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Historical Reflection on Deviation in Transfer Policy of Agricultural Surplus Labor at Early Stage of China

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Abstract This paper firstly made an analysis on transfer of agricultural surplus labor in the end of the 20th century. On this basis, it made reflection on policy of agricultural surplus labor. Then, it stated that there is a great deviation of transfer of agricultural surplus labor from practical requirement and pointed out basic internationally recognized ideas of agricultural surplus labor transfer. Finally, it came up with recommendations for formulating agricultural surplus labor transfer.

Key words Agricultural surplus labor, Industrial structure, Policy

Transforming economic underdeveloped situation at primary stage of socialism is a historical mission of China. Thus, it is a great mission to change agricultural country with larger portion of agricultural population, mainly manual labor and low efficient natural economy and semi-natural economy to a country with higher benefits of secondary and tertiary industries, and higher industrialization and modernization. At early stage, capitalist countries made free labor of peasants become homeless and having nothing at all through Movement of Enclosures (the process which was used to end traditional rights, and has historically been accompanied by force, resistance, and bloodshed. It has been referred to as "among the most controversial areas of agricultural and economic history in England". This movement was spread to many other European countries, such as Russia, Hungary, Germany, France, and Denmark, etc), leading to expansion of big cities and promoting industrial development to absorb main industrial forces. China is a socialist country and a large backward agricultural country with large population and little per capita farmland, so there is limited space for transferring numerous agricultural surplus labors.

1 Analysis on current situation of agricultural surplus labor in China

For many years, China has made considerable achievements in transferring agricultural surplus labor through setting up township enterprises, rural market town, integration of agriculture, industry and commerce, and urbanization of villages and towns, but there is certain deviation between policy formulation and implementation. It is believed that policies should be carefully regulated.

In 1984, China's agricultural production reached unprecedented high level, some people thought agricultural foundation was stabilized and they become urgent to solve the problem of agricul-

tural surplus labor. Then, they attempted to find a new way in existing policies which show great subjectivity.

On the one hand, it energetically encouraged development of township enterprises and other rural industries became major areas absorbing agricultural surplus labor. The ability of township enterprises absorbing surplus labor takes on great declining trend. According to statistics, the employment growth rate of township enterprises dropped from 12% to 5.9% in 1980 – 1991. There are three major reasons. Firstly, in the enterprise development, other various economic sectors are constantly improving and the competition becomes intensified, technological progress and innovation has become the fundamental point for survival. However, due to information blockage of township enterprises, their selection scope is narrow, and most new technologies introduced are capital intensive, the organic structure of capital is improved. As a result, their ability of absorbing labor greatly drops and the employment elasticity of fixed asset investment of township enterprises dropped from 0.81 in the early period of the 1980s to 0.22 in the early period of the 1990s.

Secondly, in the industrial structure, township enterprises are single and similar and mainly small building and processing enterprises. Agriculture declined from 1985. It firstly influences township enterprises relying largely on agricultural products. In addition to employment proportion of rural secondary industry runs counter to benign development of economy, township enterprises are weak, and their products are mainly preliminary processing products, they are unable to boost tertiary industry and consequently it is difficult for such production system to produce correlation effect and accordingly increase the multiplier effect of employment.

Thirdly, in the system, most rural township enterprises are community-owned township enterprises. Their capital is not owned by employee collective, but owned by all residents of the community. As entrusted agent of community residents, rural community organizations are actual owners of township enterprises, and the relation between ownership and management of enterprise is basi-

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cally the same as state-owned enterprises. In actual operation, the relation is unclear. Social organizations invest in establishing enterprises using profits of old enterprises, so they have no right to claim or dispose the surplus labor. In planned economic system, such social ownership of integrating government administration with enterprise management can bring advantage of government in man, material and capital, but due to different to other state-owned enterprises, they can not enjoy bankruptcy protection, and the threat of bankruptcy brings great pressure to their early development. Then, they take maximization of benefits and employment of all community residents as ultimate economic objective. At their launching period, most are labor intensive industries mainly absorbing local labor and excluding labor from other places. When the community enterprises reach certain scale, *i.e.* all community labors are wholly absorbed, community enterprises will become short of labor. Facing such shortage, they should rationally optimize resource allocation and absorb labor from other places to increase efficiency. However, communities use more capital to replace labor, and community enterprises step into "capital deepening" (a situation where the capital per worker is increasing in the economy. It is also referred to as increase in the capital intensity. Capital deepening is often measured by the capital stock per labor hour. Generally, the economy will expand, and productivity per worker will increase. However, according to some economic models, like the Solow model, the economic expansion will not continue indefinitely through capital deepening alone.) and labor absorbing ability declining stage. Such low efficiency of resource utilization leads to advantage of property right becoming disadvantage, and the overall benefit constantly declining.

On the other hand, when the socialist market economic system is not perfect, tacitly permitting comparative advantage to become major force of leading agricultural labor transfer will increase pressure of urban employment. Under the drive of such policy, rural surplus labor flows to cities. At early stage, it is manifested as relieving rural employment pressure and promoting urban employment efficiency and drop of labor cost. However, since the 1980s, with deepening of the reform and natural growth of labor, many employees of state-owned enterprises were laid-off and institution workers were distributed to other organizations, and then urban employment pressure became increasingly high. According to estimation of the Ministry of Labor, the new labor in the Ninth Five-Year Plan period was 54 million, but it only could arrange 38 million people, and the rest 16 million people would be unemployed. By the end of the Ninth Five-Year Plan period, the urban unemployment rate would reach 7.4%. According to the People's Daily, the laid-off employees of township state-owned enterprises reached 12.74 million in 1997, and about 16 million people failed to guarantee their basic living due to unemployment, enterprise bankruptcy, and arrears of wages. According to an authoritative research carried out by Chinese Academy of Social Sciences, in 1996–2010, 18.6 million new jobs should be arranged annually. Graduates of universities, junior colleges and special secondary

schools, vocational schools, high school students, army men transferred to civilians and veterans, and laid-off employees force migrant workers to irregular departments, such as infrastructure construction is also overstaffed, and the gap between urban per capita income is also shrinking. Besides, since rural areas are backward in communication and not well informed and rural residents have low educational level, it leads to blind flow, not only wasting travel expenses, but also creating heavy burden for traffic. Migrant workers flowing to cities will lead to expansion of urban population, deteriorate urban appearance, and worsen the public order.

2 Basic opinions about transfer of agricultural surplus labor

Domestic academic circle and theoretical circle have many basic ideas about transfer of agricultural surplus labor.

(i) The transfer direction of agricultural surplus labor is basically from primary industry to secondary and tertiary industry.

(ii) Material foundation for smooth transfer is sufficient surplus product in agricultural sector. By 2000, China has successfully solved the problem of adequate food and clothing for rural areas (including poverty-stricken areas). Farmers have more free disposable income, so it has material foundation.

(iii) For transfer-out labor, the agricultural marginal production productivity is lower than or equal to zero. In other words, transfer of agricultural surplus labor has no material influence on agricultural production.

(iv) The transfer is driven by internal agricultural force and external agricultural force jointly.

(v) Ultimate result of such transfer: balanced and coordinated development of traditional production sector with agriculture as representative and modern production sector with industry as representative. It should be noted that actual drive of agriculture is only the compression of land, but no action of scientific and technological progress. In the situation of farmer household contracting operation, the compression of land on labor does not have centralized resource and optimized operation scale, so it has no benefit for rural in-depth reform. Rural secondary and tertiary industries provide job opportunity and temporary higher comparative advantage, forming actual pull lack of balance mechanism. In practice, such fluctuation of comparative advantage has high blindness. In fact, the deviation of exiting policy and practice exists and gradually widens, which are mainly manifested in following three aspects:

Firstly, the recognition of reason and essence of surplus labor in agricultural sector is not correct. Agricultural surplus labor is mainly generated from crop cultivation and extrusion of less land on constantly increasing growing labor force, rather than decrease of social demands or great increase in agricultural productivity. Scientific and technological progress is not the major reason for surplus labor at current stage. Therefore, agricultural machinery fails to form modern agricultural productivity in existing farmer

contracting operation, the effect of chemical fertilizer has reached the stage of decreasing marginal efficiency, agricultural scientific and technological extension is slowly, and intensive and meticulous farming increases demand of labor to a certain extent.

Secondly, actual transfer mechanism and policy design have deviation. Existing policies take compression of agricultural land on labor as driving force and take comparative advantage under imperfect market economic system as pulling force. The direct results of promoting labor to rural secondary and tertiary industries and some urban industrial transfer: great loss of excellent labor in agriculture, agriculture lacks factors stimulating its development, income gap between sectors is widening, and the allocation is not fair.

Thirdly, the understanding of agricultural foundation has bias. China's traditional agricultural mode is lopsided development of crop cultivation and slow development of forestry, animal husbandry, sideline production, and fishery. Even when agricultural production reaches the peak in 1984, the structure is still not reasonable. Existing policies makes effort to advocate agricultural transfer to outside but neglect adjustment of labor structure, so agricultural structure is still not improved fundamentally and the yield and product structure fail to satisfy social demands.

In sum, China's actual agricultural surplus labor transfer policy is weak in foundation, low efficiency in mechanism, so it is required to explore effective policy suitable for Chinese national conditions and provide solid policy theoretical and practical foundation, so as to establish benign operating mechanism.

3 Recommendations for formulating agricultural surplus labor transfer policies

Inadequate natural endowment and acquired disorder lead to weak transfer of agricultural surplus labor in China. In other words, inadequate agricultural mechanization and intensification, large population base, and low labor quality, as well as imperfect socialist market economic system are major reasons for weak transfer of agricultural surplus labor. In view of these, we come up with following recommendations.

3.1 Conducting intensive operation Apart from attracting farmers to go to cities, it is recommended to encourage them to realize in-situ transfer, absorb labor through agricultural mechanization, intensification, industrialization, and urbanization, and take intensive land operating road. The approach is to energetically develop rural education and re-education and improve farmers' quality through culture, science and technology.

3.2 Developing intensive technologies and labor and technology intensive agricultural products It is recommended to reduce fund, use intensive technology to develop labor and technology intensive agricultural products, deepen internal agricultural employment. This is an effective approach for digesting agricultur-

al surplus labor. Since China has scarce farmland resource, to consolidate agricultural foundation and improve productivity of crop cultivation, China should take the road of intensive, mechanized and scientific and technological development. Besides, it is recommended to energetically develop animal husbandry, forestry and fruit industry, aquatic products, high quality vegetables, and optimize processing of these products, and make proper adjustment of agricultural industrial structure according to economic resource replacement principle. Also, it is recommended to transfer to rural secondary and tertiary industries, namely, promote agricultural industrialization, promote transformation of traditional agriculture to modern agriculture, and transformation of agricultural growth mode from extensive mode to intensive mode. It is recommended to take the market as orientation, processing enterprises or cooperative economic organizations as support, farmers as foundation, and scientific and technological service as means, combine agricultural re-production to a complete pre-production, inter-production and post-production vertical system, realize integration of planting, breeding, processing, production, supply, and sales, trade, industry and agriculture, lead separate and small scale production of farmers to change to large scale socialized production, and improve an agricultural product to a complete industrial series, so as to expand re-employment of surplus labor within agricultural sector.

3.3 Developing rural urbanization construction It is recommended to break the social features of township enterprises, realize their modern enterprise reform, improve township enterprises through legal person system, and develop rural urbanization construction, so as to expand employment space of agricultural labor. Besides, it is recommended to change township enterprises from community economy attached to local government sector, grant autonomous power to township enterprises, make them become entities and independent economic benefit entities assuming responsibility for own profits and losses, the self-development, the self-restraint commodity producer and the operator, to bring into full play huge function of agricultural surplus labor. In policies, laws and regulations, and management, government should establish comparative benefit coordination mechanism with compatibility of plan and market, formulate practical and effective policies, such as use price system to narrow the scissors movement of industrial and agricultural products, and increase agricultural input and promote agricultural scientific and technological progress. In addition, it is recommended to promote development rural industries and create more and better employment conditions and space for agricultural surplus labor through improving rural land system, investment system, household registration system, taxation system, township enterprise property right system, and social security system.