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Does off-farm employment affect the choice of land rental Duration?

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Does off-farm employment affect the choice of land rental

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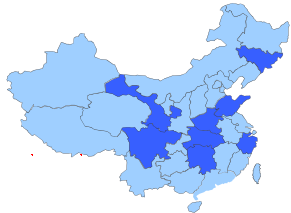
Introduction

- ◆ An increasing proportion of the rural labor force is working off farm with China's rapid urbanization(de Brauw et al., 2002; Parish et al., 1995; Rozelle et al., 1999). Off-farm labor participation in China depicts high geographical and temporal mobility. Rural migrants keep going back and forth between origin villages and destination areas(De La Rupelle et al., 2009).
- ◆ As more people working off-farm, the scope of land renting activity increases. However, land rental contract duration is generally ambiguous and short-term, potentially hindering land-related investment.

Objective

This study examines whether temporary off-farm employment affects land rental decision and how does off-farm employment influences the duration of land rental contract.

Data



- ◆ We focus on 1208 households that are representative of China's eight most important provinces for agricultural production (China's Rural Household Survey in 2012).
- ◆ In addition to information on land rental decision and contract duration choice, the data contains information on demographics, assets, land institutional arrangements, land use regulations, and land market restrictions.
- ◆ It also included detailed information on households' off-farm employment history from 2002 to 2012.

Model

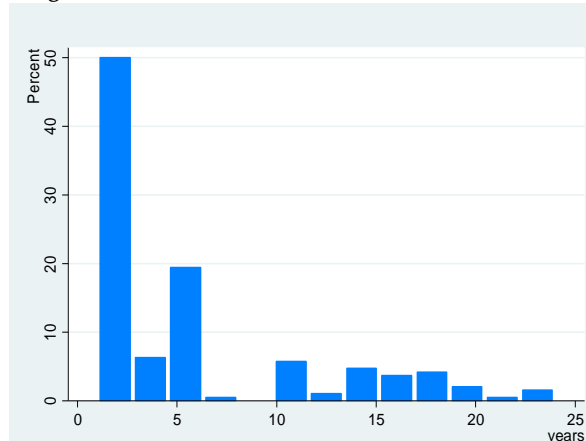
The model used is a two-part model. Define a binary indicator variable $d=1$ for households that participate in land rental market and rent out their farmland, and $d=0$ for households that didn't participate in land rental market. Suppose that the contract term $T>0$ is observed for land rental market participants and $T=0$ is observed for nonparticipants. The **two-part model** for T is then given by:

$$f(T|\mathbf{x}) = \begin{cases} \Pr[d = 0|\mathbf{x}] & \text{if } T = 0 \\ \Pr[d = 1|\mathbf{x}]f(T|d = 1, \mathbf{x}) & \text{if } T > 0 \end{cases}$$

Table 1. Distribution of Land Rental Decision

Land rental choice	Frequency	Percentage(%)
Households with land rented out	190	15.7
Households didn't rented out land	1018	84.3
Total	1208	100

Figure 1. Distribution of Land Rental Contract Duration



Estimation Results

Table 1. Determinants of land rental decision and contract duration		
	Probit	OLS
Household Head's off-farm Characteristics		
Local nonfarm employment (yes=1 no=0)	0.00897 (0.148)	-0.245 (0.248)
Migrant nonfarm employment (yes=1 no=0)	-0.0470 (0.147)	-0.460* (0.256)
If he/she is a technician/manager (yes=1 no=0)	0.101 (0.130)	0.0308 (0.223)
If he/she is nonfarm self-employment (yes=1 no=0)	-0.0388 (0.134)	0.394* (0.237)
Head's gender	-0.227 (0.227)	0.781** (0.389)
Head's age	0.00986* (0.00597)	0.00370 (0.0100)
Household Off-farm Employment Empowerments		
Household Size	-0.0423 (0.0395)	-0.0616 (0.0723)
Household Average age	0.0140** (0.00659)	-0.0170 (0.0113)
Proportion of women member	-0.0106*** (0.00376)	0.0157** (0.00624)
Average education level	0.00491 (0.0204)	-0.0226 (0.0353)
Proportion of Labor	-0.00837*** (0.00256)	-0.00646 (0.00404)
Proportion of Labor with nonfarm skills	0.00190 (0.00252)	-0.00241 (0.00430)
Proportion of Labor with nonfarm employment experience	0.00794*** (0.00216)	0.00287 (0.00372)
Land Characteristics		
Rented land size		0.0723 (0.0488)
If the rented land can be irrigated		0.0965 (0.196)
Contract Characteristics		
If rental contract is written/oral		0.672*** (0.195)
If the counterpart is company/cooperatives		0.339 (0.213)
		(0.204)
Region controls		
Time controls	Yes	Yes
Constant	-1.337*** (0.481)	0.337 (0.956)
Observations	1,208	1,208

Conclusions and Discussion

- ◆ In terms of household heads' off-farm employment, it doesn't affect the land rental decision significantly. However, household heads' with migrant work tend to choose short term contract.
- ◆ In terms of household off-farm employment endowments, households with younger average age, less women and less labor tend to rent out their farmland. Households with more women tend to choose long term contract.
- ◆ In addition, if the contract was written rather than oral, the contract seems to be long term.