

Opportunities for agricultural job creation in rural Hungary

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Abstract - In Hungarian agriculture, which plays an important role in rural employment, the signs of gradual restructuration can be seen. In the past decade the rural areas of Hungary could be characterized by high level and long term structural unemployment, low level of qualification, wages under the national averages, increasing number of people applying for social benefits and last but not least by „invisible incomes” in connection with tax evasion. The black and gray employment can all be found at the same time. By analyzing the labour market of rural areas and the agricultural sector as well as the opportunities and the ways of increasing employment in agriculture, it was concluded that most importantly, the market-based employment can be made economically more viable, but an increase in the economic and social activity of the population in a disadvantageous position is also needed to encourage their integration into the labour market, and this can be achieved through socially-based employment creation. Increased employment in rural areas cannot be based exclusively on primary agricultural activities. Constant growth can be ensured only by developments that are better adjusted to the demands of the economic environment and by stabilising the entire food supply chain.

INTRODUCTION

Similarly to the international tendencies, in Hungary general phenomena are the decreasing role of agriculture in rural employment and the increasing expansion of the service sector. Domestic employment rate decrease during the last ten years was the most significant in the rural areas. Without real and continued employment extension rural subsistence and the low level of agricultural production cannot significantly be raised and the unfavourable tendencies might become steady. Against this background the present paper aims to analyse the labour market situation of the rural areas and agricultural sector as well as the opportunities and ways of increasing agricultural employment. This research did not only study the market-based employment extension but also the employment of those expelled from the primary labour market as well as the evaluation of additional social measures to be applied in agriculture. This study is based on the research work of Research Institute of Agricultural Economics (Bíró and Székely et al., 2012).

METHODS

The combined application of the various analytical methods made it possible to gather information and to evaluate the Hungarian and international characteristics of agricultural employment. In addition to discussing the legal background and presenting an overview on the relevant literature this evaluation is primarily based on the available Hungarian and international literature and statistical databases of the Hungarian Central Statistical Office². The analysis on the role of agricultural employment is founded also on 15 in-depth interviews with the officers of the competent authorities and institutions, who were selected on the base of experience and overview concerning the actual topic. In order to express the potentials of employment in numbers estimations were used; and then the results were conferred and the eventual aggregations and discrepancies were filtered.

FINDINGS

The agricultural labour market in the Hungarian rural areas – beside regional and sectorial deviations – can be characterized by simultaneous presence of decreasing structural unemployment, wages under the statistical national averages, low level of qualified workforce as well as illegal employment. Most of the agricultural labour is based on family labour. This labour input is seasonal and the additional works carried out outside the agriculture are often vital for the worker and his or her family in order to survive. Similarly to the international tendencies, in Hungary the application of modern technologies leads to decreasing labour input, the simplification of the production structure, the specialization and concentration as well as the higher incomes attainable and the more favourable working conditions in other sectors of the national economy speeded up the labour outflow from agriculture

By assessing the role of farms in employment we can see that the family-farms are founded primarily on self employment, that is, on the best possible utilization of own labour while large farms are based on full time employment of non-family labour and wage-work. The output per labour unit of farms employing non-family labour seems to be more favourable than of farms based on part-time employment and family labour. However, in order to increase the agricultural employment by improving

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²Population census: 2001, 2010. Mikro-census 2005; Farm Structure Surveys 2000, 2010.

the utilization of labour and increasing the efficiency developing the farms based on family labour is of outstanding importance.

RESULTS

In Hungary in addition to the 200 thousand unemployed in rural areas accounting for the majority in the total oversupply of labour there is a group of economically inactive people of about 2.5 million who are potential workers on the labour market. From them – according to the estimation³ based on our statistical database – to 2020 the full time employment of 80-150 thousand people could be reached connected directly or indirectly to agriculture (Table 1). One third of employment extension can be implemented under market conditions. The increase can be generated by creating new jobs, utilizing better the present labour and whitening the black labour. Half to two third of the employment extension can be ensured by socially-based employment and the rest (9-15%) as a result of the multiplication effect can be generated indirectly in the other sectors of the economy in rural areas.

Table 1. Agricultural employment generation up to 2020.

Denomination	Number of employment	
	(thousand) AWU (c)	Share (%)
Market-based direct employment generation in the agricultural sector	23 – 51	28.8–34.9
Multiplicator effect of market-based employment generation (a)	5-15	6.3–10.3
Social direct agricultural employment	50-75	51.4–62.5
Multiplicator effect of social employment generation (b)	2-6	2.5–4.1
Total	80-146	100.0

a) Based on the literature at the market-based employment increase we used the multiplicator values of 1.2-1.3. b) In the calculation of the social employment increase we used multiplicator values of 1.04-1.08. c) The Annual Work Units the unit of measurement of the quantity of human work supplied on each farm.

In the rural employment extension the 8-26 thousand AWU potential connected to agriculture can be based on the additional labour demand generated by the development of the various agricultural sectors. By considering the market prospects up to 2020 and by making use of the opportunities in total 5-10% additional output varied by sectors can be projected. The output increase might require considerable additional labour mainly in the labour intensive fruit, vegetable and wine sectors. Diversification outside of agricultural production not only generates significant additional incomes but increases also the labour utilization of the farms (by 15-25 thousand AWU). Food processing in farms has an outstanding role (8-12 thousand AWU) in the employment extension of farms, since by raising the level of processing both the value added and number of employments increase. Direct sales also offers further opportunities for the increase (about 4-8 thousand AWU) and the increase of renewable energy production can also lead to employment extension of a few thousand (3-5 thousand AWU) in the sector under market conditions. The qualified labour demand and the simplification of the legislation related to temporary employment facilitates significantly the expansion of atypical employment types adjusted to agricultural seasonal labour requirement which also leads to decreasing illegal employment.

The population of the most disadvantageous situation can be found in rural areas of suitable for agricultural production but where the basic requirements of self-employment (land, capital) are lacking the most. Their situation might be improved by socially-based employment extension; by this even 50-75 thousand AWU utilization can be reached. For their social integration and for decreasing the share of illegal employment useful measures seem to be the employment extension on social basis, the further development of the social land programmes (10-15 thousand AWU) and of the social cooperatives (5-10 thousand AWU), as well as increasing the agricultural public employment (10-15 thousand AWU).

The implementation of social measures might provide basis or might develop the production activities of using own household resources (25-35 thousand AWU), which by absorbing significant labour might play a role in decreasing the households' expenditures on food products. By considering the economic effects the increasing share of people living on wages will increase the demand for fundamental infrastructures and services which might generate further employments connected partly to agribusiness and to other sectors. As an indirect (multiplication) effect up to 2020 by market-based agricultural employment 5-15 thousand additional jobs, by social agricultural employment an additional of 2-6 thousand jobs could be created in the non-agricultural sectors in rural areas.

CONCLUSIONS

Employment extension in addition to the impacts on the labour market has also broad economic and social consequence in the rural areas. The marginalized people will not only be prepared for agricultural production and subsistence but by improving their standards of living might also catch up and their economic and social activities might also be increased.

REFERENCES

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³ For the estimation of expected employment growth until 2020 we took the labour utilization in certain sectors, the product emissions based on market price changes, as well as the impact of the change of applied technology (as a correction factor) into consideration concerning the period 1998-2010 (Biró and Székely et al., 2012).