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Analyzing of Special Hungarian Micro-Regions From The Point of View of a New Rural Category

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Abstract

There is no universally accepted definition of the category of “rural area” in Hungary and this issue is the subject of controversy. The EU or OECD standards cannot be fully applied due to unique national characteristics. As a) the role of agriculture in the national economy has drastically decreased in the last 15 years in Hungary - due to the political transition and globalisation, and as b) this decreasing importance causes heavy and pressing problems, especially in agricultural and ex-agricultural areas and regions, job loss is a characteristic sign of the underprivileged areas, and that affects mainly the villages and rural people who have lost their jobs in the agricultural sector.

Main goal of the author’s Ph.D. research is an analysis of the economical strategies of rural micro-regions depressed by agricultural unemployment. During this analysis a survey of the possibilities and plans of local people, civil organizations, entrepreneurs and local governments will be made. According to this Ph.D. research - from the point of view of employment and rural people - those areas where the rate of agricultural employees (% of total civilian employment) dropped significantly between 1990 and 2001 and where this caused permanent job-loss and unemployment are emphasized as “rural or special rural areas”.

After analysing the new role of agriculture in the national economy and in the life of the countryside in Hungary, these areas and the effects of the changes (mainly that influence rural employment) have been searched, as a first step in this research. The paper - as the second step - provides a short overview on the effects of the changes, the new role of agriculture and collects the micro-regions that are mainly depressed by agricultural job-loss, comparing these areas with different rural development categories used in Hungary and in the EU as well.

Keywords: Agricultural employment, EU, Job loss, Rural area, Rural development. JEL Q19

Results of the research

After the political change that took place in Hungary in the late 1980`s, there was a significant change in the structure of land use and land ownership, as well as in the organisation of production and factory structure in the country. In addition to these changes, there was significant market loss on both the internal and export markets. The organisational changes resulted in considerable withdrawal of agricultural capital, further aggravated by the very low investment return of agricultural production and the effects of globalisation. All these factors together contributed to the re-evaluation of the role of agriculture. Its share in GDP has fallen from 13.7% to 4.3% between 1989 and 2001, however this is still higher than the European average (1.7% in 2001, *source: EUROSTAT*). The share of agriculture in employment between 1989 and 2001 dropped from 14.4% to 6.1% (it remains 6,1% in 2002). At the same time, according to the Agricultural Census (*AC, 2000*), 20.3% of the total population, and 23.7% of the adult population are engaged in some kind of (hobby, supplementary, livelihood or full-time) agricultural activity. Thus agriculture encompasses more than purely economic factors.

The share of agriculture in employment in Hungary is slightly higher than the former EU-15 average in 2001 and 2002 (4,2% and 4,0% - *see Table 1*).

Table 1. Employment in agriculture (% of total civilian employment)

	by new Member Countries (former CC-10)											EU-15				
	CZ	EST	CY	LET	LIT	HU	M	PL	SL	SK						
1999	5,3	8,8	4,7	17,2	21,4	7,0	-	-	10,8	7,2						4,5
2000	5,2	7,0	5,4	14,4	18,4	6,5	1,4	18,7	9,6	6,9						4,3
2001	4,9	7,1	4,9	15,1	16,5	6,1	2,1	19,2	9,9	6,3						4,2
2002	4,9	6,5	5,4	15,3	18,6	6,1	2,1	19,6	9,7	6,6						4,0
2003	4,5	6,3	5,2	14,6	18,7	5,4	2,5	18,2	8,4	6,0						4,0

	by Member States of former EU-15															EU-15
	B	DK	D	GR	E	FR	IR	I	L	NL	A	P	SF	S	GB	
1999	2,4	3,3	2,9	17,0	7,4	4,3	8,6	5,4	2,0	3,2	6,2	12,6	6,4	3,0	1,6	4,5
2000	1,9	3,7	2,6	17,0	6,9	4,2	7,9	5,2	2,4	3,3	6,1	12,5	6,2	2,9	1,5	4,3
2001	1,9	3,5	2,6	16,0	6,5	4,1	7,0	5,2	1,5	3,1	5,8	12,9	5,8	2,6	1,4	4,2
2002	1,8	3,2	2,5	15,8	5,9	4,1	6,9	4,9	2,0	2,9	5,7	12,5	5,5	2,5	1,4	4,0
2003	1,7	3,3	2,4	16,3	5,6	4,3	6,4	4,7	2,4	2,7	5,5	12,8	5,3	2,5	1,2	4,0

Source: European Commission, EUROSTAT (annual employment and labour force statistics) and OECD (annual labour force statistics).

As a result of the changes, today 86% of agricultural area (41% of forests) is private property, although land use can sharply be distinguished from land ownership. As it can be seen in *Table 2.*, only a minor part (0,5%) of agricultural holdings cultivate almost 60% of the crop land (these holdings are formed or organised from former state farms) and 40,5% of the land belong to 958.3 thousand private (individual) holdings (53,2% of all agricultural holdings). Based on the most recent Basic Agricultural Census of 2002 (*AC, 2002*), in the 958,5 thousand private holdings/farms almost 2 million family members (20,3% of the population) are involved; the strength of their connection to the farm, their purpose, motivation and working hours vary a lot. The larger part of agricultural land (59.5%) is leased (*OPARD, 2002; MARD, 2003*).

Table 2. Number and area of agricultural holdings in Hungary, 2000

	Number	Rate (%)	Area (ha)	Rate (%)
	of holdings		of area	
Total holdings	1802533	100,0	6448	100,0
From which: economical holdings*	8382	0,5	3834	59,5
 individual holdings**	958534	53,2	2614	40,5
 statistically not agricultural holdings***	835617	46,4	-	-

* All enterprises with, and all enterprises without legal entity, except individual farms or individual holdings

** Private farms or individual farms

*** Crofts and hobby-gardens having less than 1500m² agriculturally used area, or less than 800m² plantation or where the animal stock is less than 1 EU standard.

Source: AC, 2000

Land ownership is characterised by an inconsequent distribution and considerable fragmentation. The average size of private (individual) farms is 4,0 ha, while the percentage, which relates to the total holdings is 6,7 ha (*EC, 2002*). This small scale hinders the economical operation of these farms and redound to the generally low profitability of agriculture especially in rural areas and small villages. A significant part (60,4%) of private farms are dealing with agricultural production only because of self supply. The share of farms that produce directly to the market is only 8% (*AC, 2002*). Despite the favourable farming conditions, the state of assets and low levels of investment resulted in low and wavering profit. According to the Farm Accountancy Data Network (FADN), the profitability of agriculture is very low, a mere 2-3%. The change in economic and societal characteristics caused

irreversible differences between the various regions of the country. There are differences between regions, micro regions, and settlements (grouped by the number of inhabitants) in terms of natural resources, farming areas, economic structure, and accessibility. The most prominent and increasing differences can be observed relating to the following: agricultural capability, economic structures, economic productivity, economic activity of the workforce, rate of unemployment, level of income, rate of poverty, level of infrastructure and the level of services. The above factors together hinder the economic and societal development of the countryside, create differences in opportunity for rural communities and threaten rural regions and settlement areas with irreversible secession from the rest of the country. According to European Union and OECD criteria, 96% of Hungary qualifies as “rural area”, representing 73.6% of the population (OPARD, 2002). “Mainly rural areas” represent 62% of all land with 33.5% of the population, which is 3.5 times higher than the EU average (9.7%). 36.5% of the total population lives in villages, and more than one-fifth of the total population lives in settlements of under 1000 inhabitants, and this group represents 59% of all villages (OPARD, 2002).

The situation is really difficult for those who have no other sources of income. In addition, in the villages there are hardly any economic activities other than agriculture (ensuring low profitability and low level of income), and as a result land cultivation and its related activities influence the degree of willingness on the part of the people to stay in the settlement. Based on the research, decreasing agricultural employment appears concentrated in Hungary, especially in the north-east and south-west of the country (Figure 1.).



Figure 1. Areas depressed by decreasing agricultural employment in Hungary

Ph.D. research of the author, 2004. In the grey-coloured micro-regions the rate of the agricultural employment (% of total civilian employment) decreased with more than 10% between 1990 and 2001 (The research eliminated the distortional effect of micro-regional centres). The highest rate of decreasing agricultural employment (15,78%) was emerged in the north-east of the country. The average of micro-regions represents 4,38%. In the marked micro-regions the rate of unemployed workers who worked earlier in agriculture (% of total unemployed workers, including forestry, fishery and hunting sector) was the highest (27-54%) on average between the period 1990-2001. This fact shows that during this period in these micro-regions the decreasing rate of agricultural employment entailed serious and permanent unemployment that other sectors weren't able to absorb. These areas require discrimination, special subsidies and actions to be taken.

Source: Census, 1990 and Census, 2001; KSH (Hungarian Central Statistical Office) and OMMK (National Labour Methodology Centre) databases, 1990-2001

Comparing these selected areas to other rural or rural development categories, it can be seen, that these areas are more times underprivileged. According to the OECD criteria (Figure 2.) they are mainly rural areas. OECD criterias: *Rural settlement*: where the density of population is less then 120 person/km². *Mainly urban area*: where the rate of population living on rural settlements is less then 15%. *Typically urban area*: where the rate of population living on rural settlements is 15-50%. *Mainly rural area*: where the rate of population living on rural settlements is more then 50%.

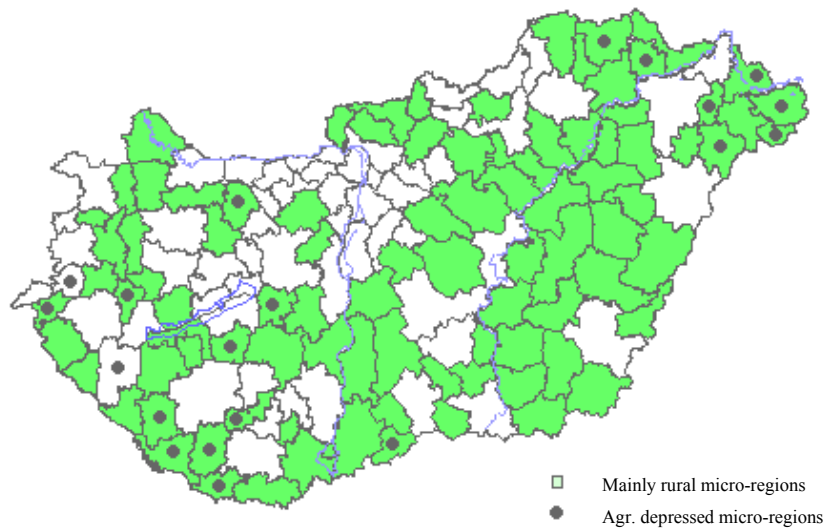


Figure 2. Mainly rural micro-regions in Hungary, 1998

Source: Edited by the author based on OECD criteria and Kulcsár, 2000

According to Human Development Index (*Figure 3.*) 85% of them have only a low human capacity. The human development index - as crafted by UNDP (United Nations Development Programme) - includes measures of mortality, education and economic activity with equal weights (for more detail see: *Human Development Report, Oxford University Press, New York; 1990*). In this paper the results of the Hungarian adaptation and research (*Obádovics, Kulcsár; 2004*) of HDI was used.

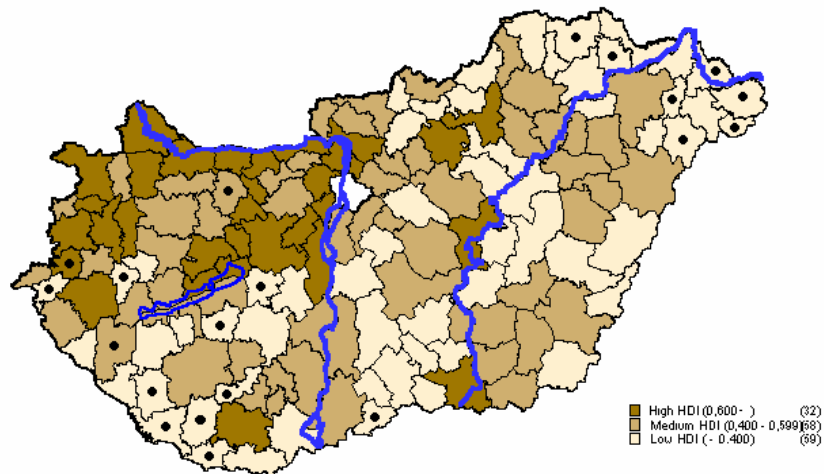


Figure 3. HDI – Human Development Index by micro-regions in Hungary, 2002

●: *Areas depressed by decreasing agricultural employment*

Source: Edited by the author based on Obádovics and Kulcsár, 2004

And based on another research analysing the developing ability of the micro-regions after the economic and political changes in Hungary, in most of the cases these areas shows stagnancy or arrears (*Figure 4*).

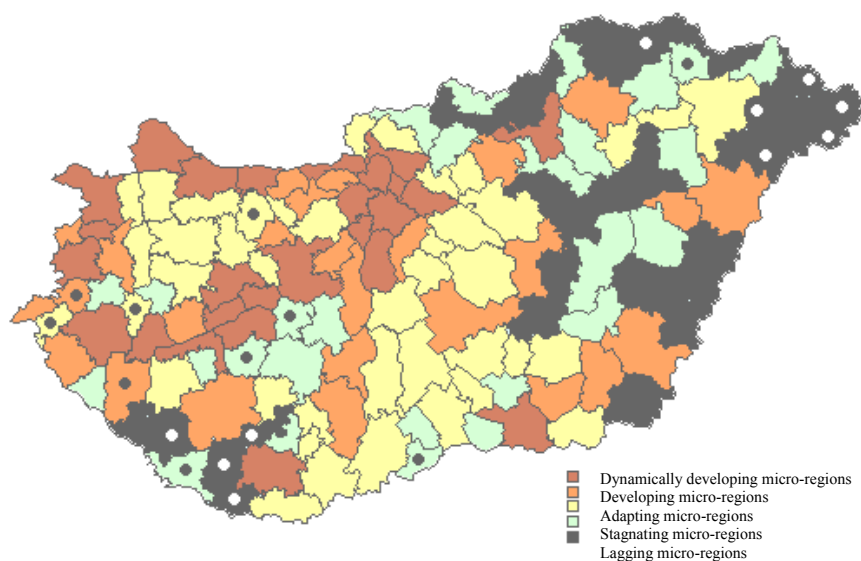


Figure 4. Developing ability of micro-regions in Hungary, 2000

○●: Areas depressed by decreasing agricultural employment

Source: Edited by the author based on Faluvégi (2000). (The main purpose of this study is to describe the regional patterns of the most important socio-economic features of the transition to a market economy, by analysing primarily labour market – related features. The study is based on a factor analysis, which uses 40 demographic, educational, employment, economical and infrastructural variables.

Summary

The role of agriculture has changed in the past 15 years in Hungary. Its importance is decreasing especially in rural areas, mainly because of the bad economical, social and human conditions. Other industries have not yet settled in these areas and the availability of services is limited. Hungarian rural development policy still focuses on abolishing the economic backwardness of these rural areas that are most dependent on agriculture, despite the fact that the agro-economic characteristics of these areas are below average, and the only sources of employment are agriculture or local governments (and both national and international investors seem to avoid these regions). With regard to demographics, the rural areas in Hungary are at a disadvantage to the towns. Natural population growth decreases at a significant rate, the structure of the population is unfavourable and ageing, the migration from villages is considerable and the rate of the population who are economically inactive is high. Similar to international tendencies the ageing of the agricultural employees can also be seen in Hungary (59% of agricultural workers are of middle age or old). However, concerning the qualifications the tendency is positive. The increasing level of the qualification is a result of the significant labour output of agriculture generated by the restructuring of organisations and ownership.

The small villages (especially in the north-east and south-west of the country), and individual homesteads in the southeast are in the most disadvantaged position. The unemployment rate is higher in rural areas, and this increases even further in the smaller settlements, where there are very few employment opportunities for the unskilled and the elderly. Although this is a general trend, it is more prominent and more difficult to remedy in rural areas than in urbanised regions. By the research of the author, the problem of decreasing agricultural employment appears concentrated in Hungary, especially in the north-east and south-west rural micro-regions of the country. The Hungarian rural policy (complying with EU principles) should focus on these areas attending to special characteristics, and if the state should fail to take preventative action in regard to the above, there is a risk that the

following factors will become a problem in the future, especially in the villages and small settlements of the micro-regions that have been collected by the author's research:

- The unfavourable age and educational structure of the population, and the migration of younger generations, which is leading to the gradual de-population of smaller settlements;
- The permanently high ratio of unemployment (usually higher than the national average);
- The decreasing number of employment opportunities and the difficulty of creating new jobs;
- The lack of infrastructure, the low quality of services and the standard of living.

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