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The development of non-agricultural economic activity in Poland's rural areas

Abstract: *This article, devoted to the issue of non-agricultural economic activity in rural areas, reports upon the latest statistical data, as well as material obtained by way of field study. Successive sections acquaint the reader with the contemporary functional structure of rural areas, the areas in which non-agricultural businesses are concentrated, the development of new functions in the countryside and factors favouring this development. The summary notes that Poland's period of transformation brought a dynamic development of activity of the above kind, albeit one that has not yet been able to make up for the earlier closedown of state-owned or cooperative enterprises. The greatest development of non-agricultural economic activity has been observed in city hinterland areas and has first and foremost involved the service sector and trade. In turn, the peripheral areas left more or less to their own devices have experienced slower development of business outside agriculture, in association with such unfavourable phenomena manifested therein as depopulation, unemployment, lack of investment, etc. These all contribute to deepening of the poverty existing in the aforementioned areas.*

Keywords: *rural geography, rural areas, functional structure.*

Aims and subject matter

The basic condition underpinning the development of rural areas¹ is their growing diversification through enrichment of the structure to include socioeconomic functions and the development and protection of cultural and natural landscapes. In Poland, rural areas are still dominated by agricultural activity, to the extent that there remains a profound need for the development of other economic functions (services, tourism, housing, forestry and industry) that would in general supplement, rather than replace, farming. This multifunctionality of rural areas has become the leading postulate behind all kinds of physical development plans, development strategies, studies and expert opinions dealing with the matter of rural areas.

¹ Poland's Central Statistical Office (CSO) proceeds on the assumption that rural areas are those located beyond the administrative limits of towns and cities. Since the author made use of many statistical materials from CSO, he complied with this definition, which gives an area equivalent to roughly 93% of Poland as a whole, as well as representing 38% of the country's population.

The task of the study reported has thus been to assess the possibilities or opportunities for economic activity other than in agriculture to develop in rural areas, as well as to try and gain knowledge of the current changes in this regard. To this end, use was made of data from the Central Statistical Office, as well as material obtained from fieldwork carried out in 2003 in 19 gminas (local authority areas) in different parts of Poland. An important source of information included the questionnaires used with a group of more than 2300 people in total.

The functional structure of rural areas

Agriculture remains the undisputed lead economic function in Poland's rural areas. Attesting to this are, *inter alia*, the land use structure revealing that some 60% of the country is used agriculturally, as well as the employment structure noted for rural areas. It is estimated that around 45% of the rural working population are employed in the sector.

An analysis of the functional structure of gminas² shows around half of them to be characterised by agriculture as practically the only economic function (Figure 1). These are thus gminas of a monofunctional nature. Among the remaining ones, there is a prevalence of gminas in which agriculture generally co-occurs with other economic activities. Only in around 20% of gminas is the leading role found to be played by non-agricultural functions, notably forestry, tourism or a mixture (Bański 2003a).

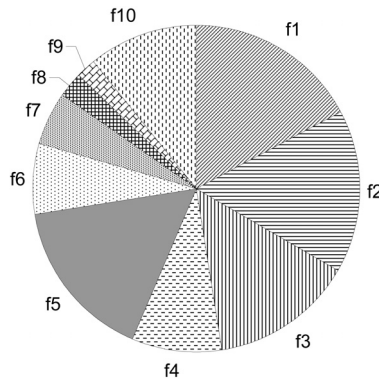


Figure 1. Functional structure of rural areas on the basis of the number of gminas, 2000
 f1 – non-commercial agriculture, f2 – intensive and commercial agriculture f3 – mixed agriculture with shares of types f1 and f2, f4 – agriculture with share of non-agricultural functions, f5 – mixed functions, f6 – forestry with a share of non-agricultural functions, f7 – forestry with agriculture, f8 – tourism and recreation with a share of forestry and agriculture, f9 – tourism and recreation with a share of non-agricultural functions, f10 – non-agricultural functions housing, services and other

² Poland has a three-tier administrative division into local-level gminas (of which there are 2489), „county-level“ poviats (308) and 16 voivodships which serve simultaneously as regions and provinces. Among the gminas there are 318 urban ones, 567 that are urban-rural (in that they embrace a town and the adjacent countryside) and 1604 that are rural and hence entirely lacking urban settlement.

The greatest concentration of monofunctional agricultural gminas is to be found in the eastern and central parts of Poland. The gminas on this territory differ from one another as regards their agrarian structures and the level of development of farming, but they are all characterised by a complete lack – or just a trace level – of other economic activity. This lack of alternative sources of income in rural areas combines with a weakly-developed labour market in towns results in the fact that employment outside agriculture can only be found by a small group of people (Figure 2). Problem areas develop where agriculture is characterised by a low level of development and the rural economy is bereft of other sources of income. Economic backwardness is associated with unfavourable demographic phenomena, above all an outflow of young people to urban areas and an ageing of the rural population. These simply encourage further negative phenomena in these areas.

In general, an agricultural character is also displayed by gminas in the regions of Wielkopolska, Kujawy, Żuławy Wiślane (Vistula Delta) and Silesian Lowland. The farmland in these regions is characterised by a level of development of agriculture that is higher than elsewhere in the country. It is also accompanied by activity in the servicing of agriculture and processing of its output.

The gminas with a prevailing forestry function account for just over 10% of the total number of gminas and are very much concentrated in the west of the country, as well as in the Bieszczady Mountain region and Podlasie (the north-east). It is usual for forestry to accompany the agricultural function, as well as the nature-related, tourism-recreational function in the attractive areas.

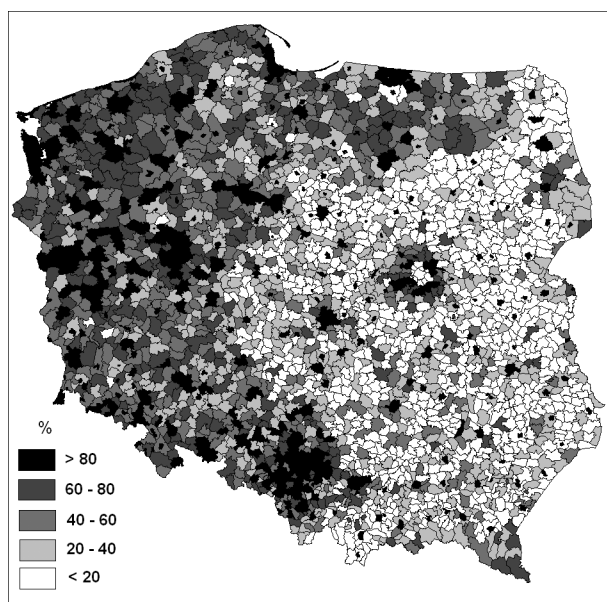


Figure 2. Share of employment outside agriculture, 1999

In turn, a prevalent tourist or recreational function characterises around 100 gminas located mainly in the Carpathians, at the Baltic coast and in the Mazurian Lakeland (and hence in the areas traditionally associated with tourism). The agritourist farms appearing in recent years are more dispersed around the country, however, and so they do not as yet exert a visible influence on the functional structure of gminas.

Worthy of individual comment are the gminas located in the zone of influence of the urban agglomerations, i.e. Warsaw, Łódź, Kraków, Poznań, Wrocław, the Tri-City (Gdańsk, Gdynia and Sopot), Olsztyn, Szczecin and Bydgoszcz. They represent a complex of diverse functions that include most importantly the residential, service- and trade-related, as well as the industrial ones. The functional structure of gminas in the hinterlands of these agglomerations has been shaped under the influence of urbanisation processes, with a significant growth in non-agricultural activity, even if a part of the respective populations are actually engaged on the farms.

A specific feature of the main functions of rural areas – agriculture and to a lesser extent forestry – is the fact that they are distributed „areally“. Besides being of economic significance, these functions also play an important natural and cultural role, to which insufficient attention was paid until recently. The 1990s brought changes in this regard, with the 1992 Earth Summit in Rio, the reform of the European Union’s CAP assuming a fuller injection of ecological principles into agriculture, and the pursuit of sustainable development principles – as written into Poland’s Constitution enacted in 1997. All of these measures have ensured that the basic functions of rural areas are now perceived more broadly, and not merely from the economic point of view.

Areas concentrating non-agricultural activity

From among more than 3 million business entities in Poland, 673,000 are located in rural areas (Poczta and Przezbórska 2002). Considering that rural areas cover more than 90% of the country and are home to almost 40% of its population, this number of businesses would have to be regarded as excessively low. Survey research carried out in 2003 showed that only 6% of rural households were engaged in non-agricultural economic activity.

The greatest number of these was located in rural areas around large cities (e.g. Warsaw – Figure 3, Kraków, Poznań), with very few in peripheral areas. The lowest level of „saturation“ with business entities occurs along the eastern borders of the country. The concentration of non-agricultural economic activities in the vicinity of towns and cities results from their fuller outfitting in technical infrastructure, as well as a more favourable structure to the population living there. In addition, many entrepreneurs „escape“ to rural areas, first and foremost because of the very low land prices. As a result, the number of entities, e.g. in

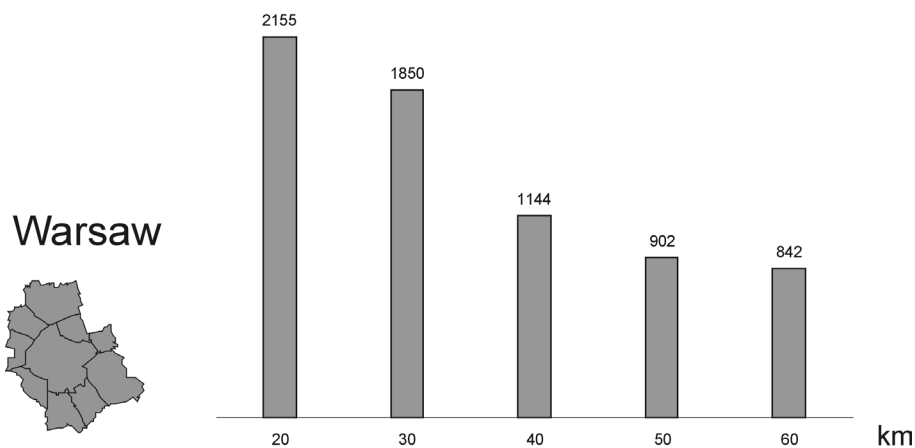


Figure 3. Average number of economic entities per 10,000 people of productive age in a gmina versus its distance from Warsaw, 1999

market services, as calculated per 10,000 people of productive age was 910 in 2001 in rural gminas and 1205 in urban-rural gminas.

Outside the zone of the satellite villages around cities, there is also a large concentration of non-agricultural businesses in areas serving the tourist-recreational function. In general, their number measured per 10,000 people of productive age exceeds the value of 1000.

The development of non-agricultural economic functions in rural areas

The transition from a centrally-planned to a market economy created conditions favourable to the development of rural economic activity outside agriculture. Unfortunately, the opportunities for such development have been obstructed by social problems on the one hand, and by the infrastructural and financial difficulties on the other. In spite of this, the last 10–20 years have brought dynamic development in the numbers of business entities of a non-agricultural nature (Figure 4). For example, in the sphere of services, the number of businesses in rural areas more than doubled in the period 1995–2001.

The economic activities in rural areas, which develop most dynamically, are those concerned with services and commerce. At the end of the 1980s a very large group of rural inhabitants were earning in the state-owned or cooperative institutions rendering services, first and foremost within agriculture. These enterprises were not generally profitable and were closed down after 1989. Their niches were taken over by the private sector, but not to an extent that could compensate for the loss of jobs in their predecessors (whose staffing levels were generally excessive). Nevertheless, the restrictions in the labour market were still greater in other branches, such that the proportion of working in the broadly

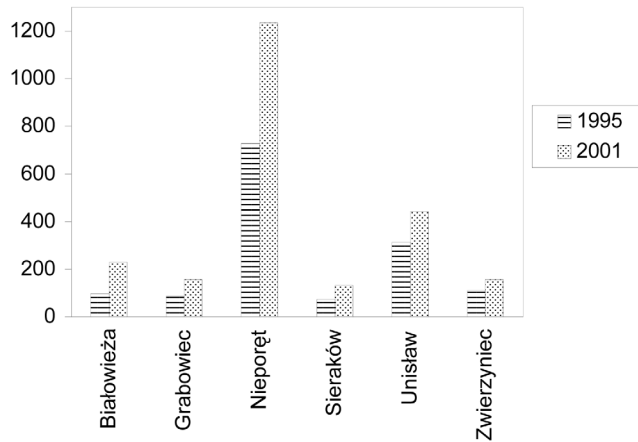


Figure 4. Growth in the numbers of economic entities in the rural areas of selected gminas, 1995–2001

conceived services increased. In 2001, the classification of economic entities in rural areas showed that 69.1% were active in the services, 25.2% in industry and 5.7% in agriculture (whether servicing or processing). The spatial differentiation in this regard was not very pronounced (Figure 5).

The dominance of the service-sector entities was confirmed by the survey research showing that – among those working solely outside the household – some 50% were associated with services and trade (Figure 6).

The greatest concentration of services was to be noted in the hinterlands of towns and cities, in which enterprises involved with construction, transport,

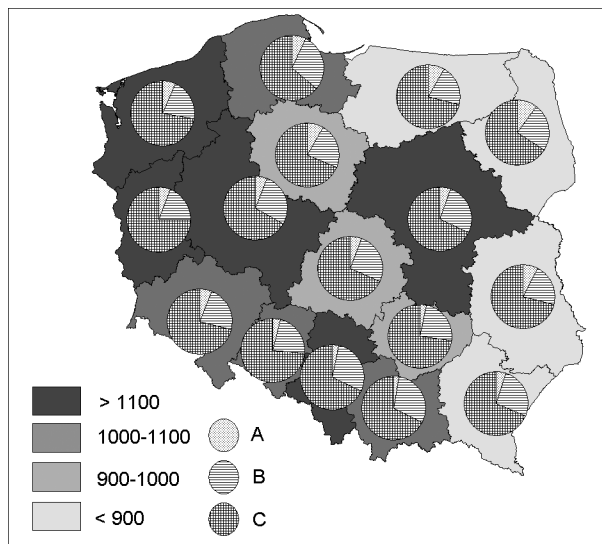


Figure 5. Sectoral classification of economic entities and their number per 10,000 people of productive age in rural areas, 2001
A – agriculture, B – industry, C – service

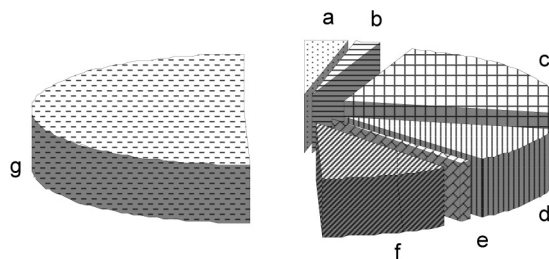


Figure 6. Structure to the employment of the rural population working entirely outside the household (results of survey research), 2003

a – forestry, b – agriculture, c – industry, d – construction, e – tourism, f – transport, g – services and other

repair and wholesaling were above all noted. There was also a large share of service-sector businesses in the coastal and mountain gminas, as well as in the Mazurian Lakeland. This situation is of course associated with the servicing of tourism.

In comparison with previous years, the last decade of the 20th century was characterised by an intensive development of rural tourism. According to the Ministry of Agriculture and Rural Development, there were around 1000 farms catering for tourists in 1993, as compared with 11,260 of them in 2000. Around half had agritourist farm status, denoting that they offered their services to tourists while still engaging in farming. The greatest numbers of such farms are in the voivodships of Małopolska (1227) and Warmia-Mazury (1000).

Rural tourism requires professional qualifications different from those needed in agriculture. The taking on of new skills, as in marketing and group activity, is exerting a favourable influence on other economic activity, above all on agriculture itself, wherever it is occurring. Besides increasing the options as regards employment, it may give rise to a direct benefit in agricultural output, as well as constituting an improvement in the situation of women and a boost to the personal development of farm-dwellers (Bański 2003b).

However, we should at this point be clear as regards the scale of the phenomenon of rural tourism. The comparison of the number of farms catering to the tourist trade with the overall number of farms (around 2 million) or even the number of economic entities operating in the countryside (c. 700,000) makes it clear that tourism remains a very marginal factor where farm incomes are concerned, as well as the numbers of rural people employed. At the same time, the strategies and studies concerning the development of poviats („counties“) or gminas have tended to persuade that rural tourism can be treated as a very important augmentation of agriculture or other leading functions. Alas, this is in many cases an unjustified belief and an unwarranted developmental direction not offering any real future.

It is first and foremost in the areas with the most valuable landscape and cultural features that Poland's rural tourism has a chance of development. It is there that

the overnight accommodation base representing the primary activity in this field is already located.

Recreation may be of greater significance in more of the country's rural areas, though again it is primarily the countryside around the large urban agglomerations that is involved. The downside is that the pressure imposed by city-dwellers is so great in some areas that farmland is also being taken out of agriculture in order to allow its designation for the building of second homes. Even the designations written into local physical development plans are being changed, while the value of land becomes several times greater than it would have been when remaining farmland (Bański 2002). On the other hand, it is possible for a wide range of services to develop in the vicinity of these colonies of summer homes, along with a ready market for local agricultural produce.

In general, forestry supplements agriculture and is more rarely the predominant economic activity. Nevertheless, there was an increase in the 1990s in the number of gminas, in which forestry had become a primary function. This development occurred mainly at the expense of agriculture, as a part of a trend that seems likely to be maintained in the upcoming years.

Thanks to the limitations on timber harvests, as well as a steady increase in the area of the country under forest, there has been a steady increase in the size of Poland's forest resources. In accordance with a programme adopted by the Council of Ministers on June 23rd 1995, some 700,000 hectares more of ex-agricultural land will have been afforested by 2020. Some 25,000–30,000 hectares a year are being taken for forests at present. The values will increase once Poland accedes to the EU, as farmers will be able to apply for additional funding to plant woodland, as well as to obtain compensation for setting aside the cultivated land.

For more than 50 years now, the countries that are most highly-developed economically have been witnessing a process by which industry is propelled out of cities towards rural areas. Known in the literature as *non-metropolitan industrialization*, this process began in the USA (Lansdale 1979). A similar process was to be noted a little later in Western Europe, dubbed there the *urban-rural manufacturing shift* (Keeble 1984). In Poland, the urban-rural shift in industry has not yet assumed such intensity. Indeed, many industrial plants that were located in villages proved to be unprofitable under the changed circumstances and went bankrupt. An exception might, however, be constituted by the hinterlands of cities, in which it is possible to note a dynamic development of small-scale manufacturing, as well as enhanced interest on the part of foreign investors.

Factors to the development of new functions in rural areas

Among the factors underpinning the development of non-agricultural economic activity in rural areas three groups can be distinguished, i.e. the social (like level

of education, age structure and natural movement), the economic (unemployment rate, employment structure, the use of financial assistance) and the technical (e.g. outfitting in infrastructure, the settlement system, access to urban centres).

Within the first group it is the age structure of the population and its level of education that exert the greatest influence. From the age-structure point of view, the least favourable situation is that characterising the eastern part of Poland, in which there has long been an ongoing process of depopulation. The countryside is being left behind by young people, and above all by young women. Besides the phenomenon of the ageing of the rural population there is also a skewed structure in terms of gender, above all where those of marriageable age are concerned. These phenomena serve only to worsen an already bad economic situation in the eastern areas, generally recognised to be lagging behind in terms of their development.

Though improving steadily, the level of education of the rural populace is still much lower on average than that among the city-dwellers (Table 1). A favourable phenomenon is the fact that progress with levels of education concerns the younger generation above all. It is after all upon them that the development of rural areas is going to depend.

Table 1. Levels of education of the population over 15 years of age, 1988 and 1998

| Level of education | Urban (%) | | Rural (%) | |
|--------------------|-----------|------|-----------|------|
| | 1988 | 1998 | 1988 | 1998 |
| University | 9.4 | 9.8 | 1.8 | 1.9 |
| Secondary | 31.8 | 34.2 | 13.1 | 15.5 |
| Vocational | 23.2 | 24.6 | 24.2 | 28.0 |
| Primary and other | 35.6 | 31.4 | 60.9 | 54.6 |

Sources: 1988 National Census, *Raport o rozwoju społecznym Polska 2000*

The worst-developed social stratum is that comprising farmers, first and foremost the owners of fragmented family smallholdings. It is these people above all who need to look for new forms of economic activity in order that the very modest incomes they can derive from agriculture might be supplemented. However, their low level of education represents a serious barrier to developments in this direction. Those with a low level of educational attainment naturally find it hard to start off with a new undertaking, on account of a lack of professional qualifications and a more general lack of managerial skill.

According to the sociological work carried out, only around 40% of the young people living in the countryside are thinking of staying there. This means that many of today's small farmers have no obvious successors in the next generation (Szafranec 2001). Yet parents are far from loathe their children's movement to the cities, seeing in this a chance for them to improve their lot. However, as it is generally the most talented and entrepreneurial youth that leaves for

the bright lights, the population remaining in the villages tends to become more dominated by the frustrated and those who have little capacity to match up to the requirements of today's labour market. The survey results confirm this: around 33% of the 900 farms involved have question marks over their future ownership within the family, while 62% of children are inclined towards a future not connected with farming.

One of the fundamental objectives of the development of non-agricultural economic activity in rural areas is to encourage new job opportunities that will cut into the unemployment figures and take up some of the slack when it comes to the excessive number of hands on farms. Unfortunately, the reality has remained an upward trend for rural unemployment over recent years (Figure 7), the reasons being first and foremost the closure of places of work and an accumulation of school-leavers unable to find themselves gainful employment.

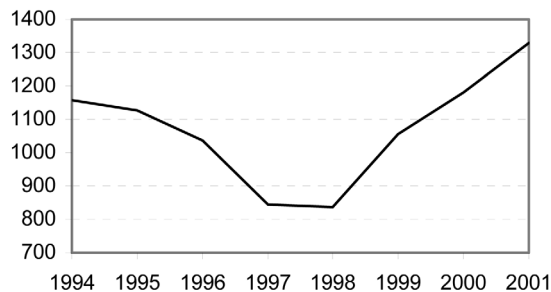


Figure 7. Rural unemployment as registered by Labour Offices

In general, the registered unemployed do not include the „surplus“ labour resources on farms. These create the so-called „hidden unemployment“ that is very hard to assess. On the basis of the 1996 census, Frenkel (2003) estimated the surplus employment on farms at around 920,000 people, among whom 440,000 were completely „unnecessary“.

An important factor behind the development of economic activity in rural areas is the final assistance extended by the EU via PHARE and ISPA. The main influence exerted by these is an indirect one, involving an improvement in the equipping of villages with technical and social infrastructure, as well as the fostering of progress. An important condition helping to determine how effective this assistance is concerns its correct and purposeful deployment in different regions.

The allocation of this aid in the 1990s was very much dependent on local authorities having significant funding at their own disposal to co-finance projects, as well as projects themselves that were carefully devised. It was for these reasons, among others, that the poor areas were not at first the major beneficiaries of EU assistance. However, in the early 2000s the situation of the areas lagging behind improved from this point of view. The sum envisaged for Poland in 2000 was

484 million euro, of which around 180 M was designated for „socioeconomic cohesion“ in the five voivodships of Warmia-Mazury, Podlasie, Lublin, Podkarpacie and Silesia. It was in these very regions that the transformation period had exerted its most deleterious effects. The above were joined by three further voivodships – Łódź, Świętokrzyskie and Kujawy-Pomerania in 2001. At this stage, assistance funding was indeed being directed to those areas most in need of support, which had previously played only a limited role in the uptake of assistance funding.

The third group of factors is constituted by the technical ones, with the outfitting of rural areas in infrastructure being particularly important. The last decade has brought a marked improvement in this respect, with most gminas according priority status to the installation of water mains, sewer systems and wastewater treatment plants. Data from the Central Statistical Office show that, between 1990 and 2000, the proportion of rural dwellings with mains water or on-farm water supplies increased from 67.6% to 83.1%.

However, in the light of the above there are particularly major shortfalls when it comes to the density of the sewer network, which should develop in parallel with the mains water system. Unfortunately, the generally limited funds at the disposal of gminas make this impossible. As a result there are major disproportions to the densities of the sewer and water networks. For example, in 2000, there were nine connections to the water mains for each connection to the sewer system. However, the period since the late 1990s has seen an increase in outlays on the development of sewerage, something that may presage a reduction in the disproportion. Spending on wastewater treatment developments has also increased, though the level of need here is well illustrated by the fact that even as of 2000 just 11% of the rural populace were being served by water treatment plants.

Summary

The transformation period has introduced processes and phenomena that had been previously unknown to Poland's rural areas. The freeing up of the economy and privatisation led to dynamic economic development in the countryside. Many new businesses outside agriculture have sprung up, above all in the services and commerce. However, these have failed to fill the gap left by the closure of the State Farms and cooperatives. Hence a large group within the rural population has merely been contributing to the ranks of the Polish unemployed.

The greatest rate of development of non-agricultural economic functions has been characteristic of the rural areas within the zones of impact of Poland's large cities. The effect wears off towards the peripheries of the country, in which a lot of phenomena can be taken to indicate „depression“ in both social and economic terms.

The most dynamic development observable is that of rural services and trade. Survey research carried out in 2003 made it clear that – among those working entirely outside their households – roughly 50% are associated with service and commerce. There has been an intensive development of rural tourism, such that the number of farms offering tourist services has increased between 10 and 20 fold over the last decade. Nonetheless, this development is seen as confined to areas with the most valuable natural and cultural features, thereby rendering it non-feasible as an alternative to other activities where such attributes are lacking.

The 1990s brought an increase in the number of gminas in which forestry was the primary function, and this mainly occurred at the expense of agriculture. Such a trend can be expected to persist in the years to come, as farmers try for additional funding for treeplanting, at the same time being compensated for the setting aside of cultivated land.

The economic development of rural areas is dependent on several factors with mutual impacts. These include the level of education of the rural populace. While this feature has improved steadily, the situation remains much less favourable than among city-dwellers. A beneficial phenomenon is the fact that progress as regards education of country dwellers is mainly taking place among the young – upon whom the development of rural areas will soon depend. A necessary condition for the development of new economic functions is an appropriate equipping of areas in technical infrastructure. Fortunately, recent years have brought very favourable changes in this regard. Gmina authorities have perceived the need to develop systems of mains water and sewers, to build wastewater treatment plants and to improve communications.

An important role in improving the level of equipping with infrastructure has been played by the EU assistance funding, first and foremost that extended within the PHARE framework. However, analysis of the allocation of PHARE means make it clear that the poor regions have not been its main beneficiaries. It was only in the early 2000s that the situation changed, so that assistance targeted to a greater extent the areas most in need of it.

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