

ANALYSING UNEMPLOYMENT IN RURAL AREAS

ANALÝZA NEZAMĚŠTNANOSTI VE VENKOVSKÝCH OBLASTECH

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Abstract:

The purpose of our paper is to evaluate the most important reasons and reducing potentials of unemployment. Moreover, providing a scan about the unemployment problems of rural areas by analysing the unemployment situation of a given Hungarian sub-region.

Keywords:

unemployment, rural areas, sub-region, working-age population

Anotace:

Smyslem našeho příspěvku je zhodnotit nejdůležitější důvody a omezení potenciálů nezaměstnanosti. Také nahlédnout do problému nezaměstnanosti ve venkovských oblastech a analyzovat situaci nezaměstnanosti daných maďarských regionů.

Klíčová slova:

Nezaměstnanost, venkovské oblasti, sub-region, populace v produktivním věku

INTRODUCTION

Reasons of unemployment

According to the opinion of Hungarian and foreign authors the most important reasons of unemployment – without the need of completeness – are the following:

- The rise in EU unemployment during the 1970s and first part of the 1980s was due largely to *permanent shocks* (especially the rise in working-age population and the decline in capital formation).
- The unemployment increase in the first part of the 1990s was due largely to *temporary shocks* (especially the fall in competitiveness and the rise in real interest rates) (Karanassou at al., 2003).
- Theorists considered the *under-qualification* of unemployed as the main reason of permanent unemployment. This statement has not been confirmed by new researches yet. Permanent unemployment shows closer connections with *physical and mental state of health* than with qualification (Falusné, 2001).
- According to Eriksson and Gottfries (2004) *generous unemployment benefits* may make unemployed people search less and make them less willing to take the jobs they can get. Joseph at al. (2004) has the same opinion and besides unemployment benefits they call the attention to *wage rigidities* which are able to explain high unemployment rate.
- Eriksson and Gottfries (2004) drafted that unemployed people are sometimes at a *disadvantage in the competition for jobs* because some employers prefer to hire already employed workers. This kind of ranking raises both the level and the persistence of unemployment.
- Müller (2003) emphasises *migration* as the reason of unemployment. If unemployment

occurs due to a minimum-income guarantee, immigration increases unemployment and reduces the native's income. Indeed, if the labour market is competitive with full employment, immigration yields a surplus for the host country.

- For high unemployment in Europe, many of the theorists blame *high European salaries*. According to the monetarist approach, wages and their taxes affect unemployment principally. The higher the wage is which falls on an output unit, the stronger is the motivation for replacing living labour by machines and the more disadvantageous the export possibilities of the country (**Falusné, 2001**).
- Inflation also influences unemployment. The lower the inflation rate, the higher the unemployment rate (**Meyer and Solt, 1999**).

Means against unemployment

The Lisbon Summit Meeting highlighted the fight against unemployment as a key task. At present, the liquidation of unemployment is a more difficult problem for Europe, than overcoming inflation, if only because unemployment receives less support from the population (**Falusné, 2001**).

In the last years the more developed European countries have turned their attention more and more to the overcoming of unemployment. The methods:

- *The reduction of working hours*: however this usually leads to the increase of costs and black-labour. The *part-time employment* is much more common and principally in the sphere of services.
- *The reduction of workforce supply*: which is usually available by lowering the retirement age and by keeping women in the household. Neither is executable since the EU is for rising retirement age, and keeping women in a household would mean the reverse of the history.
- *The reduction of unemployment benefits*.
- *Keeping wage-increases under control*.
- *The more equal distribution of unemployment*: If employed and unemployed “changed places” sometimes, unemployment would not afflict the same people always.
- *Education, developing the qualification system*: Neither basic vocational training nor retraining rely properly on the information available from the labour market in Hungary. This is why job-applicants are often not able to find a job with their new qualification (**Hajós and Dolmány, 2001**). The developing of qualification systems could be a solution for structural unemployment, but less for that situation when workforce supply in all is above demand (**Falusné, 2001**).
- *The geographical mobility of workforce*: means the equalisation of the absence and excess of workforce between regions. The workforce may leave regions with excess workforce and find job in regions with absence workforce. However, this requires the solving of housing problems. Negative effect could be the depopulation of certain regions (**Hajós and Dolmány, 2001**).
- **Orszag and Snower (2003)** introduce two policy proposals in reducing unemployment and working poverty: *hiring subsidies* and *wage subsidies*. The hiring subsidies are targeted exclusively at the unemployed and are provided only for a limited period of time. The wage subsidies, on the other hand, are granted to all low-wage earners regardless of their employment history and are of limitless duration. Both policies affect the incentives to work.

Unemployment in rural areas

In Hungary, according to the recommendation of **Csatári (2000)** those areas can be called “rural” where the population density is under 120 inhabitants per square kilometre. Henceforth we will use this criterion when talking about rural areas.

The demographic conditions of rural areas are more disadvantageous than in urban areas. The unemployment – which is high and permanent – threatens with the danger of depopulation and irreversible collapse. Significant migration and high rate of economically inactive population characterise the small settlements. The small villages and farms have low level of institutional- and social supplies, services and technical infrastructure.

Employment in villages lags significantly behind the country average. Hungary’s “unemployment record” arose in 1993 (more than 12%), in 2001 the rate was 5,6%. In contrast with 36,4% of the population living in villages 45,4% of unemployed are village inhabitants. These factors indicate the critical situation of unemployment in Hungary.

In rural areas it is true in general, that the less populated are the settlements, the higher is the unemployment. Permanently, three counties lead the “rank” of unemployment in Hungary, these are Szabolcs-Szatmár-Bereg, Borsod-Abaúj-Zemplén and Nógrád counties. The rate of unemployment is about 40-60% in these counties.

There are hardly other economic activities except agriculture in the small settlements, therefore agriculture influences basically their population-retaining ability (**Sarudi, 2003**).

According to **Fehér and Dorgai (1998)** the employment problems of rural areas are not exclusively induced by agriculture. The reasons are:

- Because of the *limited opportunities of work* and the *insufficiencies of educational and social supply*, the rate of unemployed women is traditionally high in small settlements. This statement corresponds with the opinion of **Lindsay at al. (2003)**.
- The industrial employers – in the case of staff reduction – *first send the commuters away*.
- Those companies that disposed urban and rural plants as well, in the case of fall in demand, first decreased or *ended production in rural plants*.
- The *market-loss of food industry* – which was meaningful previously and produced for eastern export above all – and the production decline as its consequence affected rural employment sensitively.
- **Kertesi and Köllő (1998)** stressed the importance of *transport-costs* as a restricting factor between towns and villages: the greater these costs, the less effective the power that equalises unemployment levels. The researches of **Lindsay at al. (2003)** complete this assumption with the statement that *travel distances and times to jobs* is fundamental in many rural areas. Some of the job seekers demonstrate limited flexibility when it comes to their willingness to travel substantial distances to work.
- Many job seekers, and particularly the long-term unemployed, have significant *gaps in their skills and work experience*, limiting their employability.
- The long-term unemployed can fall victim to a deeper and more lasting form of *social exclusion* due to their isolation from the informal information-sharing networks provided by work-based relationships.

OBJECTIVES AND METHODS

The objectives of our paper are demonstrating – with the help of the writings of different authors – the most important reasons and reducing potentials of unemployment as well as providing a scan about the unemployment problems of rural areas by analysing the unemployment situation of a given Hungarian sub-region.

To the analysis of a given sub-region we gathered data from the Agrarian-structure and Rural development Program of the Püspökladány Statistical Sub-region.

RESULTS

General characteristics of Püspökladány Sub-region

The Püspökladány Sub-region is geographically located in the middle of the Trans-Tisza area of the Great Hungarian Plain. The area belongs administratively to Hajdú-Bihar county and occupies the south-west part of the county. In NUTS II level the sub-region belongs to the North-Plain Region. The transport-geographical location of the sub-region is advantageous, as it lies in the middle of the region beside the Szolnok-Debrecen-Nyíregyháza-Záhony national sphere structural axis.

The sub-region comprises three towns and ten settlements. The number of inhabitants is 54 140, one-third of them are living in Püspökladány. 60% of the inhabitants are living in the three towns: Püspökladány, Nádudvar and Kaba. The population-number shows a continuous decreasing tendency. About half of the settlements are frightened by the danger of growth of elderly population. The examination of the migration-difference refers to marginalised groups settling in the depopulating villages because of the low prices of flats. The long-lasting negative migration balance is connected with growing old in the affected areas.

The settlements are characterised by high unemployment rates as well. With the drastic decrease of unemployment the living conditions of the population deteriorated significantly.

Active population

The number of active aged population is the greatest in the three towns, which derive from the higher rate of population (Püspökladány – 10 397, Nádudvar – 5 904, Kaba – 4 114 heads in 2001). From this point of view Bihardancsháza – which is located in the most disadvantageous area (Nagy-Sárrét) – takes the last place (160 heads in 2001), but its population is also very low. From 1994 to 2001 the active population has risen in almost every settlement (except Nagyrábé and Sárrétudvari). In the sub-region together it means 4% increase. This kind of increase is not the consequence of population growth, which leads to the conclusion that on the one hand the average age of population has grown, on the other the number of pensioners has fallen.

Employment

From 1997 to 2001 the number of those employed at residence decreased everywhere except Sáp (15% increase). The volume of the decrease is the greatest in Sárrétudvari and Báránd (46 and 37%), and in the whole sub-region it means 26% decrease which has numerous reasons – as stated in the Introduction.

The unemployment rate in the Püspökladány Sub-region altogether shows a small-scale of increase (1,2% from 1995 to 2002), which has been induced by the decrease in the number of employed in residence and by the low level of working skills. In 2002 the unemployment rate was much higher in every settlements of the sub-region (12,7% in average) than the country average (5,7%). The most advantageous situation has been in Nádudvar (9,9%) – in spite of a little increase – due to the well prospering economic organisations (Nagisz Rt., Kite Rt., Hage Rt.) and the working opportunities they ensure.

Working skills

The working skills of the inhabitants of the sub-region – such as the country average – shows a very bad picture. Everywhere – without exception – primary school qualification dominates (81,2%). The main reason of this under-qualification is – in our opinion – that there is only one high school in the sub-region – in Püspökladány – so the opportunity for further education is very small. Moreover, the inhabitants of the individual settlements cannot afford the costs of going regularly to a school more distant from the home (costs of travelling, student's hostel or digs/sublease).

CONCLUSIONS, RECOMMENDATIONS

Our analysis shows that there are problems with the employment system in the Püspökladány Sub-region – and this is true for the same peripheral sub-regions as well:

- The number of active age population is very low in spite of the fact that it has risen from 1994.
- The reasons of the active population growth are the growing of the population's average age, and the declining of the number of pensioners.
- The unemployment rate has increased since 1997, and it is much higher than the country average.
- The job applicants have very low qualifications and besides they have small opportunities of further education.

Our recommendations for lowering unemployment:

- The most important thing that the area should take the opportunities provided by EU-projects.
- It is a need for changing attitudes, people should realise that collaboration is vital for their survival.
- People should find alternative working opportunities, like rural tourism, handicraft and health-tourism.
- The local authority should arrange for further education possibilities through EU-projects.
- The local authority should oblige voluntary work in return for unemployment benefits (waste-collecting, lawnmowing, planting trees and flowers in public domain, etc.) – so people should be motivated to work.
- Employers should introduce part-time employment where it is possible.

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