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The Impact of Agricultural Development on Agricultural Employment and Rural Labour Markets — Evidence from Western Africa and Eastern Europe

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Abstract

Agricultural employment is the decisive factor for rural well-being in developing countries as well as in many eastern European transition countries. This is because, differently from Western Europe, there are, in many regions, almost no other employment opportunities than farming. Therefore, the decrease of agricultural employment opportunities yields social and economic distress, especially for the most vulnerable, the landless and the small scale farmers who have to seek supplementary income from working casually on other farms.

But agricultural employment is subject to many factors. Labour hiring is strongly affected by short term productivity developments. Structural adjustment in the agricultural sector decreases labour by substituting it with capital.

This contribution analyses the effects of agricultural development on agricultural labour markets and thus on rural employment. It gives evidence from two regions that may seem different at first glance, but show surprising similarities: Eastern Europe and Western Africa, especially Niger. Using the method of calculating short term and long term labour demand elasticity for the agricultural sector, effects of both short term distortions (e.g. price or yield declines) and long term adjustments are assessed.

For both regions, it can be shown that short term distortions in agricultural productivity, mainly caused by price decline, lead to a sharp decrease in hired labour employment. The following structural adjustment mostly leads to a substitution of labour by capital. Consequently, when the initial productivity losses are compensated, less labour than before is employed at the same productivity level so that the net effect is a decline in agricultural employment over time.

Based on this knowledge, recommendations are given for both Eastern Europe and West Africa. It is most important to establish a balanced structural policy that aims at both improving agricultural efficiency and creating off-farm labour, e.g. in the downstream sector.

Keywords: Rural labour markets, rural development, Africa, Eastern Europe, structural policies