

The role of employment in the development of Czech rural areas

Úloha zaměstnanosti v rozvoji českého venkovského prostoru

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Abstract: The rural area is a very important multifunctional space, with landscape enhancement value and function. These factors are then necessary for the directions of development process in rural communities. The countryside creates an 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 of the 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 manpower in agriculture caused leaving of part skilled of the workers, as well as other workers to another branches of national economy. 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 an unsubstitutable role in our economic development and greatly contribute to creating new jobs in individual regions.

Key words: employment, rural areas, development, agriculture, agrarian labour market

Abstrakt: Venkov je multifunkční prostor, jehož důležitost souvisí s krajinnou funkcí. Venkov tedy tvoří určitý hospodářský a sociální model pro značnou část společenského systému kteréhokoli státu, na nějž je nutné se soustředit. Oblast práce a zaměstnanost populace v produktivním věku představuje jeden z významných makroekonomických indikátorů efektivity národního hospodářství. Ekonomické změny v tržním prostředí, transformace podniků zemědělské prvovýroby na nové právní formy, restrukturalizace výroby a pracovních sil v zemědělství byly příčinou odchodu části kvalifikovaných pracovníků, ale i ostatních pracovníků do jiných oborů národního hospodářství. V 90. letech, a zejména na jejich počátku ve vazbě na transformaci české ekonomiky, došlo k velkému rozvoji podnikání, vzniku nových forem podnikatelských činností a subjektů. Podnikat tak začaly nejen firmy (podniky, společnosti), ale i jednotlivci (fyzické osoby). Historicky utvářený styl života na českém venkově, který přetrvává z velké části v původní formě doposud určil, že na venkově pokud se jedná o oblast podnikání převládají zejména velmi malé a malé podniky (firmy).

Klíčová slova: zaměstnanost, venkovský prostor, rozvoj, zemědělství, agrární trh práce

INTRODUCTION

Rural areas form three quarters of the Czech Republic and even though only a quarter of the inhabitants lives 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 socialist regime, the situation in the countryside changed dramatically; farmers (landholders and peasants) were forcibly pushed to transfer their property into the collective corporations (Unified Agricultural Cooperatives). Collectivization and the following period of socialist economy, which lasted for 40 years, left persistent effects on the whole rural area, especially in the

social, economic and environment sectors. It caused a recess in the 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 into 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 passed which supported the settlement of property-legal relations and recti-

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fication of historical derogations. Thanks to that, the restitution of the 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 the developed countries. On the other hand, people became aware of the formerly unknown social and economic phenomena such as unemployment, loss of social certainty or bankruptcy. Changes were fast and did not always improve 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 into 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 than 2 000). According to the Eurostat methodology, which determines rural regions based on the density of inhabitants¹, this proportion is a little bit lower (there are around 700 municipalities which are, in the view of population number, rural, but not rural according to 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 the 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 the Unified Agriculture Cooperative or state farm. Inhabitants of other municipalities had the possibility to commute thanks to an efficient transportation system.

The change of regime caused a change of life style of rural area inhabitants. In the last few years, technical facilities of municipalities have 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.²

A detailed look shows that the development potential of a municipality is much affected by the activities of people living in the area (besides various other factors) and mainly by the local authorities (e.g. in obtaining subsidies). The 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. The improvement in working 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 share of workers in agriculture (from the whole number of the national economy workers) has, from the nineties until now, tended to decrease.

While at the beginning of nineties, the share of workers working in agriculture (farming, hunting and forestry) was 12.4%, it was only 4.2% in 2003. 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 the previously stated factors and also by intensive change in legal forms of agricultural companies and by the insufficient support of the government in the sector of rural area development.

The Unified Agriculture Cooperatives were fulfilling not only the function of the 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.

The transformation process and privatization had completely changed the structure of agricultural companies as is visible in the Table 1.

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

¹ Villages considered to be rural (level NUTS V) are those, where there are less than 100 inhabitants/km².

² More informations in: *Občanská vybavenost*. In: V. Majerová a kol.: *Český venkov 2000 – Základní údaje*, PEF ČZU Praha 2002, p. 119–126

Table 1. Framework of the Czech agriculture enterprise structure in 1989 and at present

Enterprise form	Agricultural structure of the Czech Republic in 1989 ¹		
	Number	Average acreage of agricultural land in hectare	Percentage acreage of agricultural land in CR
Private enterprises	3 205	4	0.4
Agricultural 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

Enterprise form	Enterprise structure of the Czech Agriculture – end of year 2002 ²		
	Number	Average acreage of agricultural land in hectare	Percentage acreage of agricultural land in CR
Individual entrepreneurs	35 446	29	27.0
Business companies	2 095	886	44.8
Cooperatives	698	1 466	27.2
Others	166	267	1.0
Total	38 420	99	100.0

Source: ¹Bečvářová V.: Obnova vlastnických vztahů při ekonomické reformě 1990. Obchodní. zpravodaj holdingu Agropol Group, 2003, (5 – květen): 3

² Zpráva o stavu zemědělství České republiky za rok 2002. MZe ČR 2003, p. 17

(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 transformed to various business 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 EMPLOYMENT³

The transformation processes caused a decrease of employment rate in agriculture. Workers of the retirement age were the first to leave the agricultural 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. The 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 a heavy decrease of the labour force in the state farms and cooperatives, and an increase of labour

force in business companies. According to the employment structure of the national economy, the share of people working in the agricultural 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 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, the generation problem is even more remarkable. The lack of interest of the young generation for working in the agricultural sector even more deepens the social and economic situation of the sector.

The qualification and education level of the farmers was changed between transformation periods, but the dominant position in the qualification structure of farmers is still represented by skilled workers (56.7%, including workers of secondary professional education without leaving exam).

Another area, where the agricultural sector is significantly lagging behind, is the system of remunerations. There is no other sector which would show such a fall.

³ Trnková V.: Český venkov před a po vstupu do EU, In: Majerová a kol.: Český venkov 2003 – Situace před vstupem do EU, PEF ČZU Praha 2003, p. 19–21

Table 2. Development of the number of workers in the agricultural sector¹

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	–	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 2002. MZe ČR 2003, table A2.2/02

Note: ¹ without related services and hunting

² approximate data (1998, 1999, 2000, 2001, 2002). ČSÚ 1999–2003

³ Joint-stock, limited liability and other business companies with agricultural activities (including the estimated number of employees in institutions of 19 persons and total number of employers.)

⁴ Natural persons, including wage labourers and family members (including the estimated number of workers with the only or main employment.)

Table 3. Development of real wages index in selected sectors¹ (%)

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 Derived from living costs, recalculated to year 1989 = 100%

² Without enterprises of natural persons.

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 agriculture in 1989 were by 9% higher than the average wages in the national economy. 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.

The situation on the agrarian market is not very good from the long-term perspective. This discordance of supply and demand is mainly caused by the fact, that agricultural sector does not 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 technological 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 con-

cerns mainly in qualified labour professions for animal production, but other job opportunities in the agrarian sector are missing. It is caused by the lack of interest from young qualified agricultural and business labour to work in the agriculture sector, because of low wages, unsatisfactory working hours, physical work, low social prestige and uncertain perspective of the agricultural entrepreneurs. So the supply of labour force is mainly represented by nonqualified agricultural workers (including foreigners), who are usually being employed as season workers. Employment in the agricultural sector stays significantly regionally differentiated.

“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.”⁴

⁴ Trnková V.: Český venkov před a po vstupu do EU. In: Majerová a kol.: Český venkov 2003 – Situace před vstupem do EU, PEF ČZU Praha 2003: 19–21

PRIVATE ENTREPRENEURSHIP – A POSSIBILITY OF RURAL AREAS FOR RESOLVING THE CURRENT JOB QUESTION

A new alternative for accessing the work process, in the 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

Table 4. Development of the enterprises number in the Czech Republic

Number to the date 31.12.	Number of	
	inhabitants	entrepreneurs to 1 000 inhabitants
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

work, which would correspond to their hitherto qualification, by starting private entrepreneurship. The highest growth of enterprises was in 1991, when the number of entrepreneurs increased by 892 thousands in one year.⁵ The growing tendency in this sector is presented in the Table 4.

People living in the rural areas, where the situation in the local labour market did not offer any other possibility, mostly selected this form of the profit making activity. Reasons for starting a business could be numerous. 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 areas⁶, it 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, there predominate natural persons over legal entities.

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

CONCLUSION

Employment and the unemployment rates belong to the most important macroeconomic indicators, which reflect

Table 5. Number of economically active small and medium sized enterprises

2002	Number of enterprises		Total amount of SMSC	Share of SMSC in the total 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

⁵ According to 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).

⁶ Český venkov ($N = 2\,142$ respondentů, obyvatelé obcí do 2 000 obyvatel v celé ČR, 1999); Malé podnikání na venkově ($N = 505$ respondentů, v malé obce Jihočeského kraje, 2001); Současný venkov ($N = 1\,624$ respondentů, obyvatelé obcí do 2 000 obyvatel v celé ČR, 2003)

the current social-economic situation of a country. Their 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. The 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 cannot 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 (more information Majerová et al. 2002). Another possibility is the development of agro-tourism and growing plants for use in supplying energy. This is in accordance with the EU specifications, which require that more attention be given to preservation of the natural environment and strengthening of the multifunctional elements of agriculture.

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