

Occupational Choice and Agricultural Labor Exits in Sub-Saharan Africa

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Abstract

The process of economic development is characterized by rising output per agricultural worker and the exit of labor from agriculture to other sectors, which together result in rising incomes and falling incidence of poverty. This paper explores the relationship between labor productivity and the occupational choices that underlie the structural transformation process. I model households' decisions to participate in different activities – farming, wage employment, and self employment – through operation of a household non-farm enterprise. I estimate a structural, polytomous model of occupational choice using nationally representative household survey datasets from Tanzania, matched geospatially to several other relevant datasets. Then, I simulate the response of occupational choice to stylized productivity shocks to farming, wage employment, and self employment. I find that participation in farming is not responsive to productivity shocks of any sort. This is most likely because farming participation rates are already quite high. Wage and self employment participation do respond to wage and self employment productivity shocks, respectively. These results highlight the importance of investing in improved smallholder farmer productivity, especially along the intensive margins of farming participation and especially in places with low population density and poor market access, where farming productivity gains are the only ones to impact households.