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The Main Structural Deficiencies on the Rural Labour Market and Employment Quality

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Abstract

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Economic and social importance of rural areas in the country's context is given by the significant weights on the area, population, gross value added, employment and by the high percentage of rural population who does not have any other form of income than the one earned from land use. The rural development strategy and the other programmatic documents for the period 2014-2020 have as the fundamental objectives revitalize rural areas, the agricultural sector to become an engine of growth and a source of jobs.

This paper highlights through a comparative analysis between Romania and Member States of EU, the main structural deficiencies of agricultural sector and of rural labour market concerning to employment on economic sectors, the employment status, level of education and structure and dynamics of agricultural holdings. To capture the effect of structural weaknesses on the quality of employment in rural areas was used a sociological investigation which was designed by the authors of the paper, carried out in 2015 and aimed at collecting and analysing information which formed the basis for assessing the employment potential in rural areas. The paper ends with principal conclusions identified as follow of data analyses and recommendations for active policies strands based on the transfer of labour from subsistence farming into the non-agricultural activities with added value, with growth potential and competitiveness and increasing employment quality.

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Keywords: rural employment; labour market; active policies; training; competitiveness; employment quality; agriculture.



1. Introduction

Significant share of territory and population highlights the importance of rural areas in the country's context. From the total area of the country, about 92% represent rural areas and 8% urban areas. In the villages of Romania live 9.2 million inhabitants, representing 46% of the total resident population, according to final results of Population and Housing Census (2011), developed by the National Institute of Statistics (INS).

In the significantly and predominant rural areas (Rural Development in the EU, 2010), the share of area was 90.1% in the EU and 99.1% in Romania; the share of population was 57.7% in the EU and 89.4% in Romania; share of gross value added was 45.6% in the EU and 74.8% in Romania and the share of employment was 54.5% in the EU and 88% in Romania.

The concept of rural development is linked with the development of villages and communes, by fundamental transforming of them. It aims to increase sustainable community productivity and institutional, including at the individuals level, which can lead to ensuring higher incomes, constant over time. Economic development is not confined to economic growth, but the qualitative changes in the physiognomy and structure of the rural economy (technology, scientific research, planning, organizational, etc.) and the way of life of people in rural areas. Therefore, development programs have in view all the aspects of human progress and human (culture, science, civilization, equality and equity between men etc.). This takes a long time because the institutions, human resources, the whole economy are developed in a long perspective. Thus, the development represents a strategic concept, concentrating a critical mass of reforms, creativity and determination in pursuing the objectives aimed at ensuring development /sustainable development on new criteria of competitiveness (Cazorla & De los Rios, 2012; Mihalache & Croitoru, 2011).

The rural development strategy and the other programmatic documents for the period 2014-2020 highlight the importance of agriculture and rural development for the Romanian economy and society, which is one of the basic components of the resumption of economic growth of Romania. Through mainstems promoted they contribute in a decisive manner to the following issues: guaranteeing food security and safety; ensuring sustainable ecological balance; preservation and protection of renewable natural resources; strengthening and modernizing farm technologies; restricting disadvantaged rural areas and severe rural poverty; balanced territorial development, quality employment growth, etc.

2. Research Methodology

This paper highlights, through a comparative analysis between Romania and Member States of EU (EU27, EU 28 – according with the data availability), the main structural deficiencies on the rural labour market concerning employment on economic sectors, employment status, level of education and structure and dynamics of agricultural holdings from which derived employment and quality issues. To this end, data collection was done on two levels, using: 1. EUROSTAT data base, NIS (TEMPO online), General Agricultural Census (GAC 2010), studies and reports of the European Commission, and 2) Quantitative Sociological Investigation, designed by the authors in a research project, beneficiary of the results Ministry of Labour. The research was conducted from March 2015 to

December 2015 and aimed at collecting and analysing information which formed the basis for assessing the employment potential in rural areas in terms of material, financial and human resource structure to increase employment focused on reallocation of labour from subsistence agriculture in non-agricultural activities with value added for the economy, and entrepreneurship development. Investigation conducted covering a broader spectrum of issues, collected both directly as well as through the perception of heads of household, of which: socio-demographic household members; employment in rural areas; revenues, expenses and facilities; household activities; labour migration; opportunities to increase employment; satisfaction with public services and employment services; risks arising from climate change; factors hindering the development of local communities; etc. The case study of this article includes analysis of rural deficiencies related to partial aspects of quality employment from rural area extracted from databases above mentioned.

Sampling Methodology

The sample developed by CURS SA (partner in the project mentioned) has a volume of 1,070 respondents (heads of households). The sample is representative at both the household level and the heads of household (respondent) because they were collected data on all household members on socio-demographic status, with a maximum error of $\pm 3\%$ at a confidence level 95%. The sample is stratified by seven development regions (not included in the sample Bucharest-Ilfov region due to the low weight of the rural population, which is approx. 5% of the total region and approx. 0.5% of the total Romanian), probabilistic type (random selection of villages and households) and multistage (that is done in several stages). The paper ends with principal conclusions identified as follow of data analyses and recommendations for active policies strands based on the transfer of labour from subsistence farming into the non-agricultural activities with added value, with growth potential and competitiveness and increasing employment quality. This paper is part of a research, through NUCLEU Programme, developed with the support of ANCSI, project no. PN 16-440106/2016.

3. The Main Structural Deficiencies on Rural Labour Market

3.1. Structure of Economy and of Employment on Economic Sectors of Activity

Although agriculture has taken important steps toward modernization, it continues to be a sector with an insufficiently exploited economic potential, an agriculture that remains fragile, weather-dependent, with significant structural deficiencies.

The data on the structure of economy and of employment on sectors of activity in Romania, described in comparison with the EU-28 member states, confirms the rather low competitiveness of Romanian agriculture, against the backdrop of a special agricultural potential. In 2013, structural deficiencies on economic sectors are found in the following manner: the primary sector in Romania is 6.4% of the overall GVA as compared with the EU-28 average 1.7%; the secondary sector is nearly 2 times larger than the European one; and the service industry is less developed, meaning 50.2% of the GVA, at 23.4 pp from the EU-28 average. This is also caused by the fact that Romania has one of the lowest urbanization rates in the EU, as an expression of the lack of sustained economic progress.

Romania, the fifth country in Europe in terms of size of the agricultural surface, obtains 3.5% of the GVA in the primary sector at the level of EU-28, by using approx. 24% of the total workforce of the European primary sector (European Commission, 2013). The labour productivity index (calculated as GVA per full-time equivalent, EU average =100) was 31.5% of the EU-27 average as compared with the Netherlands (the second largest agricultural exporter in the world, after the USA), which has an agricultural potential that does not even come close to our country's, but it has an efficient agricultural sector, with a labour productivity index at 339.3% (Otiman, 2004: 208).

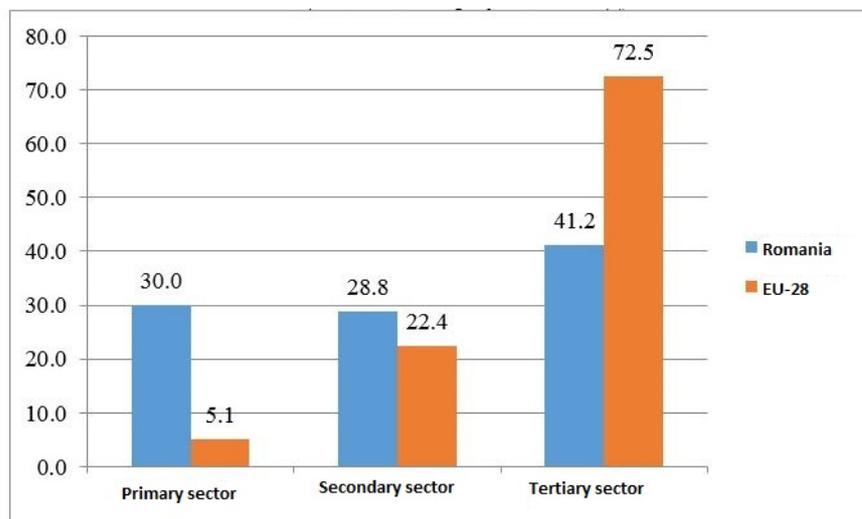


Fig 1. Structure of employment by sector of activity for EU-28 and Romania (% of sector employment, 2013). Source: authors' calculations based on EUROSTAT data)

As to employment, structural deficiencies are also obvious, in the following manner: a primary sector to which 30% of the total employed population is assigned as compared with the average 5.1% EU-28 population assigned to this sector; the service industry, which is considerably better represented in the overall EU-28 economy and assigns more than 72% of the total employed population, while in Romania it is almost 10 pp below half of the total employed population (Guergoat-Lariviere & Marchand, 2012). Another characteristic (shown in PNDR 2007 - 2013) is the underestimate of the number of people who work in agriculture, because there are people at whom agricultural activities are a secondary activity, and this type of activity is prevailingly extended in the rural environment. The large percentage of people who work in agriculture and forestry is a first evidence of the low level of labour productivity and of the concealed unemployment present in this sector.

In EU-27, average labour productivity in agriculture was 14,967 EUR/AWU (annual work units) in 2010 – 2012. The highest labour productivity is in Denmark 53,735 EUR/AWU, i.e. 3.6 times the EU-27 average, followed by the Netherlands with 48,528 EUR/ AWU, while the lowest labour productivity is in Latvia, with 3,372 EUR/ AWU, followed by Romania with 4,329 EUR/ AWU (European Commission, 2013). Increasing in Romanian agriculture the efficiency of production factors can be achieved by introducing technological advances in agricultural holdings (Sauer & Lohmann, 2015).

In Romania, the natural possibilities are inefficiently used, since plant production in Romania, related to the EU-15 average, was only 40%, which means an average output of the production capability for the natural environment resource of only 0.39.

Laid off from the two directions of the economic activities that are being reorganised (industry in the urban environment and agriculture in the rural one) has favoured the emergence of traditional agriculture, of subsistence, low-productivity agriculture, meant mainly for the consumption needs of a family. This aspect is also seen in the structure by the occupational status of the employed population in the urban-rural environments (Table 1). Employees are overwhelmingly present in the urban area, whereas in the rural environment the category of self-employed person and unpaid family worker linked with the individual workers of individual agricultural farms is nearly 2 thirds of the employed population.

Table 1. Employed population status by residence environments, 2013(%)

Employment status	urban	rural
Employee	91.7	38.6
Employer	1.8	0.6
Self-employed	5.7	36.2
Unpaid family worker	0.8	24.6
Total	100	100

Source: authors' calculations based on TEMPO-online data, INS, 2013

a. Structure and Dynamics of Rural Holdings

Romania has an extremely polarized farming structure, since it is the country with the most divided agrarian structure in EU-27. This situation has been caused largely by the characteristics of the restitution to the former owners, a process that has begun in 1990 (Oțiman, 2004).

Table 2. Structure of Romanian and EU rural farms according to the area held, 2010

	Total	0-2ha	2-4.9ha	5-9.9ha	10-99.9ha	>100
Farms						
EU-27						
Number (thousands)	11996	5866	2407	1303	2064	324
%	100%	49%	20%	11%	17%	3%
ROMANIA						
Number (thousands)	3859	2866	727	182	71	13
%	100	74.3	18.8	4.7	1.8	0.4
Share of Romania in EU 27						
%	32.2	48.9	30.2	14.0	3.4	4.0
Agricultural area used						
EU-27						
Areaq (thousand ha)	171428	4177	7598	9130	6455	85968
%	100	2	4	5	39	50
ROMANIA						
Area (thousand had)	13306	1718	2229	1210	1641	6508
%	100	12.09	16.7	9.1	12.4	48.9
Share of Romania in EU 27						
%	7.8	41.1	29.3	13.3	2.5	7.6

Source: authors' calculations based on EUROSTAT data

Of the total number of 3856 thousand agricultural holding registered in Romania, 3825 thousand farms (99.2%) are agricultural holdings without legal personality (individual agricultural holdings, self-employed persons, individual/family enterprises) and only 31 thousand (0.8%) are legal persons. According to RGA (General Agricultural Census) data, the agricultural area used in 2010 was 13298 thousand ha, of which 7445 thousand ha (56%) for agricultural farms without legal personality and

5853 thousand ha (44%), agricultural holdings with legal personality. The average agricultural area of a farm has had a modest increase, from 3.1 ha in 2002 to 3.45 ha in 2010.

This aspect shows, on the one hand, the small number of farms that conduct market agriculture (where in products are meant mainly for the market), which have a positive effect on the increase of paid employment in agriculture and, on the other hand, the large number of agricultural farms prone to practising subsistence and semi-subsistence agriculture (high self-consumption share) which relies on family workforce input rather than on paid work (the family workforce working mainly in their own farms and in a non-contractual form, as unpaid family worker).

In 2010, in EU-27, there were approximately 12 million farms with an area of approx. 170 million ha (40% of the EU-27 territory). *The average size of an EU-27 agricultural holding was 14.3 ha, and in Romania 3.45 ha (four times smaller)*, which has a negative impact on rural economy, on the farmers' competitiveness and income. Furthermore, 32% of the number of farms seen at EU-27 was in Romania, which illustrates the extent of the fragmentation of Romanian agricultural area, with negative consequences on employment and on economic performances. Excessive fragmentation of the Romanian agricultural area is also shown by the high share of small-sized farms in the total number of farms, as compared with the EU (the total number of farms with an area below 5 ha is 93% in Romania and 74% in the EU, of the total number of farms).

b. The structure of Human Resources in the rural environment by training and age

A phenomenon that acts on the structure and quality of human resources in the rural environment relates to the ageing of the population and, thus, of the workforce. The trends of the last two decades have shown that demographic ageing is a long-term evolving process, characterized by the decrease of 15-24 year-old population, in parallel with the increase of the segment of population aged over 65. Another phenomenon is the feminising of the Romanian rural population, given the fact that a significant share of women works in agricultural farms, approx. 46.2%, while the EU-28 average is 35% (Mihalache, Croitoru, 2011).

The inefficient assignment of the workforce by the overcrowding with lowly skilled workforce of the agricultural sector in the rural environment, who come from the resident population and from those that were laid off after the reorganisation process in the other industries, has also become a major hindrance to the relaunching of the activity in the rural environment, hence to the efforts of streamlining agriculture. In general, rural population is exposed to social risks more than urban population and the training level is low, only 12.5 % of the employed population having received secondary and higher education (table 3)

Table 3. Employed population by level of education, Romania, 2013

Level of education	Total	Urban	Rural	Urban (%)	Rural (%)
Total	8549132	4587129	3962003	53,7	46,3
Higher	1560263	1381053	179210	88,5	11,5
Speciality postgraduate or technical foreman	315973	245123	70850	77,6	22,4
Secondary	2654802	1763258	891544	66,4	33,6
Professional, complementary or apprenticeship	1865899	838447	1027451	44,9	55,1
1 st grade secondary	180836	59865	120971	33,,1	66,9
Middle	1634257	259735	1374522	15,9	84,1
Elementary	307858	31445	276413	10,2	89,8
No graduate school	29244	8202	21042	28,0	72,0

Source of data: authors' calculations based on TEMPO-online, INS, 2015

Most of the managers of Romanian farms only have practical experience (97.5%), 2.1% have basic training and 0.4% have agricultural training, as compared with the EU-27 average (71.0%; 22.1% and 6.9%). After Romania, the countries with the largest shares of farmers that only have practical experience are Bulgaria, Croatia and Cyprus. The opposite end is represented by Italy and the Netherlands.

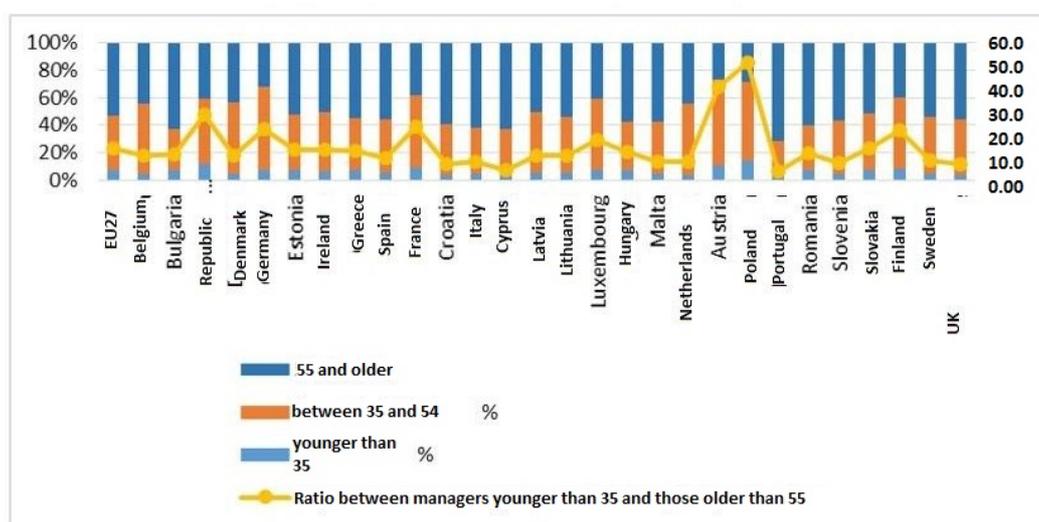


Fig. 2. Age structure of agricultural farm managers, 2010 (Source of data: authors' calculations based on CAP context indicators, 2014 update)

In relation to the age structure of agricultural farm managers, we can see that Austria (10.7%; 63.1%; 26.2%) and Poland (14.7%, 56.8%, 28.5%) have the largest shares for the age categories younger than 35 and between 35-54 years and the lowest shares for the oldert-than-55 age category, which means they have the highest ratio between managers younger than 35 and those older than 55. Portugal is opposite (2.6%; 26.0%; 71.4%). Romania (7.3%; 32.3%; 60.4%) is below the EU-27 average (7.5%; 39.4%; 53.2%) at the age categories younger than 35 years and between 35-54, and above the EU-27 average at the age category 55 and older, and the ratio is 12%, 2 p.p. below the one registered at the level of EU-27 (European Commission, 2014). Age's imbalance of the managers, respectively of employees of rural farms could be reduced by implementing an age management that takes into account employee's ages from the perspective of securing manpower (Urbancová, Čermáková, 2015).

3.2 Effect of structural weaknesses on the quality of employment

The effect of structural weaknesses on the quality of rural employment was surprised by a sociological investigation which was carried out in 2015 and aimed at collecting and analysing information that formed the basis of assessment the employment potential in rural areas. The dimensions of employment quality were captured from the respondents through their perceptions relates to: salary levels, education and training, working conditions, time spent on productive activities versus the personal; coverage of household needs with goods and services, etc.

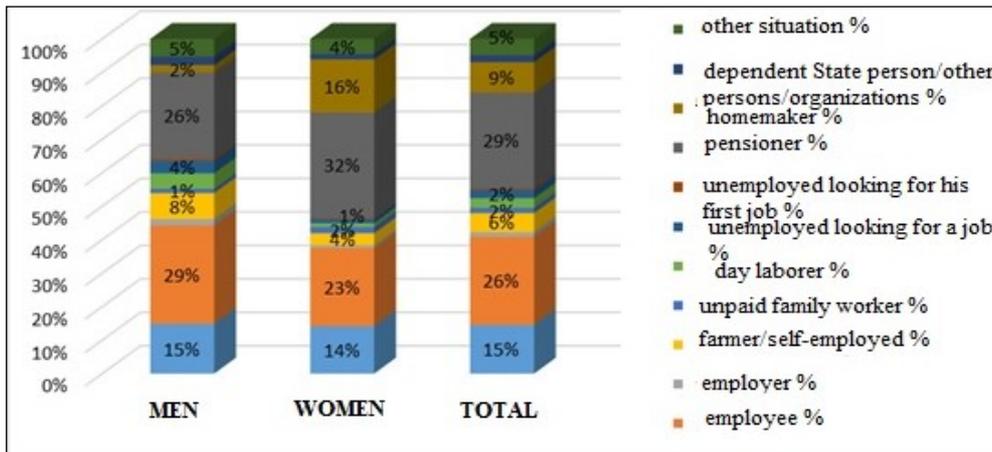


Fig. 3. The structure of the total household members by gender and occupational status

First, it is noted that the structure/composition of such households is poor, as evidenced by the high percentage of inactive persons in relation to active persons. From the sociological survey, afore mentioned, resulted the low capacity of households to generate earnings in a household, due to the structure of its members by occupational status: pensioners (29%), employees (26%), pupils/students (15%), housewives (9%, predominantly women) and farmers / freelancers (6%). From this perspective, the sources of income of members of a peasant farms generally come from: salaries, pensions (salaries and pensions covers more than 80% of income), income from social benefits (benefits, survivors' pensions, benefits, scholarships, etc.), self-employment and of the agricultural sales (only a few percent).

The household income is barely enough to cover basic needs for almost half of the respondents to the questionnaire and for one third of them, the income does not cover any bare necessities. Only 2% can have everything they want, not restricted to something. Related to aspects of standard of living, it is noted that three quarters of respondents are not use to go in vacation outside of the village nor even a week, but a significant proportion of them have mobile phone, cable-antenna digital washing machine, internet connection and a much lesser extent, a library with over 250 books.

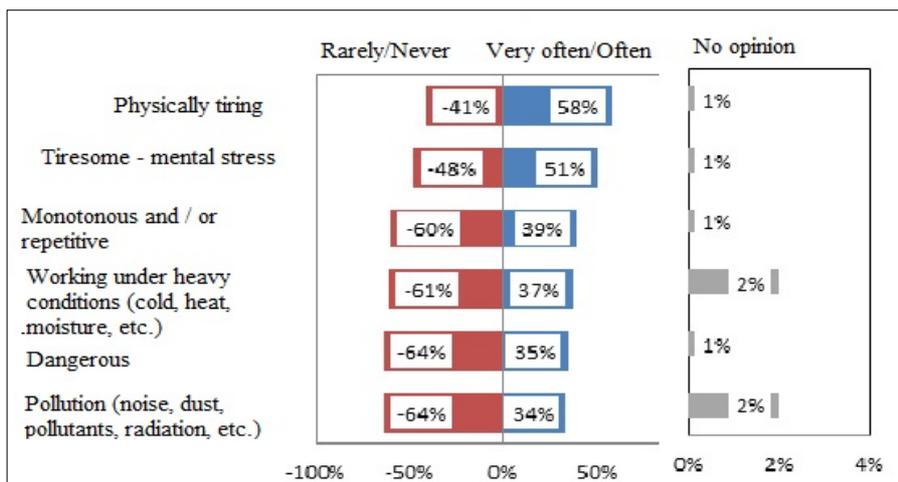


Fig. 4. How would you describe the work you are doing now under the following?

Besides dissatisfaction related to the income, the occupation, itself, doesn't seem to confer well-being to the workers in rural, they perceiving their work as physically tiring (58%), stressful-tiring mentally (51%), for more than one third of them, the performed work is monotonous (39%), dangerous (35%), carried out under heavy conditions (cold, heat, moisture, etc. - 37%) or conducted in a polluted environment (34%) - graphics 4.

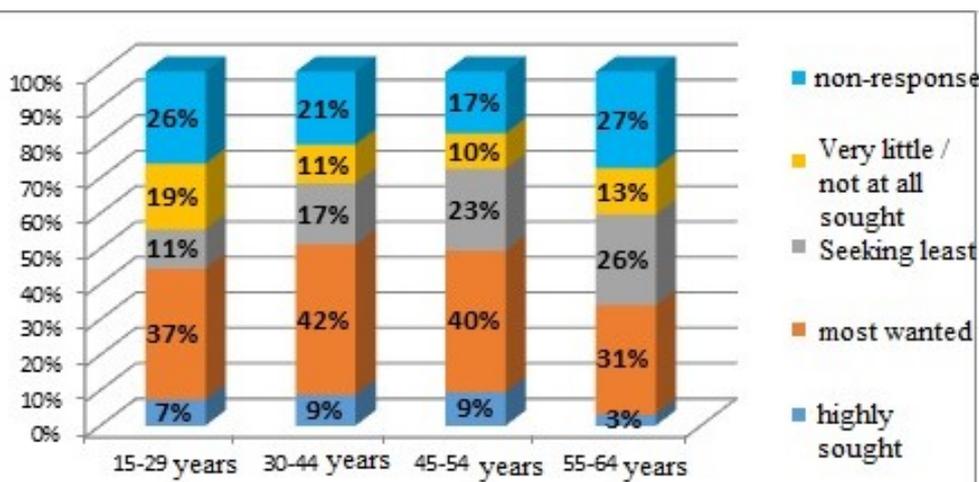


Fig. 5. Job /qualification search that the respondent owns on the local labor market by age

In many rural areas from the country is very hard to find qualified workers, most of them are very reluctant to seek training/requalifying. These results emphasize the inefficiency of previous schooling, respectively mismatch corresponding to their jobs or specific needs of beneficiaries. The appetite for training is low, around 10% of respondents consider that it is necessary to participate to a specialisation course. The current situation on the labour market in rural areas indicates for those with low levels of training that they hold a job without a future, which is very less and less sought locally, especially for those who have actively looked for a job in the last month (older workers aged 55 years – 39% or younger, 15-29 years – 30%), Graph 5. These opinions should be understood in the context that, on average, individuals investigated have a work experience for about 25 years. What makes prospects development to be questioned is a worrying phenomenon which shows that 1.75 children per household left school.

4. Results

The main results obtain follow the interpretation of data collected on the methodology mentioned above are:

- The structure of the economy by sectors is slightly unbalanced compared with that of the EU; service sector is below the EU average; agriculture's share is above the average EU; the share of industry and construction sectors is above the EU average. The Romanian economy convergence to the EU structure some changes are planned, from the economic branch with little added value, such as agriculture to the high added value, such as services. With specialization and modernization of economic structures and assimilating advanced technologies and innovation will develop an efficient services sector which will have a real contribution to GDP growth.

- Low labour productivity from Romanian agriculture compared with that from EU is due to the large share of total employed population occupied in agriculture, low level of training of the rural population and age imbalances of the farms managers.

- Another structural deficiency rural compared to urban areas due to low development of the rural economy refers to the high percentage of employed persons with the status of unpaid family worker or self-employed relative to the salaried population;

- We find that Romania has a two-pole structure of the farms, i.e. large, competitive farms coexist with small farms that are at the limit of existence, while the share of 10-to-100 ha farms is small as compared with the EU average. Therefore, the measures of increase of employment in the rural environment, proposed in this paper, are to support the increase of paid employment of the workforce in the rural environment by the streamlining and orientation of small farms (less than 10ha) toward the market; by the stimulation of the association of farms for the development of medium farms (10-100 ha), as well as by the encouragement to a larger extent of the large farms that practise crops that are advantageous for the local community (with value added increased by their processing) and less of the large farms that practise highly productive cereal crops, but which do not require large workforce, and the production has an outer use as raw material.

- The structure of rural household's members on the employment status revealed that household incomes come only in a proportion of about 26% of total from wages, which indicates an under-employment; working are perceived by employees in rural areas as tiring physically and mentally and that is conducted in difficult working conditions. Regarding qualifications of the employees from rural areas most of them are becoming less popular. These aspects highlights the poor quality of rural employment.

5. Conclusions and Recommendations

5.1. Conclusions

For the adequate use of the rural and agricultural development potential, apart from the maintenance and development of natural capital, special attention should be paid to the workforce, to the applied technologies, to how agriculture and rural economy in general are organised.

On the other hand, the economic importance of the rural environment is balanced by the immense social importance, since almost half of the total population of Romania lives in the country's villages and communes; in general, this population does not have any other form of income than the one earned from land use. Given the fact that an important share of the working age population is inactive population, we may say that, in the rural environment, the human resource is insufficiently used and applied.

The Romanian agricultural sector and rural environment continue to have a substantial potential of growth, which is still insufficiently exploited, and the reorganisation and revitalisation of rural economy are important levers of economic development of Romania. The statistical data analysed show the necessity to increase the competitiveness of the agricultural sector by the increase of labour productivity; thus, the re-assignment of the workforce surplus resulting from the reorganisation/reform processes should occur toward non-agricultural sectors with higher value added and potential of economic growth.

Results emphasise the extent of the oversizing of the rural population employed in agricultural activities in Romania, as compared with the developed countries, which requires the finding of solutions for the structural change of agricultural farms, mirrored by the level of labour productivity and by the economic performances of agricultural farms. Therefore, based on the results of the analyses presented, the authors have developed in the project mentioned above, a set of active measures to increase quality employment in rural areas. It was obtained a transfer of knowledge to the beneficiary (Ministry of Labour, Family, Social Protection and of Elderly) from the theoretically level of analysis to the implementation level. Active measures proposed addresses the following issues: the rejuvenation of rural farms, by attracting young workforce to agriculture; the improvement of knowledge and professional skills, as well as of the level of general training of the farmers for the management and financial administration of the farms; the increase of the information, advice and consultancy offer in the rural environment, relating to employment, qualitatively and quantitatively; the development of the entrepreneurship, in generally and specially of social enterprises for the integration of disadvantaged groups in the rural environment (NEET (not in education, employment or training) young people, homemakers, Romani, persons with disabilities, etc.), as well as the increase of the capability of micro-enterprises in the rural environment to provide employment to the rural population in the agricultural and non-agricultural sector, for the increase of the rural population's income and stabilisation.

5.2. Recommendations

The two future ways to promote the quality of employment in rural areas are: supporting social employment with integrated active measures and the green employment. Employment in rural areas requires a more nuanced treatment of current policies and measures, so their design must internalize all these accumulated problems and to be considered an important step in structural reform of the Romanian village.

The success and sustainability of measures to stimulate increasing of the employment in rural areas depends on the synergistic actions of policy makers, complementarity employment measures

implemented to increase competitiveness at the firm level and stimulate investment to major key areas of development rural economy such as infrastructure, education and health.

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