

THE ROLE OF EMPLOYMENT IN THE DEVELOPMENT OF CZECH RURAL AREAS

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Abstract

The rural area is very important multifunctional space, with landscape enhancement value and function. *The differences are in social environment, housing and urban development, in economic structure, in the impact of agriculture restructuring on rural employment, and in partially developed infrastructure. The above factors need for the directions of development process in rural communities.* The countryside creates important part of economic and social state system.

The area of work and the employment of population into the productive age present ones of significant macro-economic indicators capacity of national economy. Changes of economy in the market space, transformation of companies of agricultural primary production to new legal form, restructuring of production and manpowers in agriculture were caused living of part skilled workers, as well as other workers to another branches of national economy.

The present times is characterized by increase of unemployment and the decrease in the number of available working places. The fact that the basic production's factor is not used causes a lot of problems in the economic sphere, regions sphere and it also has serious social consequences. The level of unemployment is not very susceptible in Czech republic and other countries.

In 1990's, especially in the beginning during the transformation of Czech economy, there was a big boom of private business and new forms of business activities and subjects emerged. Traditional lifestyle, which continues in the Czech countryside, determined that small enterprise prevails here. Current economics clearly shows that small and medium enterprises have unsubstitutable role in our economic development and greatly contribute to creating new jobs in individual regions.

Introduction

Three quarters of the Czech Republic are formed by rural areas and even though there only a quarter of the inhabitants live in these areas, they have an essential significance for the economic stability of the country.

Agriculture had, from the historical point of view, crucial significance for the rural areas. It provided a living for the majority of rural inhabitants and it sustained not only economic but also countryside formation functions. In the era of the socialistic regime the situation in the countryside changed dramatically; farmers (landholders and peasants) were forcibly pushed to transfer their property into the collective corporations (Integrated Agriculture Cooperatives). Collectivization and the following period of socialistic economy, which lasted for 40 years, left persistent effects on the whole rural area, especially in the social, economic and ecological sectors. It caused a recess in historical linkage of people to

land, tradition of property transfer (farms, land), and it also caused devaluation of the rural landscape – as a result of field consolidation, the primal shape of the cultural landscape was destroyed.

After the Velvet Revolution in 1989, the centralized national economy system was abolished and the market economy was introduced. Regarding the situation it was necessary to create a whole complex of new legal rules, which would regulate various aspects of our lives. The Privatization process (transfer of property in to the private hands) and transformation (creation of new legal forms of businesses) started. The endeavour for rectification of historical derogations worked not only in the countryside. Based on that, the restitution act was set which supported the settlement of property-legal relations and rectification of historical derogations. Thanks to that, the restitution of nationalized property as tangible and intangible property (plots, buildings) was enabled.

These changes had far-reaching positive and negative consequences. They enabled expansion of private entrepreneurship and market economy, as is usual in most of developed countries. On the other hand, people became aware of formerly unknown social and economic phenomena such as unemployment, loss of social certainty or bankruptcy. Changes were fast and did not always improving situation; legislation was not always ideal, and also not all expectations were fulfilled.

Rural Areas of the Czech Republic

Rural Areas of the Czech Republic are composed from a scattered residential scheme. There exist historically created regional differences in the density and average size of municipalities in particular regions of the republic. Municipalities in borderline mountain areas are smaller and often consisting of scattered hamlets, while in the fertile lowlands, municipalities are bigger and even richer. In the seventies, the government tried to decrease the amount of municipalities by creating a so-called centralized system – where rural municipalities were forcibly merged to bigger complexes. After 1989, many municipalities disaffiliated from these complexes.

According to the last population census in 2001, there are around 6,258 municipalities (entities of NUTS V). A municipality is the essential territorial autonomous community of people which generates a territorial complex, which is delineated by the municipality's area borders. From this amount, 90 % can be designated as rural. A criterion of population number is being used for determination of rural areas (rural municipality is one with population number lower then 2,000). According to the Eurostat methodology, which determinates rural regions based on the density of inhabitants, this proportion is a little bit lower (there are around 700 municipalities which are, in the view of population number, rural, but not rural in the density criterion). The settlement of the Czech countryside can be overall characterized as scattered with a high number of small municipalities and a low average number of inhabitants.

This settlement structure causes many difficulties and restrictions for the development possibilities. In former years, the development of rural areas was focused only on selected (centralized) municipalities – there were institutions such as schools, doctors, shopping centres and services, such as housing construction and also there was a seat of Integrated Agriculture Cooperative or state farm. Inhabitants of other municipalities had possibility to commute thanks to an efficient transportation system.

Change of regime caused a change of life style of rural area inhabitants. In the last few years, technical facilities of municipalities has been improved and the number of small businesses has increased, but, on the other hand, many stores and cultural amenities (cinemas) were closed and travel service to more distant municipalities has worsened due to the economic conditions.

Detailed look shows that the development potential of a municipality is much affected by activities of people living in the area (besides various other factors) and mainly by local authorities (e.g. in obtaining subsidies). EU subsidies are one of possibilities for improving life in rural areas.

Agriculture and its function

The historical function of rural areas was to sustain sufficient foodstuff production for all country inhabitants. Improvement in work processes and modernization of technical equipment brought an increase in labour productivity and a decrease in labour forces needed in agriculture. This tendency still persists. The number of employees working in agriculture (from the whole number of national economy employees) has, from nineties until now, tended to decrease.

While at the beginning of nineties, the share of employees working in agriculture (farming, hunting and forestry) was 12.4 %, but in 2003, it was only 4.2 %. This dramatic fall reflects the situation which has developed in the agricultural production sector of the Czech Republic in the last fourteen years. This decline was caused by previously stated factors and also by intensive change in legal forms of agriculture companies and by insufficient support of the government in the sector of rural area development.

Integrated agriculture cooperatives were fulfilling not only a function of main (and many times the only) employer in municipalities, but they also provided certain social services for inhabitants of a particular municipality such as, kindergartens, canteens, travel service to work or school and further cultural and social activities (cultural tours), recreation, and housing construction. People had various social certainties such as stable job, living or accommodation and satisfaction of their living needs.

Transformation process and privatization had completely changed the structure of agriculture companies as is visible in the table below.

Table no. 1: Framework of the Czech agriculture enterprise structure in 1989 and today

Agricultural structure of the Czech Republic in 1989			
Enterprise form	Number	Average acreage of agriculture land in hectare	Percentage acreage of agriculture land in CR
Private enterprises	3,205	4	0.4
Agriculture cooperatives	1,024	2,561	61.4
State companies	174	6,261	25.3
Other companies including non-agricultural	599	425	12.9
Total	5,002	799	100.0
Present enterprise structure of the Czech Agriculture			
Enterprise form	Number	Average acreage of agriculture land in hectare	Percentage acreage of agriculture land in CR
Entrepreneurs	35,219	29	26.6
Business companies	2,095	887	44.1
Cooperatives	728	1,464	28.2
Others	168	274	1.1
Total	38,210	101	100.0

Source: Bečvářová, V.: Obnova vlastnických vztahů při ekonomické reformě 1990. Obchodní. zpravodaj holdingu Agropol Group č. 5, květen 2003. s. 3

According to the table, it is evident, that in 1989 most of the agricultural land was maintained by agriculture cooperatives and state farms. Private farmers were maintaining only an insignificant percentage from the whole acreage of agricultural land. During privatization

and transformation processes the number of private farmers (entrepreneurs) has increased. They maintain today more than a quarter of all agricultural land. State farms were abolished and instead of them, a new form of business companies arose, which are maintaining today almost half of all the agricultural land.

Agricultural cooperatives, which had a big influence on the life of rural inhabitants, were changed to private companies that are mainly directed by the market forces (competitiveness and profitability). Functions which were formerly sustained by cooperatives had to be undertaken by municipalities, but their budgets are limited.

Development of employment and unemployment

Transformation processes caused a decrease of employment rate in agriculture. Workers of the retirement age were the first to leave the agriculture sector.

The biggest decrease came in the years of 1991 and 1992. In this period mainly workers of associated and subsidiary enterprises left. The employment has been declining at a slower rate since 1993. It is a process with slower, but continuous tendency. Average number of workers in agriculture declined to the number of 156 thousand in 2002, which is approximately around nine thousand less than in 2000. The whole transformation period is characterized by heavy decrease of the labor force in the state farms and cooperatives, and increase of labor force in business companies.

According to the employment structure of the national economy the share of people working in the agriculture sector is, in the last years, almost stabilized at the level of 3.4 %.

The main negative impact was the efflux of young qualified agricultural and business labor to outside the sectors. There has been for a long time an unfavorable status of the age structure in agriculture, and this trend still continues. The biggest age group in agriculture in 2002 was the category of people between 45 – 59 years (51.2 %).

Workers of the retirement age (above 60 years) represented 4 % from the total number of farmers. The unfavorable age structure is mainly connected with women. More than a half of workers is older than 45 and that is not a good perspective for the future development of the agricultural sector. Due to the increasing average age of the workers in agriculture, is the generation problem even more remarkable. The lack of interest of the young generation for working in the agriculture sector, even more deepen the social and economic situation of the sector.

Table no. 2: Development of the number of workers in the agricultural sector^{1/}

Enterprise form		Average evidence number of workers (natural persons)				
		1989	1997	2000	2001	2002 ^{2/}
Companies of legal entities		531.1	181.7	134.2	129.7	126.5
in that:	state farms	127.9	0.5	0.3	0.3	0.3
	cooperatives	403.2	89.5	54.0	50.3	46.4
	business companies ^{3/}	X	91.7	79.9	79.1	79.8
Companies of natural persons^{4/}		2.0	32.0	30.7	30.1	29.5
Total		533.1	213.7	164.9	159.8	156.0

Source: Zpráva o stavu zemědělství České republiky za rok 2001. MZe ČR 2002, s. 185

Evidence number of employees and their wages in the CR for the 1. - 4. quarters of 2002. CSO 2003

Note: ^{1/} without related services and hunting

^{2/} approximate data (1998, 1999, 2000, 2001, 2002). ČSÚ 1999 - 2003

^{3/} A. s., s.r.o. and other business companies with agricultural activities

(Including estimated number of employees in institutions of 19 persons and total number of employers.)

^{4/} Natural persons, including wage labourers and family members

(Including estimated number of workers with the only or main employment.)

Although the education level of the farmers has increased, in connection with the decrease of employment, this level is in comparison to the other workers of the national economy still low. Increased number of the workers with basic education (mainly workers of subsidiary production in retirement age) leaving the sector, and moderate increase of the qualified workers (machine operators, management) entering the sector, lead to a moderate improvement of the qualification structure. The dominant position in the qualification structure of farmers is still represented by skilled workers (56.7 %, including workers of technical education without leaving exam). The number of agricultural workers with full high school or university education is definitely lower than the number of workers with technical and basic education.

Another area, where the agricultural sector is significantly lagging behind is the system of remunerations. There is no other sector which would examine such a fall. Before 1989, agriculture was among the first sectors with the highest wages in the national economy (nevertheless the higher number of the working hours). Nominal wages in the agriculture in 1989 were for 9 % higher than the average wages in the national economy. In 1990, this difference has even increased to 12 %. In the following years this tendency was stopped. In 1997, disparity decreased below 80 %. In spite of increase of nominal wages since 2000 (in the comparison to industry and national economy), this relative increase was not sufficient to decrease the absolute difference between average wage in agriculture and the national economy. Agriculture is with the average wage of 11,506 CZK (in 2002) at the last position among the sectors of national economy and its average wage is for 4,2 thousand CZK lower than the nominal wage in the national economy is. Analogous process was exercised also in the sector of real wages. Improvement of the real wages in agricultural sector after 2000, has brought a positive shift for stabilization of the deficit from the reform period, but real wages are still nearly above 80 % of the year 1989 (81.5 % in 2002 – in contrast to industry (115.0 %) and the national economy as whole, where real wages in 2002 reached the 121.3 % rate compared to 1989).(1,2)

Table no. 3 Development of real wages index in selected sectors^{1/} (%)

Indicator	1989	1996	1997	1998	1999	2000	2001	2002
Agriculture ^{2/}	100.0	75.3	75.4	73.3	73.8	76.6	80.4	81.5
Industry	100.0	97.8	101.2	100.5	105.2	108.5	111.1	115.0
National Economy	100.0	101.5	103.4	102.1	108.3	111.1	115.1	121.3

Source: 1989 - 2001: Zpráva o stavu zemědělství České republiky za rok 2000 a 2001; r. 2002 ČSÚ

Note: ^{1/} Derivates from living costs, recalculated to year 1989=100 %

^{2/} Without enterprises of natural persons.

Situation on the agrarian market is not from the long-term perspective very good. The situation hasn't changed even during last two years. The rate of agrarian unemployment has a higher annual growth than the total unemployment rate or the Czech Republic. The number of applicants leaving agriculture has to the total number of unemployed, in the annual comparison, increased (from 3.9 % to 4.3 %).(3) The unemployment rate of agricultural women is higher the unemployment rate of the agricultural men. Women leaving the agriculture sector have lower chances to find a new job. This situation results from misbalance of qualification premises of women leaving the sector and requirement for getting a new job.

This discordance of supply and demand is mainly caused by the fact, that agricultural sector doesn't create new job opportunities. Depleted absorption capability of the agricultural sector is, as it was already stated in the introduction chapter of Agriculture and its function, given mainly by the structural and technical changes in the agricultural production that caused

decrease of labour forces, and by unfavourable economic situation of the agricultural companies.

If the companies demand exists, it concerns mainly in qualified labour professions for animal production, but job opportunities in the agrarian sector are missing. It is caused by lack of interest from young qualified agricultural and business labor to work in the agriculture sector (including unwillingness to ensure succession in business of natural persons), because of low wages, unsatisfactory working hours, physical work, low social prestige and unsure perspective of the agricultural entrepreneurs. So the supply of labor force is mainly represented by nonqualified agricultural workers (including foreigners), who are usually being employed as season workers.

Low labour price in the agricultural sector and specific characteristics of the agricultural labour force (as low education level, unfavourable age structure, necessity of own inhabitation, low area mobility or specific conditions of the agricultural work and relations of land users and land owners) unfavourably influence the social position of the agrarians and lower their chances for entering the rural labour market. Employment in the agricultural sector stays significantly regional differenced.

Private entrepreneurship - a possibility of rural areas for resolving current job question

A new alternative for accessing the work process, in form of a private entrepreneurship, has arisen for the inhabitants of the Czech Republic since 1989. Many people have solved their problems with finding appropriate work, which would correspond to their up to now qualification, by starting private entrepreneurship. The highest growth of enterprises was in 1991, when the number of entrepreneurs increased for 892 thousands in one year.(4) The growing tendency in this sector is presented in the table below.

Table no. 4: Development of the enterprises number in the Czech Republic

Number to the date 31.12./year	Number of inhabitants	Number of entrepreneurs to 1,000 inhabitants
1992	10,316,734	0
1993	10,328,970	86.15
1994	10,334,013	107.79
1995	10,334,404	120.34
1996	10,325,058	142.45
1997	10,315,923	159.84
1998	10,309,366	154.31
1999	10,303,036	166.27
2000	10,293,662	173.23
2001	10,292,933	180.87
2002	10,182,471	187.41
2003	10,219,162	192.08

Source: Ministry of industry and trade - www.mpo.cz

This form of the profit making activity was mostly selected by people living in the rural areas, where the situation on local labour market didn't offer any other possibility. Reasons for starting a business could be many. Such as loss of job, or endeavour to increase the standards of living, independence, possibility for starting something new and also in many cases legalization of work, which was previously done illegally (odd jobs).

Based on our research in the Czech rural areas, results, that mainly small enterprises represent the business entities in these areas (in smaller number also the medium sized enterprises). In the structure of enterprises predominates natural persons over legal entities.

Table no. 5: Number of economically active small and medium sized enterprises

2002	Number of enterprises		Total amount of SMSC	Share of SMSC to the whole number of companies in CR
	Small and medium sized legal entities with 0-249 employees	Entrepreneurs (Natural persons)		
				%
Industry	24,906	129,328	154,234	99.39
Building industry	6,660	69,107	75,767	99.91
Commerce	51,175	187,143	238,318	99.95
Hotel industry	3,453	38,919	42,372	99.96
Transport	7,102	34,783	41,885	99.75
Banking industry	1,085	22,894	23,979	99.05
Services	36,218	153,532	189,750	99.92
Agriculture	3,900	43,600	47,500	99.89
Total	134,499	679,306	813,805	99.79

Source: calculations of MIT from CSO data

Note: SMSC – small and medium sized companies

Starting and maintaining a business was (at the beginning of nineties) and still is very complicated. There are some obstacles among which are difficult and imperfect government legislation, insufficient entering capital and inadequate business plans.

Conclusion

Employment and the unemployment rates belong to the most important macroeconomic indicators, which reflect the current social-economic situation of a country. Its regular monitoring and analysis of the future tendencies, enables creation of the active policy of employment.

When solving the questions of employment, it is necessary to take into consideration the regional specifics. It is necessary to consider rural areas as disadvantaged regions. Possibilities for people are limited, because there are no big companies which could give them work. The education structure of rural areas is low and that has supported the migration to cities. Another problem is a limited possibility of commuting, because the economic situation can't sustain a sufficient transportation system. So the entrepreneurship is slowly becoming a clue for smaller municipalities, where it can provide activities and secure services for its inhabitants. Another possibility is a development of agro-tourism and growing plants for use in supplying energy. This is in accordance with EU specifications, which requires that more attention be given to preservation of the natural environment and strengthening of the multifunctional elements of agriculture.

Literature

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Notes

- 1) Evidence number of employees and their wages (1998, 1999, 2000, 2001, 2002). ČSÚ 1999 - 2003
- 2) Zemědělství 2002. MZe ČR
- 3) Year 2001 towards year 2000
- 4) According the Statistical Yearbook of the CR 1996; the number of institutions in districts - published by CSO is higher – according to this source there were in 1990 326 thousands of entrepreneurs – individual persons (23.8 to 1,000 inhabitants) and in 1991 1,050 thousands (107.2 to 1,000 inhabitants).