

# Are Remote Rural Households Trapped in "Poor" Non-Agricultural Activities? Evidence from China

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## Abstract

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Non-agricultural employment is often considered as a path out of poverty as it is supposed to increase and to smooth rural workers' income. However, this is not always the case. Indeed, non-agricultural employment can be broken out into different categories. On the one hand, some non-agricultural activities are better paid than others; there even are low-paid non-agricultural activities where earnings are lower than agricultural earnings. On the other hand, non-agricultural activities may or may not be countercyclical with agriculture (i.e. enable income-smoothing).

Previous studies focus on the nexus between rural households' location and the *level* of non-agricultural employment; they highlight that remoteness significantly hinders the level of non-agricultural employment in China. This paper attempts to study more deeply how remoteness affects non-agricultural employment by investigating whether or not remote households are engaged in different *types* of non-agricultural works. We are particularly interested in investigating whether remote households are caught in "poor" non-agricultural employment (low-paid activities and/or activities highly correlated with agriculture). By investigating whether or not non-agricultural employment is a way out of poverty for remote rural households, we try to provide additional explanation on why poverty is concentrated in remote rural areas in China.

We carry out an empirical analysis using the Chinese Household Income Project (2002) data. Several interesting results are found. First, non-agricultural hourly earnings significantly decrease with distance to urban areas, even after controlling for living costs. Then, remoteness is associated to lower non-agricultural earnings

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in real terms. However, we do not find evidence that remote households are more likely to be caught in non-agricultural activities paid less than agriculture. Then, non-agricultural employment enables rural households, whatever their location, to increase their income; yet, it enables households closer to urban areas to increase their income faster. Second, we investigate whether non-agricultural activities are countercyclical with agriculture by testing whether they are affected by the same risks as agriculture. To do so, we estimate the effect of natural disasters on both households' participation in and income earned from the non-agricultural sector. We find that neither participation in nor income earned from non-agricultural activities are negatively affected by natural disasters. Moreover, this is true whatever is the distance from the village to the urban areas. Then, we find strong evidence that non-agricultural employment enables Chinese households to smooth their income.

We conclude that when remote households manage to get non-agricultural employment, they are not more likely to be trapped in "poor" non-agricultural works. As a result, the higher level of poverty in remote areas is likely to arise more because of fewer non-agricultural employment opportunities (*level*) than because of "poor" non-agricultural employment (*type*).

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