

CRITICAL ISSUES AND OPTIONS IN OFF-FARM EMPLOYMENT SUMMARY AND CONCLUSIONS

Critical Issues

- (1) Since 1980, considerable progress in off-farm employment has been achieved in the Hengduan Mountains of Sichuan Province. The productivity level of off-farm enterprises has also been rising together with the increase in employment. However, compared with the plains' areas of Sichuan and the country as a whole, the OFE level in this region is still much lower and the conditions for OFE development here are generally less favourable. There is still a long way to go before the OFE level in the Hengduan Mountains is able to catch up with that in the plains.
- (2) Individually-run enterprises are very significant in the Hengduan Mountains and are increasing. The industrial sector is still the most important source of employment and income. Diversified activities within agriculture are also becoming important sources of employment and income. Given the economic weakness, low urbanisation and industrialisation, unskilled labourers, and lack of capital, the individually-run enterprises and the diversified activities are more suitable for this region. From this stand point, the extractive activities, which are mainly based on resource advantages, will maintain a leading position in the industrial sector in the near future. With the reduction of the constraints and the improvement of relevant conditions, the processing industry, based on both agro-products and other raw materials, will be strengthened.
- (3) Among the prominent off-farm activities, mining activities such as gold mining, copper mining, marble and granite quarrying, and others still have great potentials. The potential for logging is limited, because of the degradation of forest resources. In order to prevent the forests from further degradation, logging should be reduced and more attention should be paid to wood processing. Diversified activities have achieved substantial growth and have benefitted the farmers to a large extent and they will provide a good base for agro-based industries. In accordance with the diversity and 'niche' in this region the agro-based industries should focus more on the processing of livestock products, fruits, and wild plants.
- (4) Policies have undergone great changes and have imposed great impacts on OFE during the past decade. Generally speaking, most of the policies were not favourable to OFE before 1980. However, since 1980, both the national government and the local governments have adopted a series of preferential policies for OFE. There is a lot of evidence that the policies have played a very important role for the development of OFE. Meanwhile, many programmes related to OFE have been carried out in this region and have favourably influenced OFE. However, policy and programme constraints still exist.

- (a) The macro-economic system still favours State-owned off-farm enterprises. The purchase of production materials and the sale of products in relation to off-farm enterprises have not been given proper attention in the State planning exercises.
 - (b) The policy for rural employment is incomplete and limited.
 - (c) The programmes directly related to mountain OFE are very few in number.
- (5) Off-farm employment has brought both positive and negative effects on the mountain economy and the environment. The positive effects are enumerated below.
- (1) It has created considerable employment to offset the phenomenon of the surplus labour force.
 - (2) It has brought economic profit to many farm households and has helped improve the farmers' living standard.
 - (3) It has led to fuller use of diversity and 'niche' provided by the resource base.
 - (4) It has made contributions to the development of agriculture and State-owned enterprises by providing forward and backward linkages.
 - (5) It has provided more opportunities for the mountain communities to interact with the outside. The negative effects are as follows.
 - (a) It has caused serious damage in the mountain environment and to its fragile resource base.
 - (b) It has weakened traditional agriculture because of the flight of capital and skilled manpower from agriculture to off-farm activities.
 - (c) It has enlarged the gap between the rich and the poor, since the main beneficiaries of OFE in this region are not the poorer groups but the richer ones.

Options and Strategies for Labour Transformation and OFE Development

Standards for Evaluating "Success" or "Failure" in Off-farm Employment.

Before talking about options and strategies, we should set some standards to evaluate "success" or "failure". Based on experiences and lessons from the past, we propose the following.

- (1) Economic Development. Labour force transfer, in addition to solving the employment problem, should accelerate economic development.

- (2) Increasing the Income of Local Inhabitants. Off-farm employment should guarantee that local people derive more benefits and income from it than traditional agricultural activities.
- (3) Increasing Productive Efficiency and Benefits. The transferral of the labour force from agriculture to off-farm activities must enhance both the labour force utilization rate and production efficiency. We should avoid the possible conflict between efficiency and employment. In the past, the tactics of providing employment opportunities to a large number of people at any cost resulted in decreasing efficiency and benefits. In future, the transformation of the agricultural labour force must avoid repeating the same mistake.
- (4) No Damage to the Ecological System and the Environment. Transfer of the rural labour force is usually accompanied by the expansion of production scale; increase in professional activities; widening of resource utilization; and so on, all of which result in more pressure on the environment. In the Hengduan Mountains, the forest cover has decreased and the environmental quality has deteriorated because of irrational use of some resources, for example, in mineral exploitation, logging, grazing, and in exploitation of wild plants. In order to protect the environment, we should implement serious policies to control and manage it.

Main Features of Proposed Strategies

The transfer from traditional agricultural activities to off-farm activities must be gradual. It is necessary to wage a protracted and lasting struggle to solve the problems of the surplus rural labour force.

- (1) Transference within Local Areas. Some important features are described below. We should remember that it would be very difficult for other areas to absorb a large labour force from the Hengduan Mountains. Surplus labour force may be a feature of areas and countryside for a long time to come in China. The labour force from the Hengduan Mountains is less skilled than from other places. They cannot compete in the labour market especially when opportunities are increasingly more difficult to come by. It is advisable therefore to adopt an employment strategy that takes into account the opportunities presented by the Hengduan Mountains themselves. The sparsely distributed population must be oriented to off-farm activities within their own counties.
- (2) The Transformation of Labour Skills Depends Mainly upon Agricultural Development. In the Hengduan Mountains, deep-rooted traditional agricultural practices and the fragile resource base imply that strengthening agriculture is still the most important task. Transformation of skills should be targetted first within agriculture. At present, it may focus on broadening the agricultural base, from traditional agriculture, for example, to developing forests, sideline production, animal husbandry, fisheries, and then gradually to the processing of agricultural products. At the same time, farmers can be encouraged to become involved on a part time basis in agricultural processing, road construction, raw material processing and hydropower generation.
- (3) Small Towns Must be Promoted to Develop the Bases for Off-farm Activities. At present, the town population accounts for only 13 per cent (1985). Some counties have no towns

at all even now. Each town has no more than ten thousand people. Some have no water supplies, no buses, and very poor communication. We should therefore develop medium or small towns with the goal of making them industrial or off-farm employment centres.

- (4) Developing Township Enterprises as the Centre of Labour Force Absorption in the Hengduan Mountains. We cannot expect to start big projects, modern enterprises, or large factories in the next few years. Rural enterprises, mostly small and labour-intensive ones, can, however, be created at lower cost and lower technical levels. These would be suitable for the Hengduan Mountains and can be established now.
- (5) Off-farm Activities Should Focus on Local Resources' Utilisation. Shortage of techniques, highly educated people, funds, and communication system are the constraints to development of high level industries in the Hengduan Mountains. The region, however, abounds in natural resources which can be exploited such as minerals, forests, grassland, fruits, and wild plants. Off-farm activities must be concentrated on sectors such as mining, timber, and food processing. In order to create better conditions for development, the hydro-electric power supply and transportation must also be improved.

Institutions and Management

The role of institutions and management in off-farm employment has been neglected in China. Upgrading and improving institutions and management are necessary to boost off-farm activities.

- (1) The local government and its departments must emphasise the following. (1) Although there are departments of labour and personnel and a bureau of enterprise administration they are not responsive to the demands of new developments in off-farm employment. It is urgent to have an integrated and coordinated institutional arrangement that addresses the problems related to the surplus rural labour supply. (2) Off-farm employment projects and plans should be a part of the whole social and economic strategy of the Government. (3) Providing market information and giving instructions to jobless farmers according to the demands of the labour market must be performed by local authorities. (4) The local government should set up rural marketing cooperatives and offer farmers more scientific, and technological services to increase the farmer's ability to absorb new techniques. The local government should also provide technical training to the jobless so that they will be able to take advantage of existing opportunities. (5) The provincial labour authorities should be in contact with enterprises outside the province or outside the Hengduan Mountains. Local governments could then coordinate the supply of rural labourers to areas that are in need. (6) The government policy of developing tertiary industries and promoting collectively- and privately-owned enterprises as well as Sino-foreign joint ventures should be introduced here and implemented rigorously.
- (2) Some other policies are also urgent. They are outlined below.
- (1) Food Supply for Off-farm Employees. It is necessary to provide non-agricultural I.Ds to enable them to get grain, edible oil, electricity, and housing at State prices.

- (2) Land Deeds for Off-farm People. Off-farm employees should be able to keep their land rights according to the Household Contract Responsibility System as these existed prior to their finding off-farm jobs.
- (3) Registered Permanent Residence for Off-farm Employees. Employees should have the right to choose their place of residential registration.
- (4) The economic interests of cities and rural areas should be readjusted. We should make more effort to transfer surplus rural labour to the city and service trades. The rural-urban flow of population cannot be stopped, but China must try to prevent the unfavourable social problems that some places have experienced because of urban migration.
- (5) A certain proportion of income from rural enterprises should be invested back in agriculture to raise the living standards of farmers. Rural enterprises should also give priority to processing farm products, side-line production, and utilisation of local resources.
- (6) The pricing policy for farm products should be reformed, with the objective of establishing the rural markets and forming a healthy environment for the sustained and stable development of off-farm activities as well as of the rural economy.