Does farmland transfer affect rural labour mobility?

A factor market is a marketplace for the services of a factor of production. They facilitate the purchase and sale of services of factors of production, which include inputs such as labour, capital, land and raw materials which are used to make a finished product. This is distinct from the goods and services market, which focuses on finished products or services. Understanding the relationship between factor markets can help better understand the agrarian economy in rural areas. Economists can form hypotheses about the relation of the equilibrium percentage of area under tenancy with factors such as land quality, labour-intensity of crops, extent of unemployment, interest rates, weather uncertainty and other related factors. These economic hypotheses can be aided by findings from social anthropologists, which can help to enhance knowledge about the nature of rural markets. In this vein, Dr Yiming He focused his research on Canton landowners who were transferring farmland property rights, migrating them from a rural to an urban area. His work investigated how the farmland property rights transfer impacted rural labour migration behaviour.

**FACTOR MARKET LINKAGE**

The scientific literature on factor market linkage can be divided into two branches. The first of these branches focuses on the credit market and includes analysis of markets such as labour and land. For example, previous researchers have examined interlocked transactions between traders and land owners in the cotton and wheat markets in Sindh in Pakistan, which facilitates the provision of credit by traders. This demonstrated that traders lend to land owners in a segment of the credit market which approximates competitive behaviour, without surplus extraction by traders. Although a great deal of attention has recently been dedicated to agrarian credit markets, the potential for interlinked credit marketing arrangements for particular cash crops to promote food crop intensification remains strong. Research has shown that households engaging in interlinked marketing programmes for selected cash crops applied significantly greater fertilizer on other crops (primarily cereals) which were not directly purchased by the cash crop trading firm.

The second of the branches in the literature on market linkage focuses on interlinked contracts. Previous studies have explored the nature of interlinked contracts under adverse selection. Interlinked contracts are when the same individual provides both land and credit, for example. Adverse selection is a situation where sellers have information that buyers do not have, or vice versa, about some aspect of product quality. Previous research has found that interlinkage of contracts reduces investment compared with non-interlinked contracts. Other studies have proposed a new rationale for the existence of inter-linked contracts in the agrarian economies of developing countries. This was achieved through the demonstration of the way in which interlinked contracts can help the dominant parties to collude in cases where collusion is not possible with non-interlinked contracts, such as those between the markets for credit and share tenancy.

Interlinked factor markets may be considered to be an “efficiency improving institutional change” in rural agrarian economies. In rural agrarian economies, interlinked contracts may be an example of the demonstration of the way in which interlinked contracts can enhance the understanding of the agrarian economy in rural areas. Economists can form hypotheses about the relation of the equilibrium percentage of area under tenancy with factors such as land quality, labour-intensity of crops, extent of unemployment, interest rates, weather uncertainty and other related factors. These economic hypotheses can be aided by findings from social anthropologists, which can help to enhance knowledge about the nature of rural markets. In this vein, Dr Yiming He focused his research on Canton landowners who were transferring farmland property rights, migrating them from a rural to an urban area. His work investigated how the farmland property rights transfer impacted rural labour migration behaviour.

**Interlinked factor markets may be considered to be an “efficiency improving institutional change” in rural agrarian economies.**
This research suggests that an increasing amount of rural labour would migrate into non-agricultural production industries in urban areas.

In order to gain empirical evidence of economic relationships, it enables economists to sift through large amounts of data, such as the LRMS to find simple relationships between variables, such as the link between farmland transfer and rural mobility. Dr Yiming He’s findings using econometrics confirmed the hypotheses generated: he demonstrated that the farmland transfer market interlinks with the rural labour market in a non-specialised production system.

Future research could use field data from rural areas where markets are interlinked. This would allow researchers to explore whether rural labour market structure and rural financial market reform are altered when farmland transfer markets are expanded.