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 is 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:

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

Table 1. Determinants of land rental decision and contract duration

<table>
<thead>
<tr>
<th>Land Rental Decision</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households with land rented out</td>
<td>190</td>
<td>15.7</td>
</tr>
<tr>
<td>Households didn't rented out land</td>
<td>1018</td>
<td>84.3</td>
</tr>
<tr>
<td>Total</td>
<td>1208</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 1. Distribution of Land Rental Contract Duration

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.