example, smallholders in the highlands north of Nairobi, Kenya have dairy cattle and grow cabbages for the city markets (Wiggins et al., 2014); in Lume District of Ethiopia, farmers irrigate plots of onions, tomatoes, peers and chillies for sale in Addis Ababa (ibid.); and to the east and north of Kumasi villages grow tomatoes for the city (Lyon, 2000; Okali and Sumberg, 1999; Berry, 1997). In Nepal, distance to towns has a strong influence over livelihoods, with evidence of concentric circles of activity around the urban centre as von Thünen expected (Fafchamps and Shilpi, 2003). For farming, the inner circle was planted to vegetables and perishables at 1–3 hours travel time, then at 3–5 hours storables such as rice and pulses took over. At still greater travel time, households produced staple foods for home consumption, with only livestock occasionally sold for cash. More than 10 hours distant from towns, the rural economy tended to autarky. Increased rural non-farm enterprise Closeness can be seen to affect RNFE enterprises as well. In Bangladesh, those rural households living closer to urban centres were more likely to have well-paid jobs and self-employment in the RNFE (Deichmann et al., 2009). In Nepal, households within four hours travel were more likely to find waged non-farm work (Fafchamps and Shilpi, 2003). In the last two decades in densely settled parts of India, such as Tamil Nadu (Djurfeldt et al., 2008; Harriss, 2010) where there has been a great increase in the off-farm opportunities open to villagers thanks to urban developments. Rural wages have been pushed up in response. ***Competition eliminates rural cottage industries*** Vegetable oil production by women in Tanzania and traditional cloth weaving in southeast Nigeria have been undercut by cheaper imports (Bah et al., 2003).
New opportunities for rural livelihoods – and threats
Commuting from rural to urban areas For example, in Chihuahua, northern Mexico workers for assembly plants based in Chihuahua city are bussed in from villages at up to 90 minutes' drive away. Given that previously farming produced little in a semi-arid area, incomes have risen substantially [personal observation, 1994]. In Andhra Pradesh, India, a good road connection and bus service from village to town has led to rapidly rising numbers making daily journeys from villages for urban work. In 2003/04 23% of rural households had a member commuting to town: by 2006/07 that percentage had risen to 44% (Deshingkar, 2010). Even in less densely settled parts of Andhra Pradesh, such as Nalgonda District, the start of regular bus services has allowed commuting and access to towns: *'… transport infrastructure as a double edged sword, creating some opportunities for non-farm work both within, and outside the village, and destroying other opportunities, is confirmed by the field survey evidence. Particularly in a relatively low non-farm income area such as Nalgonda, the bus service has become the lifeline, not only for the procurement of inputs by small scale enterprises, but also for commuters and school children attending, or wishing to attend, schools outside their home village.' (Bhalla, 2003)* 'In densely populated south-eastern Nigeria, commuting to the regional urban centres of Aba and Port Harcourt is encouraged by the efficient and cheap state-subsidised transport system. Low-income rural women commute to work as cleaners and gardeners, men as construction workers and in the oil industry.' (Bah et al., 2003)**.**

Pressure on peri-urban land

The value of farm land in peri-urban areas can rise to the point where city elites buy up plots, employing the former owner-operators as paid labour but social differenc**es may widen. (Bah et al., 2003).**

Kumasi, Ghana, is a case in point as the margins of the city expand into previously rural areas. Many middle class people look to the periphery for housing since they want to build large compounds capable of providing accommodation for guests from their home areas who are visiting the city. [Devas and Korboe 2000, personal communications]