

parlons graphiques

Anne Margarian

Employment Development Policy in European Regions: The Role of Agriculture

Politique de développement de l'emploi dans les régions d'Europe : le rôle de l'agriculture

Politik zur Beschäftigungsentwicklung in europäischen Regionen: Die Bedeutung der Landwirtschaft

In recent years, Common Agricultural Policy (CAP) support for agriculture and farm households has been justified increasingly by the need to stabilize employment in rural areas. This article examines the role of agriculture in regional employment and the implications for rural development policies.

A high share of primary sector employment (Figure 1, Map 1) has often coincided with low agricultural value added per employee (Figure 1, Map 2), highlighting the need for structural change in the regional economies concerned.

A decline in agricultural employment (Figure 2, Map 3) has been paralleled by growth in non-agricultural employment (Figure 2, Map 4) in most European regions. It is important to understand the

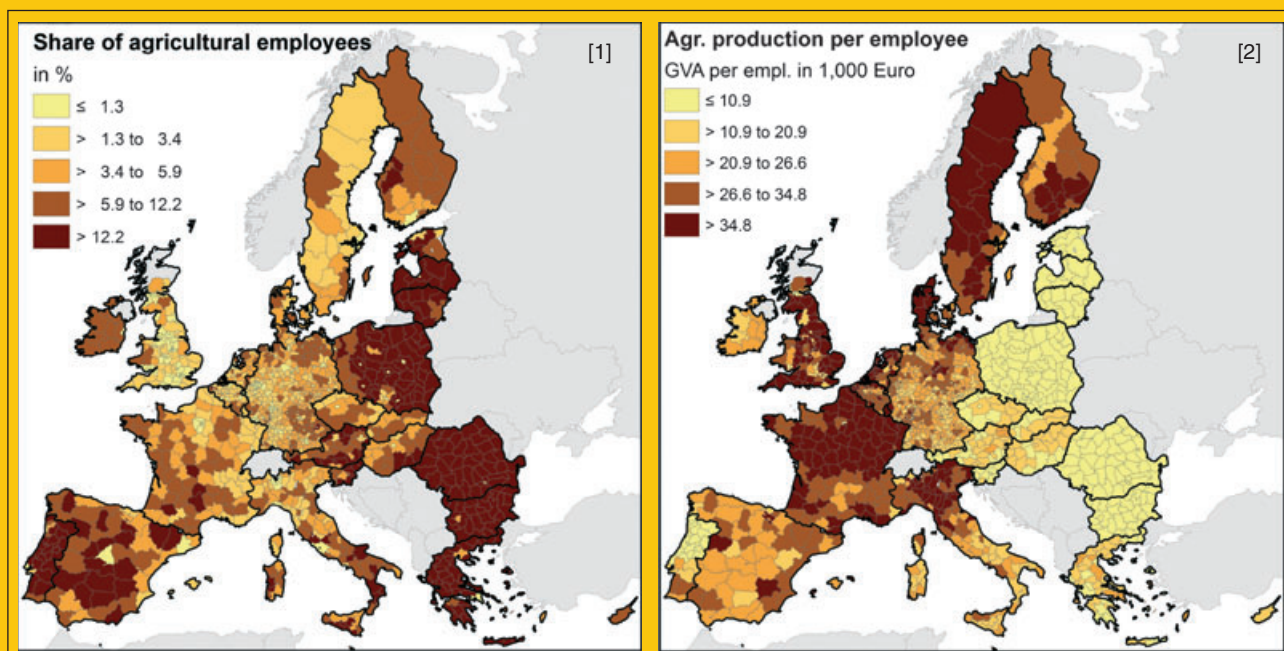
dynamic relationships between employment developments in these two sectors. There may be positive transmission impacts between agricultural and non-agricultural employment due to multiplier and induction effects. There may also be negative competition effects if agricultural labour is attracted to other sectors. In practice the relationship is complex as both positive and negative effects operate in parallel. Judgements about the appropriate sectoral focus of rural development policies should take account of these dynamics and the effect which tends to be dominant.

Regional modelling was undertaken using Eurostat data (2003–2007) from 1287 NUTS 3 regions of the EU-27. The aim was to determine the extent of

transmission and competition effects in the short term – see link to full study below. In Figure 3, Map 5 the positive coefficients indicate a dominance of transmission effects from agricultural to non-agricultural employment. The negative coefficients in Figure 3, Map 6 indicate a dominance of competition effects in the reverse direction, from non-agricultural to agricultural employment. With a declining primary sector, a dominant transmission effect implies an unfavourable dependence on agriculture, while a dominant competition effect indicates a more dynamic, compensatory economic environment

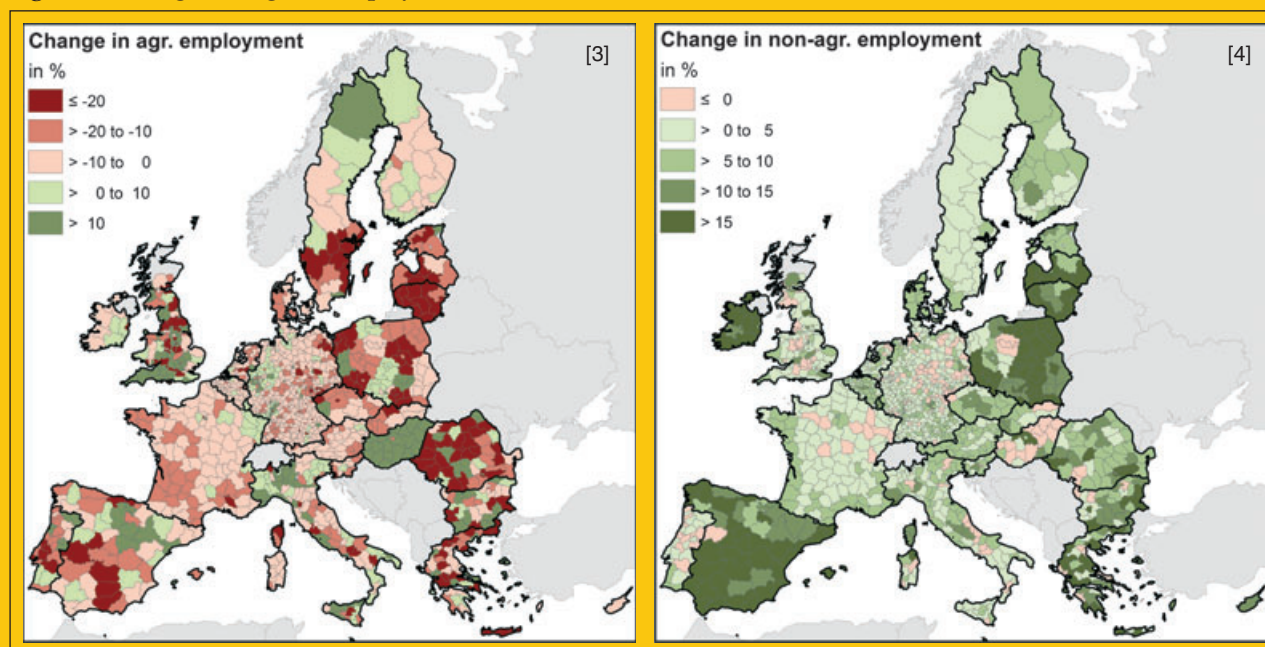
Competition effects in regions of Germany, Great Britain and Ireland for example suggest that policies to stabilise

Figure 1: Regional differences in agriculture employment and value-added per employee, 2002



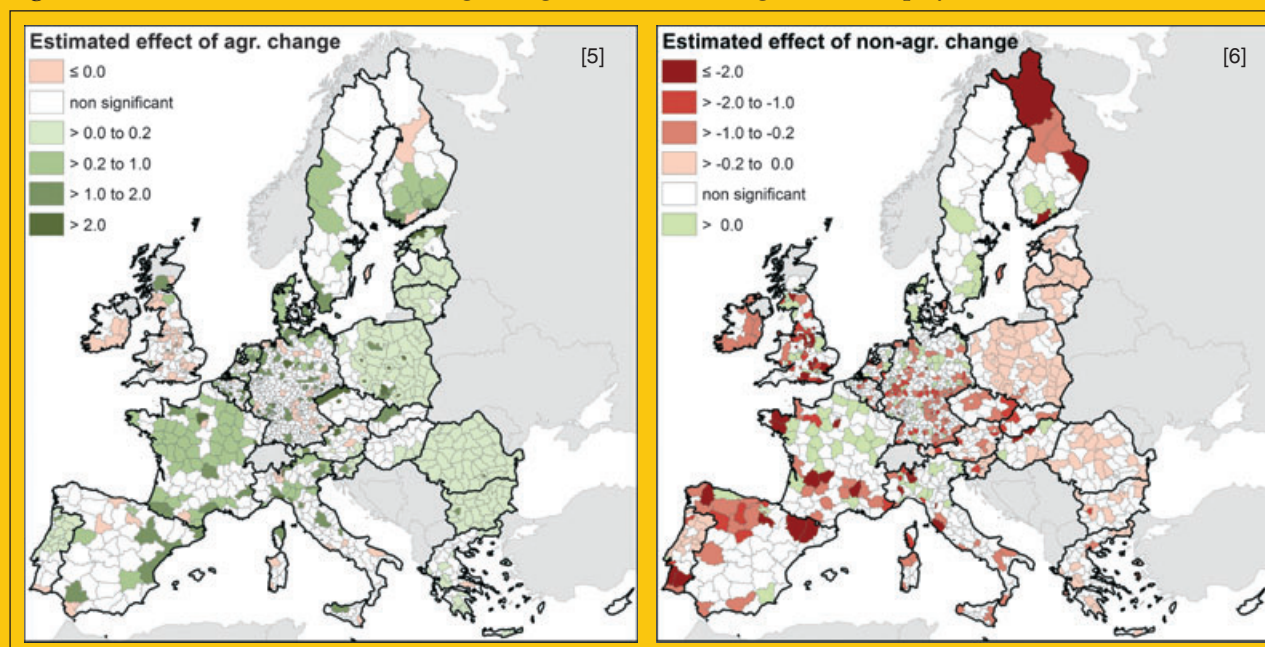
Source: Own maps based on EUROSTAT NUTS-3 data and EuroBoundary Map (EBM) 2004 by EuroGeographics.

Figure 2: Changes in regional employment, 2003–2007



Source: Own maps based on EUROSTAT NUTS 3 data and EuroBoundary Map (EBM) 2004 by EuroGeographics.

Figure 3: Estimated relation between changes in agricultural and non-agricultural employment, 2003–2007



Source: Own maps based on own results. Data from regional economic accounts (EUROSTAT) and EuroBoundary Map (EBM) 2004 by EuroGeographics. Estimation with STATA. Note: Significance minimum at the 10%-level.

agricultural employment run the risk of inducing labour market distortions that hinder the ongoing structural change. In regions of France, southern Scandinavia and northern Italy, on the contrary, the sectors tend to stabilise each other via transmission effects. Where agricultural employment is in decline this mutual dependence between sectors should be overcome by economic diversification and the creation of employment options for agricultural labour exiting the sector. In Eastern Europe, positive development in agricultural employment contributes to growth in general employment (Figure 3, Map 5), while other sectors also attract agricultural labour (Figure 3, Map 6).

These parallel transmission and competition effects suggest that the agricultural labour force not only stabilises the local economy, but is simultaneously an important resource for the development of other sectors. Under these conditions, politicians walk a tightrope between the aim of stabilising agricultural employment and the danger of distorting market incentives.

Overall, the results highlight the potentially distorting effects of sectoral rural development policies. Measures that are biased towards specific sectors should therefore be replaced by better informed policies that address specific labour

market problems at the regional level and clearly specify aims and appropriate time-horizons of interventions.

Further Reading

■ http://literatur.vti.bund.de/diglib_extern/bitv/dn050161.pdf

Anne Margarian, Institute for Rural Development, Johann Heinrich von Thuenen-Institute, Germany

Email: anne.margarian@vti.bund.de