



Leibniz Institute of Agricultural Development
in Transition Economies

*Theodor-Lieser-Straße 2
06120 Halle (Saale), Germany*

Britta Paasche

Public Relations

Tel.: +49 345 2928-329

Fax: +49 345 2928-499

presse@iamo.de

www.iamo.de/en

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A need for decent rural employment opportunities and investments in people

The IAMO Forum 2016 "Rural Labor in Transition: Structural Change, Migration and Governance" was held from 22 to 24 June in Halle (Saale), Germany

Halle (Saale), Germany, 29 June 2016 – From 22 to 24 June, 119 international experts from 26 nations came together in Halle (Saale), Germany, for the IAMO Forum 2016. This year's conference theme was "Rural Labor in Transition: Structural Change, Migration and Governance". In their presentations, researchers provided recommendations on how to reduce informal employment and discussed factors which could improve the income situation of wage labor in agriculture. The conference was jointly organized by the Leibniz Institute of Agricultural Development in Transition Economies (IAMO) and the Institute for the Study of Labor (IZA) and supported by the German Research Foundation (DFG), the Edmund Rehwinkel Foundation, the Federal German State Saxony-Anhalt and the City of Halle (Saale).

During the conference four plenary sessions, eighteen parallel sessions and a panel discussion were held. In the presentations and discussions the threats and challenges of rural labor markets were outlined and debated. The participants analyzed the effects of structural change on employment in the agricultural sector, discussed the role of migration in labor market adjustments and local development, and shed light on the organization of labor relations in agriculture from various perspectives.

The IAMO Forum 2016 was opened on 22 June by IAMO Director Professor **Thomas Herzfeld**, who welcomed all guests to the institute. Professor **Hartmut Lehmann** from the University of Bologna, Italy, then held a keynote speech on "Risk attitudes, informal employment and wages: Evidence from a transition country". Based on this empirical microeconomic study using data from the Ukrainian Longitudinal Monitoring Survey, Lehmann contributed to the current empirical debate on informality in labor markets. He showed that a person's risk attitude is an important determinant in deciding whether or not to enter into informal employment. Professor **Oded Stark** from the University of Bonn, Germany, outlined in his keynote, titled "Social preferences and migration outcomes", the ways in which a migration decision can be explained by the relative ranking of the respective household. He developed a number of theoretical claims and discussed their implications for migration flows between two regions.

One highlight of the second conference day was the plenary session “Rural Labor Markets in Transition Economies”. Dr **Corrado Giuletti** from the University of Southampton, UK, presented an analysis of rural-to-urban migration in China with a focus on the role of weak and strong ties, defined respectively as the fraction of migrants from the village in which the individual resides and as the closest family contact. The findings showed that both ties matter and that they act as complements: Strong ties are necessary in order to activate weak ones. In his presentation, Professor **Alexander Danzer** from the Catholic University of Eichstätt-Ingolstadt, Germany, took a closer look at coerced labor in the cotton sector. Tajikistan, the researched area, has a dual farm structure with small private farms and big parastatal farms. Both compete for seasonal workers, mainly women, on the local labor market. The empirical findings support the hypothesis that farm managers pass on additional revenues from higher commodity prices to free workers, but not to coerced workers. Therefore, privatization and a competitive labor market contribute to the transmission of rising world market prices to workers, thus benefiting the households of poor workers. Professor **Hartmut Lehmann** outlined further aspects and the results of his study on the effects of personality traits on rural-to-urban migration in Ukraine. Besides an individual’s attitude to risk taking, traits like openness to experiences, conscientiousness and extraversion also have a significant effect on an individual’s decision to migrate. Furthermore, Dr **Norberto Pignatti** from the International School of Economics at Tbilisi State University (ISET), Georgia, presented and analyzed statistics on labor market opportunities in rural Georgia. The government’s promotion of the privatization of leased public land and other measures, such as the setting up of programs for agricultural extensions or advisory service centers, have not modernized the Georgian agricultural sector in general. Instead local labor markets fail to provide alternative job opportunities to young people and structural transformation has stalled.

The third conference day started with two keynote speeches. First, Dr **Johannes Koettl**, Senior Economist at the World Bank’s Social Protection and Labor Global Practice (GSPDR) gave insights into informal employment in the new and aspiring member states of the European Union, showing that informality rates are higher for men, especially in the transitions from education to employment and from employment to retirement, and lower for the better educated. Formalizing a job is coupled with high opportunity costs in countries like Bulgaria and Romania, which also leads to the fact that only a small share of people makes contributions in the form of income taxes and social security contributions. Koettl concluded that structural reforms are necessary – but not enough – to make formal work viable, as the performance of the government and the trust that citizens put into their government are critical with regards to, for example, tax morale. Second, Dr **Cheng Fang** from the Food and Agriculture Organization of the United Nations (FAO) outlined FAO’s requirements for decent rural employment. Apart from no child labor and no excessive labor hours, this includes respecting core labor standards, providing adequate living conditions and an adequate degree of employment security and stability, as well as technical education and vocational training. Fang explained that youth employment and female empowerment are among the core areas in FAO’s strategy to enable decent rural employment opportunities.

The IAMO Forum 2016 was closed by a panel discussion moderated by Professor **Martin Petrick** from IAMO about the “Threats and Challenges of Rural Labor Markets”. On the podium, Koettl and Fang were joined by Dr **Abel Polese** from Dublin City University in Ireland, Dr **Willi Schulz-Greve** from the European Commission, and **Taras Vysotskyi** from Ukrainian Agribusiness Club (UCAB). Schulz-Greve pointed out that diverse strategies, from a bottom-up approach, for growth in rural employment are among the major priorities of the European Commission. He claimed that an investment in people, including health and education, is needed. From Polese’s point of view, eliminating corruption is one of the most important ways of developing rural employment. Existing local informal structures should be formalized. For Ukraine, Vysotskyi outlined the necessity of an educational system that takes employers’ needs into account. Additionally, the government should concentrate on rural development by creating suitable living conditions in rural areas. Koettl argued that demographic and economic challenges have the most

important impact on rural labor. For China, Fang underlined the positive effects of rural-to-urban migration as an income generator. The discussants agreed that a broader set of threats and challenges affects employment in rural areas, and that governments are recommended to provide a diverse spectrum of services in order to enable the creation of more jobs in rural areas and to secure the sustainability of existing jobs.

The next IAMO Forum will take place from 21 to 23 June 2017. The topic will then be “Eurasian Food Economy between Globalization and Geopolitics”.

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Further information on IAMO Forum 2016

www.iamo.de/forum/2016

Photos for media reports

Professor Oded Stark (University of Bonn) held a keynote about “Social preferences and migration outcomes“ at the IAMO Forum 2016. Photo: Markus Scholz © IAMO

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Plenary Session “Rural Labor Markets in Transition Economies“ with Dr Alexander Muravyev (IZA) as moderator, and Professor Alexander Danzer (KU Eichstätt-Ingolstadt), Dr Norberto Pignatti (ISET), Professor Hartmut Lehmann (University of Bologna) (from left to right). Photo: Markus Scholz © IAMO

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Panel Discussion “Threats and Challenges of Rural Labor Markets“ with Taras Vysotskyi (UCAB), Dr Abel Polese (Dublin City University), moderator Professor Martin Petrick (IAMO), Dr Willi Schulz-Greve (EU), Dr Johannes Koettl (World Bank), Dr Cheng Fang (FAO) (from left to right). Photo: Markus Scholz © IAMO

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About IAMO

The Leibniz Institute of Agricultural Development in Transition Economies (IAMO) analyzes economic, social and political processes of change in the agricultural and food sector, and in rural areas. The geographic focus covers the enlarging EU, transition regions of Central, Eastern and South Eastern Europe, as well as Central and Eastern Asia. IAMO works to enhance the understanding of institutional, structural and technological changes. Moreover, IAMO studies the resulting impacts on the agricultural and food sector as well as the living conditions of rural populations. The outcomes of our work are used to derive and analyze strategies and options for enterprises, agricultural markets and politics. Since its founding in 1994, IAMO has been part of the Leibniz Association, a German community of independent research institutes.

Media Contact at IAMO

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Public Relations

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