

MEASURING DIFFERENCES IN URBAN - RURAL DEVELOPMENT: THE CASE OF UNEMPLOYMENT

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Abstract

In the nowadays European Union (with 27 state members), 74 percent of the total population lives in cities and towns with more than 5000 inhabitants; otherwise, only 25 percent of European citizens live in a rural surroundings. Consequently, it matters very much for any policymaker, be they at European, national, regional or local level, to realize what is happening economically and socially in Europe's cities and towns.

It is one of the main concerns of the renewed Lisbon Strategy and also of the Community Strategic Guidelines on Cohesion for 2007–2013 to develop the attractiveness of regions and cities. Whether as homes, workplaces or centers of learning, cities have a major impact on the lives of a majority of Europe's citizens.

A good quality of life is essential for drawing and retaining a skilled labor force, businesses, students, tourists and, most of all, inhabitants in a city. Evaluating the current economic and social circumstances is a requirement for any improvement, development and future monitoring.

Using more indicators covering most aspects of quality of life, e.g. demography, housing, health, crime, labor market, income disparity, local administration, educational qualifications, environment, climate, travel patterns, information society and cultural infrastructure we tried to propose some solutions for reducing differences in urban–rural development.

Keywords: rural, urban, unemployment

1. INTRODUCTION

The subsequent overview provides data on the distinctiveness of rural areas in statistical expressions. Fundamental data sources from the European Commission, using the OECD description, are referred to in order to allow cross-country comparisons.

In the EU27, mainly rural areas, according to the OECD classification, correspond to 57% of the territory and 20% of the population. Rural areas are, consequently, mainly significant in terms of land. Among the countries analyzed, Finland, Portugal, Bulgaria, Romania and Poland mostly are dominated by rural areas.

Thus, even if the New Member States (including Romania and Bulgaria) are, on average, distinguished by a superior share of rural territory, there are also EU15 countries in which rural areas are of main

significance. Just in Germany is the share of mainly rural areas in the total territory (37%) far under the EU27 average.

One-fifth of the population in the EU27 lives for the most part in rural areas. Excepting Finland, a reasonably low percentage of the population in the EU15 resides primarily in rural areas, while the share rises to about 50%–60% in Bulgaria and Romania, and to about 30%–40% in the New Member States (NMS) of 2004.

Within the EU27, the main rural areas produce 13% of the overall Gross Value Added (GVA). In the NMS 2004, the percentage, is 2 times higher, as in the NMS 2007 it is 3 times higher. In Finland, rural areas account for more than half of the national GVA.

If production is linked to population, many rural areas rate low with concerning this economic performance indicator. Rural GDP per capita is less than half of the country's average in Portugal, Bulgaria or Latvia.

In the EU27, the primary sector (i.e. agriculture, hunting, forestry and fishing) generates 6% of GVA in mostly rural regions. Substantial differences can be observed in the countries studied.

Therefore in the main rural regions in Latvia and Portugal, more than 10% of GVA is generated by the primary sector, while in Bulgaria and Romania the figure is about 20%. At EU27 level, services signify 63% of the economic activity in mostly rural areas, in contrast to 74% in predominantly urban areas (European Commission, 2008).

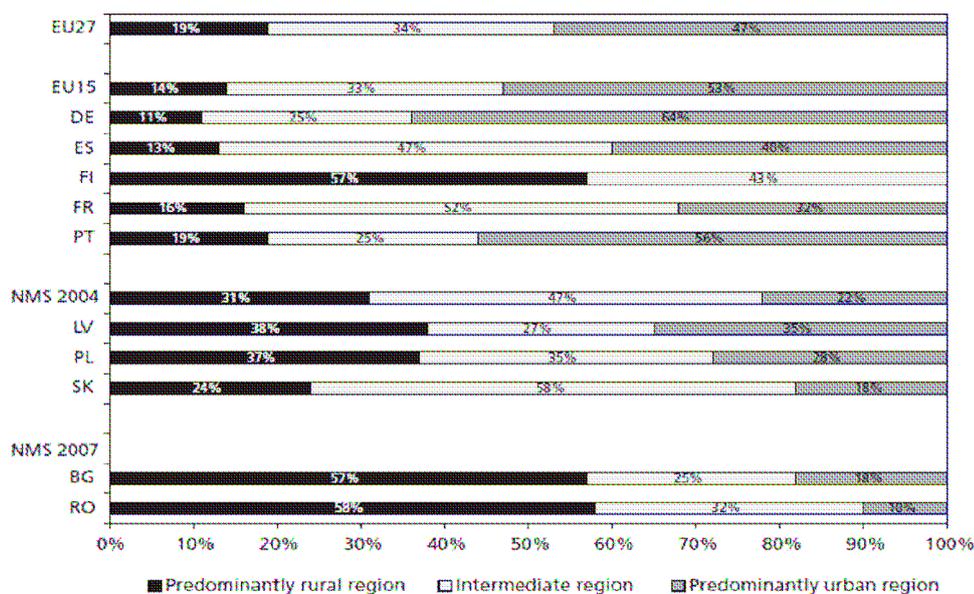
As mentioned, the main rural areas in the EU27 generate 13% of the GVA and account for 19% of the employment (Figure 1). The primary sector still plays a vital part in rural areas, even if this is more in expressions of employment than in terms of economic productivity. In the main rural areas, the primary sector accounts for 14% of the employment at EU27 level.

But, this share is bigger in the NMS 2004 (especially in Latvia and Poland) and in Bulgaria than in the EU15 (except in Portugal). In the rural areas of the EU27, the services sector accounts for the main share of employment. According to Shucksmith (Shucksmith et al 2006), rural areas have shared in the change to the service-based economy and, with the exception of Bulgaria and Romania; agriculture today plays a very restricted part in rural employment.

As a result, at EU27 level, the revenue per inhabitant is about one-quarter inferior in rural areas and usually increases with a higher urban nature of the region. Other income sources in rural areas are estimated to emerge from the tourism sector, followed by manufacturing, specialist food and drink, and

IT. With the rising significance of off-farm revenue, the income gap between rural and urban areas must narrow – a predisposition that is by now visible in Spain.

Urban-rural gaps in the unemployment rate are obvious in countries with a generally higher unemployment rate (Hincu, 2011).



Note: The total for France, and therefore the European aggregates, includes the overseas departments.

FIGURE 1 SHARE OF EMPLOYMENT BY LOCAL TYPOLOGY AND COUNTRY (NUTS-3 LEVEL)¹, 2011
Source: European Commission (2012)

2. LABOR MARKET TROUBLES IN UNDERPRIVILEGED RURAL AREAS

Despite the fact that rural areas are varied in many respects, counting economic performance and progress, a lot of of these areas still endure from structural circumstances that make them economically deprived in contrast to urban communities and frequently result in a labor market condition that is less favorable. These ‘specifics of rurality’ perhaps can be seen as co-dependent aspects influencing each other and, so, forming a type of ‘vicious circle’ with self-enforcing influence (Figure 2).

A lot of rural areas are characterized by out-migration. This tendency mainly concerns higher educated people (Gramzow, 2005), however also holds true for young people and women, who are frequently confronted with a need of training or suitable childcare facilities (European Commission, 2010). This is particularly the case in countries such as Bulgaria, Romania, Latvia or Lithuania, where land

¹ Only NUTS-2 data is available for the Netherlands (included in EU average) and Romania.

possessions proved to be a central safety net for elderly people. In compare, in reasonably 'richer' countries, people are supported by official security systems (pensions) to a higher degree.

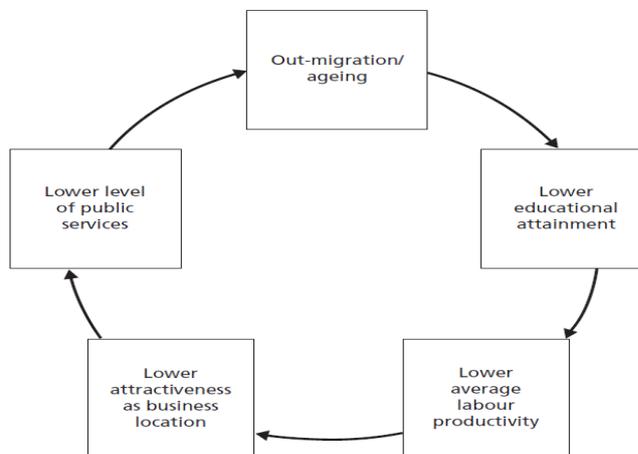


FIGURE 2 'VICIOUS CIRCLE' OF LABOR MARKET TROUBLES IN UNDERPRIVILEGED RURAL AREAS
Source: Austrian Institute for SME Research

Within the NMS, rural areas are more affected than urban regions by problems of economic conversion towards a market economy, resulting in a superior level of emigration of younger and enhanced educated people into the EU15. As a result, a lot of rural communities experience a decline of the average educational level and a demographic change towards an ageing society (European Commission, between 2000 and 2010; OECD, 2011).

This, sequentially, outcomes in lower average labor output, leading, on the one hand, to a lower per capita revenue of the population (Gramzow, 2005), on the other, to a lower attractiveness for companies to settle in the region. This inconvenience adds to position deficits, such as a bigger distance from major centers of business activities, and as a result from supply of transitional inputs and demand, and to a less industrial culture among the inhabitants (Ecotec, 2005; OECD, 2011). This final aspect is reflected in national data from Romania: the Romanian Public Opinion Barometer of the Open Society Foundation characterizes more than 70% of the rural population as 'non-entrepreneurial', compared to about 60% in urban regions.

This implies restricted employment opportunities other than agriculture, where labor demand has been constantly declining, and/or a high level of unemployment, often hidden². Simultaneously and in spite of high unemployment, a number of entrepreneurs in a lot of rural areas are encountering problems in

² Hidden unemployment, however, also includes people (particularly women) spending their time (instead of paid employment) performing some kind of voluntary and informal activities, which are important for the social and economic cohesion of the rural area.

finding employees since, due to the failing quality of the labor force, the skill requirements of enterprises cannot be fulfilled (Serban, 2011).

TABLE 1 UNEMPLOYMENT RATE BY LOCAL TYPOLOGY AND COUNTRY¹
(NUTS-3 LEVEL), IN % OF ACTIVE POPULATION, 2011

	Predominantly rural region	Intermediate region	Predominantly urban region
EU27 ²	11.0	10.6	8.5
EU15 ²	8.5	9.4	7.8
ES	12.7	12.0	9.0
FI	10.0	7.2	–
FR	8.1	9.2	11.2
NMS 2004	15.8	13.9	12.5
LV	9.6	11.7	10.3
PL	19.4	20.2	16.3
SK	23.4	18.1	8.3
NMS 2007	15.8	13.9	12.5
BG	12.5	13.0	10.0
RO	7.4	9.0	7.5

¹ No categorized data available for Germany and Portugal. ² Excluding Belgium, Germany, Greece, Austria, Portugal and the United Kingdom. Note: The total for France, and therefore the European aggregates, includes the overseas departments.

Source: European Commission (2012)

Demographic and economic descending trends in deprived rural areas are then accompanied by a lowest level of public services and infrastructure: roads, public transport, facilities for childcare, health and education, as well as relaxation and recreational opportunities, are all affected. As well, the costs for a better endowment cannot be covered by tax revenues incurred by the small number of population and enterprises (Ecotec, 2005; Gramzow, 2005).

This mixture of a short of infrastructure and job opportunities, and the moderately inferior earnings levels, outcomes in a mobile workforce leaving these deprived rural areas and taking up education and/or employment in urban centers, where a superior quality of life and job chance may be implicit (Ecotec, 2005; OECD, 2011).

Then again, it is visible in several Member States that easier commuting over long distances has stretched the sphere of power of urban areas, enabling people to live in rural areas as working in the cities, but also to draw to rural areas lasting investments and workers.

Next to this environment, it becomes clear that precise attention should be given to labor market policy and, in general, to economic policy in rural areas in order to keep both their relative competitiveness and their quality of life (Aceleanu 2011).

3. CREATION AND/OR SUSTAIN OF BUSINESS NETWORKS PROMOTING EMPLOYMENT IN THE REGION

The notion of social capital is quite new, comprehensive and vague. Accurate social capitals initiatives for developing job creation in rural areas are not often implemented or introduced at the strategic (national) policy or program level, but rather are realized in the form of real projects or actions at local level.

In addition of joining forces to create new commercial opportunities, business networks in rural areas are also able to be formed to manage the workforce efficiently, to obtain the necessary skills and to encourage employment. The preponderance of rural businesses forms small and medium-sized enterprises, focused on the local or regional market. This approach has a quite limited market prospective. For extended business actions, supplementary human resources are needed. These, nevertheless, are costly for the reason that of non-wage labor costs and the time-consuming managerial efforts necessary. However, employing capable staff in the quantity required and at the time the workload arises can be seen as a significant condition for rural business growth.

Even if farm employment is usually characterized by a decline over time, it is still of significance in rural areas. One of the main particulars of such jobs is their seasonality, i.e. the demand for the workforce varies significantly during the year. This is as well the case in manufacturing, tourism and other personal or business service industries.

Beside this background, the dilemma arises that stable staff cannot be used to full capacity all the time, as on occasion even higher capacities are wanted. This leads to superior average costs and companies abstain from employing supplementary people. This may be counteracted by job-sharing models among enterprises, whereby an employee works in diverse companies according to their workloads. This secures full-time employment for the person and cost-efficiency for the companies implicated since they can share labor costs and adapts their workforce quantity to the volume of work. Besides, the expert knowledge of the staff involved is more amplified by working in diverse businesses and, as a result, service quality to the enterprises is constantly enhanced (Molanescu, 2012).

Rural employment could also be fostered by a wider system (or a set of interlinked networks) of diverse actors, such as enterprises, public authorities, social partners and NGOs, targeting the labor market incorporation of the local population. They require for this approach may happen mainly in regions characterized by a fragile labor market and a high risk of poverty, as being relatively well equipped with

a (potential) labor force (e.g. rather young and/or qualified residents, accessibility of skills and capabilities oriented on the requests of local enterprises).

4. CONCLUSIONS

In community and policy debate, as well as in statistical analyses, rural areas are frequently considered as a uniform category of regions. But, in practice the variety of rural areas is very diverse and a high degree of variety can be established not only among countries, but also between diverse regions inside a country. These differences are clearly owed to natural and topographic uniqueness, but as well the cultural norms and attitudes of the population influence a region's social background and economic condition and development.

Knowing the variety among rural areas and the blurring of rural-urban limits, the general issue arises as to whether 'rural' can still be understood as a significant spatial or social class. It is obvious that orienting policy-making on the distinct and implied differentiation of individual kinds of rural zones according to their individuality and necessities is the best approach.

Starting from this viewpoint, the present move in rural policy-making is a significant contribution to the appreciation of the 'individuality of rurality'. While usually 'rural' was frequently limited to agriculture, the last 10–15 years have seen a declining economic significance of this primary sector and a rising role of personal and business services in rural areas.

This approach implies, on the one hand, that differences between individual rural areas can best be dealt with by policies elaborated 'on-site', consequently taking benefit of the insight of local experts and the instant feedback from the target groups concerned. Conversely, the larger self accountability at local level results in the application of new methods for mutually policy-making and specific initiatives.

Building on social capital is seen to be mainly significant where inadequate financial means are accessible to further economic and labor market growth. It is rural areas in particular that frequently lack availability of public funds.

Nevertheless, social capital can also weaken social harmony and impair economic performance, for example, when networks are used to pursue narrow group wellbeing. Social capital seems to be more prevalent in rural areas than in urban areas: emotional networks (i.e. the commonness of mutual trust) are in a lot of cases anchored in the local social life, which as well influences business and/or labor market interaction. But negative effects of social capital, mainly with regard to likely lock-in effects, might occur more often in rural than in urban areas. In cities, collaboration tends to take place on a

'single event' basis on a 'spot market', with instant reciprocity of services rendered. So, the building of mutual trust and sustainable associations is of negligible significance in urban areas when compared to rural areas.

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