

# LABOR TRANSITION OF FARMING HOUSEHOLDS IN THE MEKONG DELTA SINCE 1990s

## INTRODUCTION

Theoretical approach of Rostow in *The Stages of Economic Development*<sup>1</sup>, in stage of economic take-off, one of major factors of economy is productivity of labor increases until to mature stage of economy, a huge amount of labor force in rural areas move to urban and to other sectors. The labor transition from agriculture to other economic sectors in the context of *push out* of labor exceeds *pull off* or attraction of labor in urban (Son, 2001), leads to imbalance of inner supply – demand labor in rural region, lack of seasonal laborers for farming, increase of wage and low competitiveness of agro-products' price. As a result, farming households force to apply *labor-saving* and labor-replacement techniques to reduce manual labor. Therefore, the cooperation, professional and specialized organizations of individual farmers has been formed into groups in recent years.

This paper will address and answer the questions: How is dynamics of labor transition in the renovation period of Vietnam economy and its trend in next decades in the Mekong delta (?), What will farming households do in this context (?) and which ones are the best political options?.

The study focused on farming households who are living in the Mekong Delta aiming to identify, analyze and evaluate the dynamics of intra-household manpower's use in order to give the solutions and political implementation on the use of human resource in this region. The surveys were carried out in the representative agro-ecological regions, above 2 thousands samples since 1995-2005 for quantitative and qualitative analyses basing both on critical and theoretical approaches of authors such as: Lewis (1976), Todaro (2003), Barnum-Squire (1979) and Allan Low (1989), Mao and Schive (1995).

## PRELIMINARY FINDINGS

Almost developing countries in progress of industrialization and urbanization as Vietnam, a large proportion of rural labor force shifts to urban areas for finding the non-agricultural jobs which are probably to bring them better income and they desire to have a better living standard.

### Real situation and trend of labor use in rural areas of Mekong delta

Use of agricultural human resource in the MD: Since middle of 1990s, overall picture of labor force supply-demand: (i) Availability of labor force from rural areas was very high, but labor demand of industrial and service sector in urban was not able to attract all, so that a very high forced jobless, unemployed and under-employed are still very high; (ii) Non-agricultural sector is not developed strongly enough to solve residue of rural labor and use reasonably it; (iii) The poor/small-land farmers, labor force contributed to agricultural activities is much less than that of richer/ large-land farmers. There is a significant relation between the land scale and situation of labor use in Mekong delta; (iv) Rich/large-land households tend to apply further mechanics, agri-chemicals as well as saving-labor techniques to replace and reduce manual labor due to their lack of family labor source.

Results of survey on household's living standard in 2002<sup>2</sup>: in Mekong delta, there is 17 percent of capita above 15 year-old hied out in non-agricultural sector; 15 percent is working in agriculture – forestry – fishery; 48 percent is self-employed in familial activities; 20 percent is self-employed in non-agriculture (small service, agri-products processing, handicrafts...). Generally, there is 62 percent of labor force in rural areas engaged agriculture, remainder is non-agriculture.

There are several emergent problems and phenomenon in term of labor use in Mekong delta: (i) Relative shortage or seasonal scarcity of farming labor, particularly teenage and young

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<sup>1</sup> W.W. Rostow (1976), *Les étapes de la croissance économique*.

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<sup>2</sup> General Statistical Bureau (2002). *Results of survey on households' living standard*. Hanoi.

people; (ii) Out of peak time (planting, harvesting season), it's very difficult to find out young workers in most rural areas. The reasons may be pointed out: in one hand, young labors are very dynamic, they have many opportunities to choose/or find the non-farm jobs in urban. Meanwhile, agriculture, particularly rice farming in Mekong delta is not only a single choice and not ensures cash-income for their life. On the contrary, in another hand, old (retired-age farmers) or middle-aged people have less opportunity to find out off-farm, non-farm jobs in both rural and urban areas because they mostly obtain very low education level, they have no non-agriculture professional skills, and don't desire to change their present position situation. However, labor movement and migration are very common. Per capita income level varies depending on the types of labor hired in or out of agriculture. The more working out of agriculture or rural area, the high per capita income because of the laborers are able to diversify their activities which may bring them much in-cash income. Although the agriculture has been changed to stage of *capital intensive*, but labor productivity is still very low, a huge amount of manual labor in use, and tend to be *labor intensive*.

Proportion of family labor resource contributed to agriculture in small farmer households is always higher than in rich farmers because almost of high-professional careers need of capital investment, skills which is not available for the poor/small households. In prediction of agricultural labor demand in next 10 to 20 years in Mekong delta, the capacity of labor heritage in agriculture is a very important issue (based on theory of Chayanov on *Farming Household Development Cycle*). In Mekong delta, period 1995-2005, agriculture shifts to *capital intensive* from *labor intensive* by using further chemicals and machines. Alternatively, there appeared labor-saving techniques (application of threshers, harvesters, seedling transplanting and row-sowing machines)...so called *partial mechanism* under small-scale of land. In rice cultivation, harvesting consumes over 30 percent total manual labor, applying of mechanism is likely a *revolution in*

*labor reduction*. In fact, capital investment for buying new machines and hired mechanism has been paid attention of rich farming households because family labor meets only 8 to 22 percent of demand (1995-2000: 88% of rich-class household bought new small tractors and 80% owned threshers). Specialization is improved relatively in farming activities.

*Why is rural labor force scarce in the peak time in some region of Mekong delta in recent years?* Some studies pointed out that unemployed issues in rural area is due to limitation of per capita land and high birth rate (in 2002, 1.18 %). Labor shortage for agricultural sector often happens in the regions where are located nearby industrial park and urbanization. Consequently, wage of farming labor tends to increase and several groups of laborers were established themselves and hired out in some specific steps in rice farming as case of Thailand in the years 1960s<sup>3</sup>.

*Productive relationship* has changed *social relationship* in rural communities, from kinship and relatives relationship shift to *economical relation* (buy-sell relation of labor power, in-cash payment for hired labor), although labor market is not yet formed clearly in rural areas. However, there exists the competition of wage and negotiation between groups of hired laborers (employees) and farmer households (employers). As a result, farming wage moves up and reaches up level of wage in industrial and service sector. It makes a good opportunity for farmers, particularly the poor, small-land and labor-residued households improve their income (Viet, 2005). Wave of young laborer moves temporarily from rural to urban to find a seasonal jobs, then immigrate steadily in urban, that is given an opportunity to approach new technologies and information. As Einhard and Volker (2004) mentioned issues of farming labor use in developing countries, in Mekong delta the farming household pushes their children into urban, hired/buy house, finding job, living there, then only aged generation continues to engage

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<sup>3</sup> Pasuk Phongpaichit and Chris Baker (1999): *Thailand: Economy and Politics*, Oxford University Press.

farming activities, that model is called *pull-push* and it's similarly Chinese policy "leaving rural but not leaving agriculture" (*Ly hương bắt ly nông*) that encourages upper-class of farmers do not sell their owned land. Finally, the knowledge on agriculture and modern techniques, urban civilization are approached and attracted by farmers' children – young farmer generation – then apply and transfer it in rural areas, which probably contribute to improvement of farmer's livelihood.

*Is the poor able to apply labor-saving techniques in Mekong delta?* Generally, in the context of high farming wage, the poor only spend partly their family labor force on the on-farm and farming activity, they used further herbicides even their feasible manual labor supply is exceed labor demand of farming. The residue of farming labor will be used in non-agricultural sector and off-farm activities to earn more income for their life. Opportunity of cash earning generates from non-farm activities has helped the poor farmers to expense for hired machines as well as buying agri-chemicals.

*Why is labor scarce in the rural areas of Mekong delta in recent years?* During 1995-2004, in Mekong delta, the manual labor force has trend to reduce by 50 percent because of migration of rural people into urban under the "push" and "pull" dynamics of labor force that caused a relative shortage of labor for farming activities in the peak time. In which, most of poor-class households used above 30 percent of their family labor in on-farm activities (the remainder employed in off-farm and non-agriculture). On the contrary, the rich households tend to hired labor for agriculture and use further 60 percent of their family labor for non-farm, off-farm and self-doing services (ploughing, planting, harvesting and transportation by machines).

*What does labor shortage affect on rural areas?*

As mentioned above, the labor of poor households hired out to form the labor market in rural areas, so that many farmers become hired laborers and wage of farming labor is very competitive and tends to move up (manual labor for weeding in

rice cultivation varied from VND<sup>4</sup> 6,000 – 15,000 in 1995 to 15,000 – 35,000 in 2004). The movement of young rural people into urban areas is very fast but most of them are not equipped professional skills to meet requirements of industrial and service sectors. Consequently, production costs of some agri-products might be higher leads to its low competitiveness.

*How does specific group of labors form in Mekong delta? The forms of association/cooperation* in agriculture and rural areas have been gradually developed and diversified towards the trends of specialization which aims to reduce and mitigate risks and constraints in farming activities such as shortage of capital and labor. Actually, in Mekong delta, there're existing 2 classes of households: (i) small-land and labor-residual households; (ii) large-land and labor-shortage ones; the first has unemployed or underemployed labor that might meet demand of the second, they employ their labor force in an informal labor market under the associated forms that operate as groups of farmers which give the abundant labor source for intensive-farming regions. These groups have eliminated the *traditional modality* of labor using is that *labor exchanged* (no payment) and replaced by *economic modality* (hired labor, in-cash payment). These groups gather all small-land farmers, numerous labor and capita per family, unskilled laborers, less-capital households (the factors constrain shifting to non-agriculture).

### **Solutions for labor resource in Mekong delta**

- Strengthen availability of labor use by further reinvestment for non-agriculture in rural areas to give opportunity for *inner-region* laborer finding the job in urban or attract *external-region* laborer.
- Improve quality of human resource in rural areas through the vocational education, training professional skill towards demand of society and market. Beside that it should facilitate the poor's children approaching education.

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<sup>4</sup> Vietnamese currency, in 2007, USD 1 equals VND 16,030.

- Build up relevant institutions of labor market towards trend of specialization and professionalization in rural areas.
- Encourage organizational modality of production by farmer group; apply mechanization by policy of long-term credits, training on skill of management and new-modern cooperatives.