

Labour Market and Local Entrepreneurship of Rural Population in Poland

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Пазарът на труда и местното предприемачество на селското население в Полша

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Докладът анализира характеристиките на местния пазар на работна сила по отношение на възможности за заетост и местно предприемачество. Заключениета от изследването се основават на резултати от анкетно проучване през 2011 г. на територията на 76 села в Полша, обитавани от почти 30 хиляди жители селско население или 8,5 хиляди селски фамилии. Изследването показва, че от всички групи най-голямо търсене на работна сила има от производствените предприятия. От друга страна се констатира, че самостоятелно заетите лица се характеризират със значителна финансова осигуреност, специално в областите с голям процент безработица. Поради недоразвитите местни трудови пазари и риска, свързан със започването на самостоятелен бизнес, подобна дейност стартират тези, които нямат големи възможности за алтернативен доход. В случаите с фамилни ферми мотивацията за нова икономическа инициатива е по-ниска, отколкото при фамилии с неселскостопанска насоченост.

Introduction

According to Polish Central Statistical Office (CSO 2012) in 2002-2010 almost 34% of farms up to 2 ha disappeared, however, the number of farms from the group of 2-10 ha decreased by almost 18%. On the other hand, the increase in the number of the largest farms testifies to the process of professionalization in agriculture, where farms of this type operate on market basis, as in the case of small and medium-sized enterprises. The main determinant of the process was abandonment of agricultural activities by rural population and its activation in other sectors of the economy or the ceasing production activities due to reaching the retirement age (Karwat-Woźniak, Chmieliński, 2013). Therefore the role of local labour markets, that consists of self-employment, micro, small, medium and large enterprises, is increasing in terms of job creation for rural population that is not engaged in farming activities (Sikorska, 2013).

Greater demand for labour force would enable to stop the process of depopulation related to constant migration (for work), improvement of the standard of living of the residents, and, at the same time, the business activity on rural areas would positively affect the overall economic development of rural areas (Chmieliński, 2013).

The paper analyses the characteristics of local labour market for rural population in terms of employment possibilities and local entrepreneurship. Research findings presented in the paper are based on various source data available, the main empirical material being the findings from field survey conducted in 2011 by the Institute of Agricultural and Food Economics - National Research Institute. The survey covered 76 villages across Poland (inhabited by more nearly 30 thousand of rural population in ca. 8.5 thousand of rural families). The qualitative analysis of local labour market was carried out on the basis of village questionnaire (observation chart) called the Village

Characteristics. Both the chart and interviews with village representatives concerned mostly the local social and technical infrastructure, the specificity of the village, its location and institutional relationships, determining the main places (cities/villages) and entities, which, in the vicinity of a village are decisive for its development and situation of rural inhabitants on local labour markets.

Local Enterprises and Employment of Rural Population

The survey data collected in 2011 shows that in around 79% of all surveyed villages there are workplaces employing local population. In total, there were 352 of these companies in surrounding of 76 villages, half of which was located within the surveyed village. On average, around the village there were four to five such companies, each of which gave the work an average of six people (Table 1). It is important that, on average half of this number were employed at a facility located in the inhabited villages.

Spatial differences in the prevalence of establishments within the surveyed villages were associated primarily with a different density of manufacturing companies, the number ranged from one to three within the neighbourhood of the surveyed village, depending on the analyzed macro region. Total operating service establishments in all macroregions, excluding Central-western, consisted on average of two companies.

Analyzing the structure of the workplace by the business profile it should be noted that within

the total number of recorded workplaces the institutions active in the services dominated. In 2011, it accounted for 42% of the total number of entities employing villagers. The others were engaged in manufacturing operations and other (usually public entities related to the functioning of the local administration, education and health services).

Analyzing the demand for labour generated by different types of applications, a high role of production entities must be underlined. Of the total number of people working in companies located within the surveyed villages, nearly 60% worked in companies with such profile. Establishments active in the services and other entities created jobs for about 20% of the total number of employed near the place of residence. It can be stated that from the point of view of local labour markets the greatest demand for labour is likely to be created by manufacturing entities.

A large share of service entities in the total number of enterprises is characteristic of local entrepreneurship and next to production facilities is an important determinant of the local demand for labour. Such activities are characterized by high flexibility in adapting to market demands and changing in general economic conditions, as evidenced by the relatively greatest fluctuation in the number of new-started and liquidated service entities, compared to other companies.

Changes in the profile of the companies located in the area of surveyed villages was accompanied by the changing structure of the sectors of the property. In 2011, almost 78% of workplaces

Table 1. Enterprises in the surroundings of surveyed villages

Macroregions*	Average number of enterprises in the surroundings of 1 of surveyed villages			
	total	manufacturing	services	other**
Total	5	2	2	1
Central-Western	4	1	1	1
Central-Eastern	5	1	2	1
South-Eastern	5	2	2	1
South-Western	5	3	2	1
Northern	4	1	2	1

* selected macroregions include the following voivodships: Central-Western - the Kujawsko-Pomorskie and Wielkopolski; Central-Eastern - the Łódzkie, Mazowieckie, Lubelskie and Podlaskie; South-Eastern - the Świętokrzyskie, Małopolskie, Podkarpackie and Śląskie; South-Western - the Opolskie, Lubuskie and Dolnośląskie; Northern - the Zachodniopomorskie, Pomorskie and Warmińsko-Mazurskie voivodships.

** Public administration, health services, education, etc.

Source: IAFE-NRI 2011 survey.

were already in private hands. At the same time, only a small percentage of units were the State owned entities, and minimal - cooperatives.

Within the spatial arrangement there were no major differences in this respect. It is worth noting that in the southern regions of the country, where the traditions of “two professions” and entrepreneurship are the oldest, the share of state-owned enterprises in the total number of companies located there was the lowest. It proved highly organized structure of private establishments offering employment to residents of surrounding villages. This is confirmed by the data, according to which within the south-east and south-west macro regions the average number of production plants per village is higher than in other areas of the country.

Of the total number of establishments located within the surveyed villages every tenth entity was created in years 2005-2011. In the newly established economic institutions more than 8% of the total number of employed in non-agricultural sector residents of the village found the work. Major investments in this area have been made in 2006, which created not only the largest number of companies in the surveyed period, but also created most of the production plants started in years 2005 to 2011. Through these entities the jobs for one quarter of the total number of new employees was created.

The study also obtained data on the total number of employees in companies operating within the village (i.e. not only those originating from the surveyed village). This enabled the analysis of the enterprise, according to a commonly used criterion of total employment. From the perspective of the local labour market it is important since quite often a few companies operating in the area provides an employment for the majority of people working outside of agriculture, thus these determine the socio-economic situation of the inhabitants of the entire area, except for the employment, also by creating the demand, stimulating the trade market development and services in the region (Borjas, 2013). This is confirmed by conducted studies which show that for about 5% of the villages surveyed by IAFE-NRI, one or two production plants within the area employed a total of more than a third of all employed residents of the surrounding area.

In the European Union and in Poland the following criteria for the allocation of enterprises are used:

- medium-sized enterprise - has fewer than 250 employees and has an annual turnover is not exceeding EUR 50 million or the total annual balance sheet is not exceeding EUR 43 million;
- small enterprise - has fewer than 50 employees and an annual turnover is not exceeding EUR 10 million or a total annual balance sheet is not exceeding EUR 10 million;
- micro scale enterprise - has fewer than 10 employees and an annual turnover is not exceeding EUR 2 million or a total annual balance sheet does not exceed EUR 2 million.

Due to the lack of information on financial matters in the classification of plants the scale of employment was taken into account, especially that from the point of view of the local labour market is the most important factor.

Among the total number of establishments located within the surveyed villages the majority were classified as micro enterprises which covered almost half of all units. The next almost equally large group of companies were so called small enterprises, which means entities employing less than 50 people. Together the micro and small enterprises were giving job for about 47.3% of the employed population earning in the area of residence (Table 2).

It is worth noting that large companies with total employment of more than 250 people were employing about a third of the employees of the surveyed villages, even though their share in the total number of establishments did not exceed 5%. The survey collected data shows that in this category the multinational companies with production profile was dominating.

Table 2. Enterprises in the surrounding of surveyed villages by type and villagers employed

Type of enterprise (employment range)	Share in the total number of enterprises	Employment of the surveyed village inhabitants
Total	100.0	100.0
micro (1 - 9)	47.7	16.8
small (10 - 49)	38.9	30.5
medium (50 - 249)	9.3	18.5
large (pow. 250)	4.1	34.2

Source: IAFE-NRI 2011 survey.

Rural Entrepreneurship

In addition to employment opportunities in companies operating in the area in 81% of the villages there were families whose members were operating their own business. Non-agricultural business activities are an important part of stimulating the local economic development and an important source of income for families, which in result of increasing competition lost their agricultural livelihoods or have lost the ability to work in non-agricultural enterprises. It is often associated with agricultural activities conducted and operates on the basis of household assets (with the use of buildings, equipment).

According to the information collected in 2011 in each of the surveyed village, average of 6 families were operating on their own account (Table 3). In this group, in addition to self-employed, there were also small enterprises generating jobs for people within families and other residents of the village. In result, in all companies of this type operating in a village, in 2011 there was an average of nine people from the village employed. The size of this index was different in different macroregions. The largest share of business activities in the economic activity of residents was reported in the villages of south-west macroregion. This is due to the significant increase in new projects, which were up 45.5% of the total number of reported businesses, compared to 24.6% of such activities throughout the surveyed group.

The study showed that non-agricultural business activities on their own account were conducted more by the landless families than agri-

cultural ones. For each ten families engaged in such activities, six of these did not have a farm.

Studies show that a group of self-employed is characterized by considerable liquidity, especially in areas with high unemployment rates. In case of the underdeveloped local labour markets and the consequent risk connected with starting the business activity, such activity are undertaken by those whose opportunities for alternative income are low. In the case of farming families, the motivation to establish new economic initiative is lower than it is for non-agricultural family.

In the analyzed period, every fourth case of registered business activity concerned the entity registered in 2005-2011. During this period, the highest number of new companies were founded in 2010, when the global financial crisis negatively affected the labour market. The slowdown in economic growth in Poland was most noticeable at the end of 2009, contributing to an abrupt reduction in employment and a decline in the demand for labour. These processes have led many of the villagers to seek for new sources of income. This is supported by the fact, that in 2010 the majority of the new business initiatives was initiated by members of the landless families.

The study showed that the nature of the activity was associated with the category of the family, from which came the person who ran it. Analyzing the structure of the self-employed according to the type of business some regularities can be noted. The specialists providing building services and conducting various types of business were definitely more often originating from landless families than from farmers. The inverse relationship was observed in case of activities close to agriculture connected to trade of fertilizers, purchase of agricultural products, or mechanic services.

Overall the most often the subject of self-employment was the trade sector. Most of them were groceries and multispectral shops. The involvement of farm families in activities aimed at hawking (usually clothing) has to be noted and trading the own produced agricultural products on the markets or fairs. On average, two families in each of the surveyed villages were engaged in such activities, of which most were the farming families. Their share in total mobile trading was 77%. This kind of activ-

Table 3. Own businesses in surveyed villages

Macroregions*	Self-employed		
	average numer per 1 village:		Share of new entities in total number:
	families	person	
Total	6	9	24.6
Central-Western	5	12	19.6
Central-Eastern	5	6	26.1
South-Eastern	6	10	12.1
South-Western	9	13	45.5
Northern	5	9	16.0

* As in Table 1.

Source: IAFE-NRI 2011 survey.

ity is predominantly based on the sale of products from their own farm and homestead land for landless families. That is evidenced by the high proportion (89%) of families selling agricultural products, such as eggs, poultry, meat and vegetables at markets, on-farm and at roadside stands. Among the remaining assortment offered in mobile trading dominated sales of clothing (nearly 7%), and household chemicals (less than 3%). Keeping a backyard and mobile trading rarely underwent conversion into a selling point. For all mobile trading families in surveyed villages between 2005-2011 less than 8% turned hawking the stationary shop.

Conclusions

Study showed that among all types of entities the greatest demand for labour is likely to be created by manufacturing entities. Of the total number of people working in companies located within the surveyed villages, nearly 60% worked in companies with such profile.

Non-agricultural business activities are an important part of stimulating the local economic development and an important source of income for families. According to research findings a group of self-employed is characterized by considerable liquidity, especially in areas with high unemployment rates. In case of the underdeveloped local labour markets and the consequent risk connected with starting the business activity, such activity are undertaken by those whose opportunities for alternative income are low. Among the total number of establishments located within the surveyed villages the majority were classified as micro enterprises which covered almost half of all units. The next almost equally large group of companies were so called small enterprises, which means entities employing less than 50 people. Together the micro and small enterprises were giving job for about half of the employed population earning in the area of residence.

Greater demand for labour force from local enterprises as well as from development of self-employment entities would enable to stop the process of depopulation related to constant migration (for work), improvement of the standard of living of the residents, and, at the same time, the business activity on rural areas would positively affect the overall economic development of rural areas.

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(Summary)

The paper analyses the characteristics of local labour market for rural population in terms of employment possibilities and local entrepreneurship. Research findings are based on the findings from field survey conducted in 2011 that covered 76 villages across Poland inhabited by more nearly 30 thousand of rural population living in ca. 8.5 thousand of rural families. Study showed that among all types of entities the greatest demand for labour is likely to be created by manufacturing entities. It was also recognised, that a group of self-employed is characterized by considerable liquidity, especially in areas with high unemployment rates. In case of the underdeveloped local labour markets and the consequent risk connected with starting the business activity, such activities are undertaken by those whose opportunities for alternative income are low. In the case of farming families, the motivation to establish new economic initiative is lower than it is for non-agricultural family.

Key words: rural areas, labour market, entrepreneurship, Poland