

**IMPACT OF LABOR MIGRATION ON
TECHNICAL EFFICIENCY OF TEA
SMALLHOLDERS IN LOW COUNTRY WET ZONE**

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ABSTRACT

Labor migration can create more optimistic impact as well as the more pessimistic impact to tea small holding sector. Remittances and the labor shortage are the more optimistic and pessimistic effects of labor migration. Due to this optimistic and pessimistic effects labor migration can change the technical efficiency of tea small holders. With this background, in this study, the impact of labor out-migration on technical efficiency of the tea small holders in the low Country Wet Zone of Sri Lanka was estimated in order to identify the potential to increase production without incurring any additional costs for inputs. The primary data collected from 200 tea small holders in Ratnapura and Kalawana DS divisions. Maximum likelihood estimate is used to estimate the stochastic frontier model. According to the Cobb-Douglas specification, the coefficients for land, family labor, hired labor, fertilizer, chemical cost, dolomite cost and remittances usage for tea land and dummy variable for remittances usage of tea land significantly affect yield. The mean technical efficiency of the tea small holdings sector in the low Country Wet Zone was found to be 71 percent. The result for the inefficiency model indicates that age of household head, education of household head, dependence ratio, amount of remittances sent, period of migration, age of migration, and the education of migration have significant effects on inefficiency. This study finds that migrant farmers produce green leaf more efficiently than non migrant farmers.

Key word: Migration, Cobb-Douglas production function, Technical efficiency, stochastic frontier, Tea Small holders