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## Katalin Ludvig

Agricultural Economics Research Institute (AKI)  
Department of Rural Development Policy  
Hungary 1355, Budapest, Zsil u. 3-5.  
ludvigkati@yahoo.com

# Livelihood strategies in a disadvantaged micro-region of Hungary

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**Abstract:** *In Hungarian rural areas the low level of population density and income, the unfavourable age structure and the other economic conditions significantly differ from urban areas; and the differences among micro-regions are also increasing, which results in different standards of living and types of livelihood. Due to this unfavourable process some underdeveloped micro-regions have to face considerable economic and social problems (low economic activity, high unemployment rate), which leads to a critical situation.*

*In this paper we focus on one single micro-region called Abaúj-Hegyköz, which is one of the most underdeveloped micro-region of the country. The main objective of this paper is to examine the livelihood strategies through employment possibilities, level of social aid, migration, educational level and infrastructural conditions in the micro-region. The basis of the fieldwork (including questionnaire and interview) was three selected settlements: Boldogkőváralja, Vizsoly and Hidasnémeti with about 1000 inhabitants each.*

*In all the three villages the visited households were selected on the basis of economic and social criteria. The respondents represent each of the social strata; however, the article focuses first of all on the livelihood strategies of the two extreme groups of society. Based on the analysis a very heterogeneous picture was obtained and also strong differentiation was found within the surveyed community. The overall picture shows a considerable and broad-based poverty in the micro-region. The income differences increase the gap between the livelihoods' of the two extreme strata.*

*There is no economic base evolved in rural areas, which would mitigate the territorial differences. In case no significant changes occur, depopulation of the countryside might become a serious problem in the near future. Despite of the reduced economic importance of agriculture, almost all inhabitants of the examined region were involved in farming at some time either for subsistence or for market production. Therefore agriculture still has importance for the livelihood of a significant part of the population and can have a role in reduction of social tension in the future.*

*The policy is inadequate to treat the problem of unemployment effectively on the long-term. It should encourage people to remain in the educational system and afterwards search actively for a job. Placing poverty alleviation first also requires innovative institutional arrangements and partnerships between the government, municipalities, NGOs, civil society groups and poor people.*

**Keywords:** *livelihood strategy, rural area, household income, employment, Abauj-Hegyköz*

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## Introduction

The rural poor have always been particularly exposed and especially vulnerable to livelihood shocks and variability. Their insecurity is likely to increase in future due to political instability, increasingly bad weather events (climate change) or declining social support. The exploitation of possibilities provided by the European Union is weak and inelastic due to the lower educational level and the lack of information (Tóth et al 2007). In addition, agricultural activity and production at these regions has important role, and therefore the possible reduction of EU agricultural direct payments might have an adverse effect on these areas.

The study of livelihood strategies and rural diversification is appearing as a new approach in rural development and it has become central issue in recent years. The concept of livelihood strategies has been affected and formed by several aspects. It can be restricted to the economic and social activities performed by households to secure livelihoods, but sometimes broader definitions are used including such components as household assets, educational levels or access to services (Chambers and Conway 1992; Ellis 2000). Kinsella et al. (2000) also recognises the importance of different assets such as human, physical, natural and social assets in farming but they emphasis the role of the wider economic, political and technological climate in which they are situated.

According to Walker et al. (2001) livelihood is a dynamic concept, therefore besides current activities the past experience and future aspirations are all included. He defines livelihood strategy as an organized set of lifestyle choices, goal and values, and activities influenced by biophysical, political/legal, economic, social, cultural and physiological components and designed to secure an optimum quality of life for individuals and their families or social groups.

Based on the overview of the above literature the definition of livelihood strategies can be defined in the following way: activities and decisions undertaken by households to provide a means of living. The shaping of this strategy is strongly determined by individuals, communities and policy factors. A key goal of livelihood strategies is to ensure the households' short- or long-term economic and social security.

According to earlier researches (Dorgai et al. 2008; Laki 2007) in most Hungarian rural areas the low level of population density and income, the unfavourable age structure and other economic conditions significantly differ from urban areas; the differences among micro-regions are also increasing. Additionally insufficient infrastructure of rural areas strongly reduces the capital movements, investments and thus the possibilities of these underdeveloped regions. The deepening territorial differences result in different standards of living and types of livelihood. The livelihood possibilities (number of new companies, distribution of the foreign capital, tourism) vary greatly, show an uneven spatial pattern and there are significant regional disparities concerning unemployment, personal incomes and wealth and so livelihood approaches. Unemployment is one of the factors, which has a strong linkage with livelihood strategies. After the economic and political transformation unemployment, as an accompanying phenomenon, has arisen in all regions, creating high social tensions. The impact of change of regime differs from region to region considerably.

Due to this unfavourable process some disadvantageous micro-regions have to face considerable economic and social problems (economic activity is low, unemployment rate is getting higher extending over several generations), which leads to a critical situation.

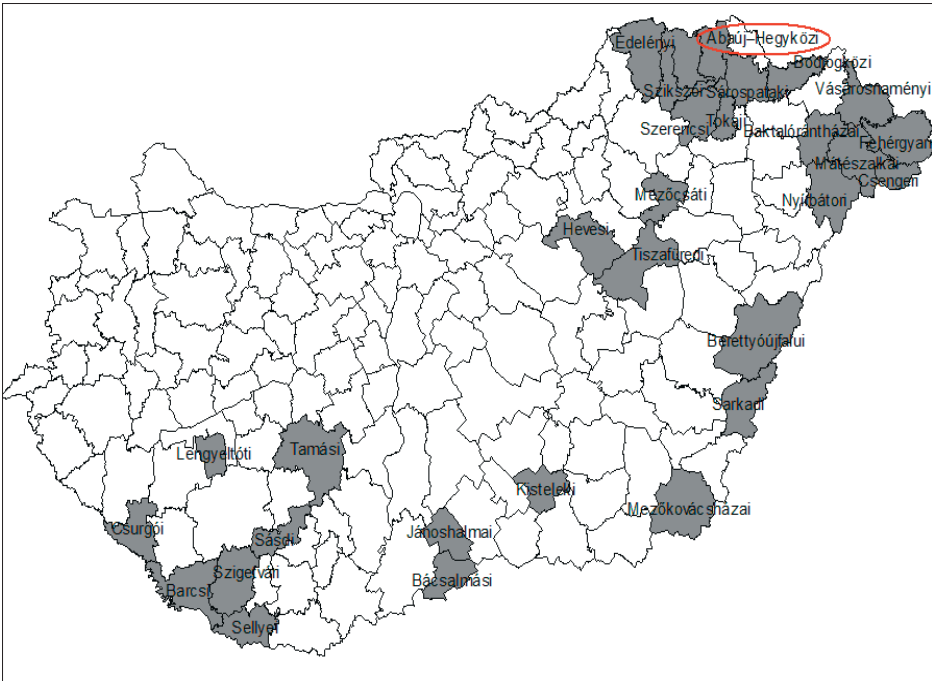
The Agricultural Economics Research Institute – based on previous researches (Hamza and Tóth 2006) – launched a comprehensive study in 2008, which intends to discover the subsistence opportunities of rural population and will be finalized in 2009 as a complete research<sup>11</sup>. The topic addressed in this article is only a part of this research and therefore the focus is on one single micro-region of Hungary called Abaúj-Hegyközi, which is located in the north-eastern part of Hungary and it is one of the most vulnerable micro-region of the country. This targeted area was selected because of several reasons. According to OECD methodology<sup>12</sup>, Abaúj-Hegyközi is counted to be a ‘predominantly rural region’ (together with 110 other micro-regions in Hungary). Secondly, according to the classification criteria of the new Governmental Decree No. 67/2007 (VI. 28.)<sup>13</sup> Faluvégi (2008) defines Abaúj-Hegyközi micro-region as the most disadvantageous one among the 33 disadvantageous micro-regions granted additional supports. Out of the 174 micro-regions only 30 are both predominantly rural and disadvantageous as well (Figure 1).

11 Tóth E.: The livelihood possibilities and strategies of rural population in the underdeveloped micro-regions of Hungary. (in Hungarian: A vidéki népesség megélhetési jellemzői, stratégiái a kritikus helyzetű kistérségekben). AKI, Budapest.

12 The OECD (Organization for Economic Co-operation and Development) classified rural areas as follows:

- Predominantly rural region: more than 50% of the population of the region is living in “rural” local units (< 150 inh./km<sup>2</sup>);
- Intermediate region: 15% to 50% of the population of the region is living in “rural” local units (< 150 inh./km<sup>2</sup>);
- Predominantly urban region: <15% of the population of the region is living in “rural” local units (< 150 inh./km<sup>2</sup>) (Source: OECD, 1994).

13 Governmental Decree on the regional development subsidies, principles of decentralisation, and the criteria system applied for the classification of the beneficiary regions



**Figure 1.** Most vulnerable, dominantly rural areas in Hungary

Source: Agricultural Economics Research Institute (AKI), Budapest

The fact that Abaúj-Hegyközi is one of the most disadvantaged parts of the country is also backed up by several employment related statistical data. It is located in a county – called Borsod-Abaúj-Zemplén – which had the highest number of inactives per 100 employed people in 2005 (HCSO 2006a; 2006b). Out of the 30 most disadvantaged micro-regions Abaúj-Hegyközi has the highest registered unemployment rate of the active population (23% in 2006) of which 62% is considered to be long-term unemployed (over 180 days). The average rate of recipients receiving regular social benefits is 8% (of the total inhabitants), which is the third highest among the 30 micro-regions and five times higher than the country average (HCSO 2007a).

Our interest in livelihood strategies has emerged in response to persisting disparities among the micro-regions of Hungary, the capital and the periphery, as well as urban and rural areas. The main objective of this paper is to characterize the most affected disadvantaged areas and vulnerable groups in Hungary. It is also essential to define the possibilities of these people and in line with that, identify the most typical livelihood strategies and patterns applied for the groups of households studied through focusing on the issue of employment possibilities, level of social benefits, migration and educational level.

## Methodology

Understanding the context of poor people's livelihoods is essential, although precise identification of livelihoods in quantitative data is a methodologically difficult task. There is a wide range of methods which can be used for characterizing household livelihood strategies. In the literature Barrett et al. (2005) as well as Ilbery et al. (1996) group households by shares of income earned in different sectors of the rural economy. Brown et al. (2006) used an asset-based approach to identify livelihood strategies.

Effective poverty alleviation requires assessment of poor people's livelihood approaches and identification of opportunities that may allow future development in the standard of living. Rural people's livelihoods often depend on a range of resources and livelihood activities, of which agriculture may be an important component. In these cases, agriculture needs to fit with and complement other activities, rather than attempt to replace such activities.

As a basis of our fieldwork we selected 3 settlements (Boldogkővárалja, Vizsoly and Hidasnémeti) in the Abaúj-Hegyközi micro-region with about 1000 inhabitants each. According to the preliminary desk research, these settlements provide an overview of the situation in similar villages in the micro-region. This paper does not intend to be a representative survey, since it is only a part of a comprehensive study on the livelihood situation in the Hungarian rural areas.

Besides the statistical analysis of the selected settlements, the survey consists of two parts, namely the questionnaire and the interview. Interviews were conducted with the mayors, the representatives of the municipalities or the local agricultural advisors of the selected settlements. They provided information about the community, structure of the population (in terms of education, age, and nationality), current land use, land ownership, subsistence activities and specific conditions, such as the distance from the railway or from the country's border.

The second part of the survey was the questionnaire, which focuses on the whole family or household. In this present analysis of livelihood strategies emphasis was given to the evolution of livelihood strategy including on one hand the income structure (range of income sources) by different activities and branches, social allowances and the role subsistence agriculture, on the other hand expenditures and the diversification of activities.

In the three selected villages 31 people were asked (which means 31 households), the questions referred to family members as well, altogether 111 people. In all the three villages the visited households were selected together with the mayors of the settlements based on some economic and social criteria. The respondents represent each of the social strata (extremely poor, middle class and prosperous households); however, this article focuses first of all on the livelihood strategies of the two extreme groups of society.

Based on the results of the questionnaires and the interviews two distinct livelihood strategy clusters were identified. Households were grouped by the level of net household income per capita. The case studies of these clusters were created to present applied practices in terms of livelihood strategies. They set a good example for villages with similar economic and social circumstances and backgrounds.

## Results of the interviews

Based on the conducted interviews on site the three examined settlements had the following features. Number of inhabitants was moderately decreasing due to the rural-urban migration. One third of the households in the sample reported that they would leave their village. Many of them said that they had sons, daughters or husbands living and working in town. At the same time it is more and more common that people from bigger cities, from the capital or even from Slovakia (as the border is very close especially to Hidasnémeti) buy houses or plots in these villages. Income transfer from these urban migrants might become an important element of the village revenue in the future. However, there is also a trend that the poorest people move to the villages as a last chance to survive. These people with their economic problems can lay a great charge on the local social support system.

There used to be local agricultural production cooperatives, developed industry with huge state-owned enterprises, construction companies in the region of Miskolc, which is the biggest city in that area. Earlier there were regular bus transfers to these sites of work, and a great number of inhabitants left the village for a whole week to work; commuting at that time was more common.

After the transition a great number of people lost their jobs and therefore a part of them left the villages as well. In one of the settlements studied (Hidasnémeti) the EU accession caused another shock to its labour market as the Hungarian Customs and Finance Guard and Border Guards, which used to be the biggest employer with 100 employees, were abolished. Many women and men lost their jobs involuntarily in the economic restructuring accompanying the transformation to market capitalism. Owing to these changes unemployment has become one of the most serious problems in the area. Unemployment rate is very high in the settlements studied, 20% compared to the economically active population and the majority of them are long-term unemployed. Once you get out of the labour market, it is extremely hard to get back to it again.

Nowadays the largest employer of these settlements is the local government (municipality) and its related institutions (children's home in Boldogkőváralja employs about 100 people; daycare centre for addicts in Hidasnémeti). The local governments try to employ as many jobless people as public workers as they can afford from their budget, but it is not a long-term solution of the employment problems.

The main barrier of being employed is the lack of education. The inhabitants are extremely uneducated. On average in the three villages 66% of the registered unemployed had the education of primary school or even less in 2007 (TeIR, 2008), while the country average was 58% in 2006 (HCSO 2007b). The problem is more serious among the young people, who have no qualification. Some incentives are applied – without any significant success – in order to encourage the ethnic minority (Roma) to attend secondary schools or universities. They would receive around 4 000 HUF (16 Euro) per month if their performance is above 65%.

Besides the young people the other vulnerable group consists of women. They have been much more likely than men to leave the labour market or which is even worse they have never been employed. It is also supported by statistical data that the unemployment rate of males was 7.2%, while that of females reached 7.9% at country level in 2006 (HCSO 2007b). Most women are employed by the local government, but for unskilled women there are only a few appropriate working possibilities; in most cases the public work offered by the municipality cannot be carried out by females. Unskilled men can get a job more easily (sometimes illegally – the rate of illegal work is unknown) in the construction and transportation sector, mostly in road construction. It does not need any qualification, and it is seasonal.

As a result of the insecure livelihood some forms of criminality are typical in these communities such as: crop and wood stealing, shoplifting, non-ferrous metal stealing, abuse of social benefits, practice of usury.

## Results of the questionnaires

Out of the targeted 111 inhabitants on average 3-4 family members live together in one household<sup>14</sup> and only three families are counted as new settlers. In each case the shift of lodging is strongly related to the employment possibilities. One third of the families are affected by unemployment and only 30% of the families have not been affected by either unemployment or retiring.

One quarter of the unemployed respondents are under the age of 30 and 70% of them are women. This fact justifies the mayors' opinion on the most vulnerable groups in rural areas. Half of the unemployed respondents are extremely uneducated, they do not even have elementary education; for the additional 25% of them the primary school is the highest completed level of education. They usually do not even have any agricultural qualification either, which limits further their possibilities. Two third of them reported that they did not even search for jobs, because it is not worth them working, since the salary they would receive is about the same amount as the social aids they receive.

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<sup>14</sup> Household: A (private) household is a group of persons living together in a common housing unit or in a part of it, bearing together, at least partly, the costs of living (e.g. daily expenses, meals). Persons living in the same dwelling but on the basis of independent tenure status are not considered as persons living in the same household even if the above conditions are fulfilled (HCSO).



Based on the answers of the 67% of unemployed people the chance of getting a job is practically zero and the rest of the respondents find it a big challenge. Two third of the jobless does not have any gainful activity, and only 17% of them are engaged in farming. The last jobs of the unemployed are divided evenly among the three main economic sectors (agriculture, forestry, food industry; industry, construction; services). The overall duration of the unemployment period also differs from 11 months to 25 years.

## Case studies

The classification or grouping of these strategies is challenging, since each household represents an individual case. A comparison of the average income portfolio among the sample households reveals several important features of families' livelihood strategies. Finally the households are classified by the amount of monthly net income per family members, as this can be considered as an outcome of the livelihood strategy and the measurement of household's productivity. In the following only the two extreme groups of households will be presented as case studies, which can provide an overview of the possibilities and constrains of rural livelihood.

### Wealthy farmers' case study

This case study presents an example of a successful use of land as a natural resource and a basis of income. A few farmers in the region invested their money in land and/or agricultural machinery. This level of investments reflects the importance of agriculture in rural livelihood and the lack of alternative economic opportunity.

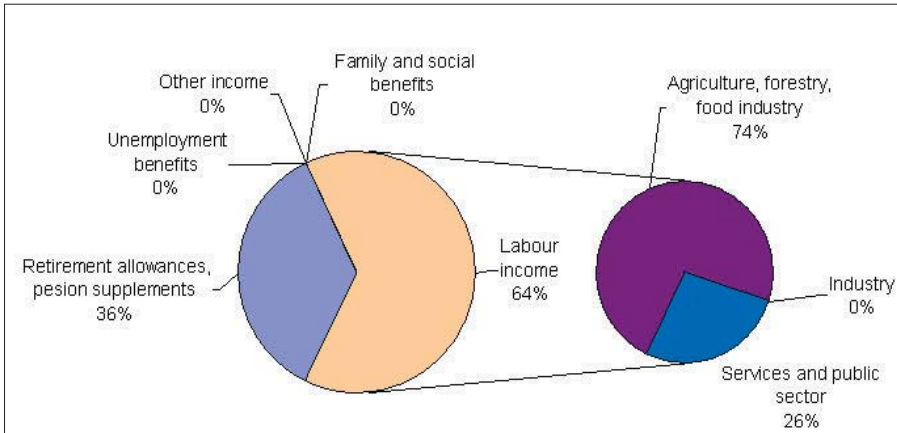
The head of these wealthy families are either retired or early retired men with wide experience in the field of agriculture and management. They usually used to be in a managerial position before they retired; therefore they have a broad network of relationship.

On the partly owned and partly rented land, they have plantation of apricot, arable crops or grass land. They receive a considerable amount of money as area payments for their land. The average monthly net incomes of these families are the highest among all the respondents (above 300 000 HUF, above 1 200 Euro) and the net income per capita is above 88 000 HUF (352 Euro).

However, they have good managerial experiences and the unemployment rate is extremely high in the region, they have recurrent problems to get seasonal or casual labourer/workers. The demand for local seasonal work is very much depend on the actual yield. The fee for day labour is 3 000-4 000 HUF (12-16 Euro).

Besides the subsidies for heating received by a very few households, they do not receive any social benefits. On average 64% (181 000 HUF = 724 Euro) of the households' total income comes from labour income and the pension makes

36%. Three quarters of their labour income originated from the agriculture and 25% from services or public sector (Figure 2). Most of these farmers operate their agricultural activity in the form of an enterprise. They usually sell their crops through production contracts or the purchasers buy them up right after harvesting. Their success is proven by the fact that more than half of these households have developed their agricultural activity in the last five years.



**Figure 2.** Composition of incomes of the wealthy farmers' households  
Source: Based on the questionnaires

### Functionally vulnerable households

The group of these households represents a younger generation. In this cluster the average monthly net income per family member (capita) is below 33 000 HUF (132 Euro), which amounts to 38% of the income per capita in the "wealthy group". Some of these poor households produce a range of "food crops" in order to be self-sufficient, but some of them leave their land uncultivated. From the total of the 5 surveyed Roma families 4 of them could be classified into this category, which shows that the Roma population is much more vulnerable than the Hungarian.

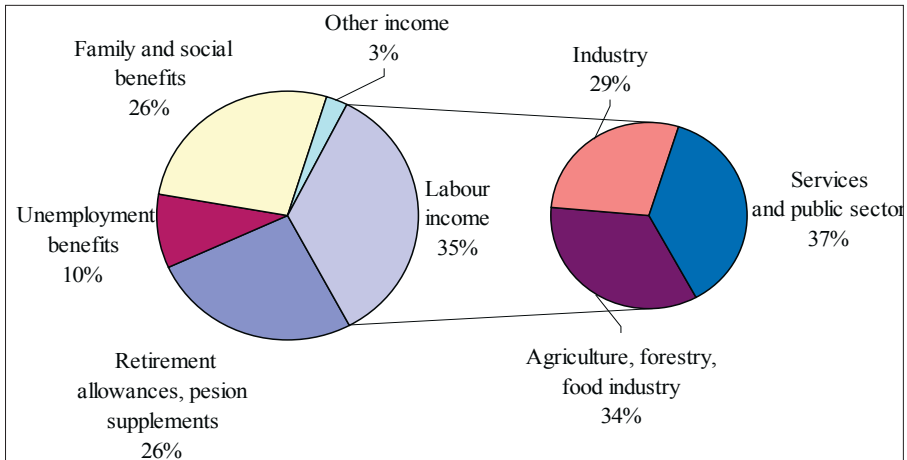
It is very critical that on average only 35% of the households' income originates from employment or work and this ratio is only half of the wealthy households' labour income. Consequently these families rely heavily on unemployment and social benefits (36%). Their wages and salaries<sup>15</sup> (labour income) are about equally divided among the three main economic sectors (Figure 3).

These people are in an economically insecure situation and are particularly sensitive to changes in conditions. They have to face several kinds of risks such as health problems, bad weather conditions, increasing food prices declining aid flows. For some of them the only job opportunity is the public work.

<sup>15</sup> Labour income (net): Wages and salaries are equal to compensation of employees directly paid to them. They do not include the values of any social contributions, income taxes, etc. payable by the employee.

But it is not a long-term solution and cannot be the basis of a sustainable livelihood strategy. As their income diversification is very little and they have no savings, these people can easily come down.

Due to temporary financial problems these families have different kinds of debts (debts to public utilities, delayed deferred payments of loans, private debts), which make them more vulnerable to the usurer. They reported that on average they would need 50 000 HUF (200 Euro) additional amount of money (per household) in order to live in a financially safe condition.



**Figure 3.** Composition of incomes of the functionally vulnerable households  
Source: Based on the questionnaires

## Conclusion

Based on the analysis made on the questionnaires and interviews conducted in the disadvantaged Abaúj-Hegyközi micro-region, a very heterogeneous picture was obtained and also strong differentiation was found within the surveyed community. Besides the living conditions of the individuals (family, network) the conditions and opportunities are also strongly influenced by the educational and employment possibilities as well as by the infrastructure and strategy of the settlement.

The livelihood strategies vary a lot but the overall picture shows a considerable and broad-based poverty in the micro-region. The income differences increase the gap between the livelihoods' of the two extreme strata. The low level of education compared to the country's average led to the unfavourable labour-market situation and to the high rate of long-term unemployment. The rural poor are not prepared for and cannot respond to livelihood insecurity; this problem has occurred since the political and economic transition (1989). For this uneducated group of people the requirement in terms of learning and creative response is more challenging.

There is no economic base evolved in rural areas, which would mitigate the territorial differences. In case no significant changes occur, depopulation of the countryside might become a serious problem in the near future. The agricultural production can have a role in reduction of social tension and the importance of that will not be reduced in the future. However, the form of it should be developed, because in this present way it cannot be a viable sector for rural people. As a conclusion it is suggested to exploit the opportunities offered besides the conventional agricultural production: either diversifying the agricultural activity (on-farm, off-farm) or involving other economic branches (such as services, tourism).

The policy is also inadequate to treat the problem of unemployment effectively on the long-term. One of the right approaches from the policy side could be to decrease the ratio of social benefits in households' income by encouraging people to remain in the educational system and afterwards search actively for a job. Placing poverty alleviation first requires innovative institutional arrangements and partnerships between the government, municipalities, NGOs, civil society groups and poor people. Vertical information flow and changing of views and experiences are essential. The local governments have to identify their comparative advantages, emphasize their local knowledge, and launch common initiatives by bottom-up approaches.

This research emphasises that the importance of livelihood should not be underestimated. Analyzing the historical, current and potential livelihood strategies of local people is essential for achieving an understanding of how to implement the rural development policy effectively and maintain the sustainability of these villages.

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