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IN THE CONTEXT OF RURAL DEVELOPMENT
IN LITHUANIA**

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The project aims to establish a network of experts involved in agricultural policy analysis and rural development in the New Member States, in the Acceding Candidate Countries and in the countries of the Western Balkan. More detailed information on the project can be found at www.agripolicy.net.

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1. Introduction and background

1.1. An introduction to rural employment*

In 2005, more than 433 thousand people worked in rural areas - the same number as in 2000. Nevertheless, the rural unemployment rate has declined because of decreasing rural population. While employment rate has been balancing about 60%, official unemployment rate variation has been sharper. In 2002, the unemployment rate declined almost twice from 14,4% to 9,7%. In the next two years it balanced about the same rate, but in 2005 it substantially fell again – to 7,6%. However, hidden unemployment is supposed to be much higher.

The tendency of decreasing unemployment was mainly determined by two reasons: 1) increased production and 2) intensified emigration to big Lithuanian cities and foreign countries. The latter process was especially encouraged by the possibility to get legal jobs in EU countries after Lithuania's accession to the EU in 2004.

The more intense decline of unemployment has been hampered by decreasing employment in the agricultural sector; since 1999, the number employed in this sector has fallen by 28%. Nevertheless this sector still employs about 13,8% (in 2005) of all employees in Lithuania. In rural areas this percentage is much bigger – about 42%; 14,8% of rural people work in industry, 43,2% - in services. The high number of employed people in agriculture has been historically determined by traditionally high occupation in this sector, also by low employment possibilities in other sectors, smallness of farms, low labour productivity, etc.

Employment in agriculture in rural areas decreases slowly. Since 2000 till 2004 the percentage of the employed rural population working in agriculture decreased by 13%. Only in 2005 the decline was more intensive. In the period 2000-2005, occupation in industry increased by 41%, and in services by 29%.

Long-term unemployment is a very tender problem for rural areas (67% of all rural people were unemployed in 2004, with a sharp decline in 2005 to 52%). Most of the unemployed (40%) are unskilled. The unemployment rate is especially high among youth (15-24 years) – 19%. Pretty low is labour force activity rate (64.2%) with even negative development tendency. Women's unemployment outweighs men's unemployment.

*For statistical supply look Annex 1

1.2. Agricultural employment*

Structural changes in the Lithuanian economy have been influencing the decrease of rural population occupied in the agricultural sector (from 54% in 2000 to 42% in 2005). Nevertheless, the process of transfer to other sectors is slow. People retiring from traditional agricultural business have very few other employment possibilities and income alternatives. A survey, performed by researchers of the Lithuanian University of Agriculture in 2001-2003, revealed that almost 65% of farmers would have withdrawn from farming if they had had a choice. EU support for retiring from agriculture encouraged the start of massive retiring (almost 19 thousand farmers in the 2004-2006 period); nevertheless, it will take a long time for the rural population to transfer to other economic activities.

The other survey, performed by the Lithuanian Institute of Agrarian Economics in 2005, showed that the majority of farmers couldn't secure sufficient income from independent agricultural business. Most of small farmers (farms of size from 1 to 3 ha, which account for about 37% of all farms) don't have any facilities for mechanised agricultural operations. Small-scale machinery is usually not available owing to its high price. The farming in such farms is very primitive, with no specialisation. Consequently, only 20% of the respondents considered agricultural business as their main income source. The main livelihood sources in rural areas have been indicated as salaries for work in State or private non-agricultural enterprises (37.2%) and pensions and grants (36.9%). About 11% of the employed rural population has a second job. The majority of them (86%) additionally work in agriculture. Non-salaried labour input makes 80 – 90 %, salaried – 10 - 20% of all labour input in the rural agricultural sector (2004). Most of salaried labour has been temporary.

Territorial differentiation in Lithuania is high and increasing. According to land quality and prevailing deagrarianisation grade, Lithuania can be subdivided into three zones: 1) Middle Lithuanian agrarian zone of intensive agriculture with prevailing commercial agriculture in business structure, tendency to intensify agricultural production and for increasing specialisation, implementation of "high" technologies; 2) West Lithuanian zone (with a few East districts) with developed commercial and social agriculture, the latter being combined with other rural businesses; 3) Strongly deagrarianised East Lithuanian zone (several districts) with prevailing forestry, fishing, recreation (passive and commercial); agriculture is a way of lifestyle or performs a social role (Caplikas, 2005). It is likely that the tendency of territorial development will follow the present trend of agricultural specialisation and concentration, which consequently will still increase the lag of counties with the majority of rural people employed in agriculture behind the State average.

The overall employment rate in agriculture in the short-term perspective should decrease as a result of intensifying reconstruction and modernisation in agriculture. This should affect the substantial increase of total rural unemployment in the next several years. The projected growth of non-conventional agricultural branches and economically strengthened traditional agricultural farms will increase the need for qualified workers in the generally decreased number of remaining agricultural employees.

*For statistical supply look Annex 2

1.3. Non-agricultural employment*

Structural economic changes taking place in rural areas have been affecting employment structure, as more than 20% (from 35.4% in 2000 to 42.6% in 2005) of rural people have started to work in the services sector, and more than 41% (from 10.5 in 2000 to 14.8% in 2005) in industry. Construction workers amount to 16% of people employed in services and, since 2000, this number has almost doubled.

Although more and more small farms takes to additional non-conventional agricultural activities (cultivation of medicinal plants and potherbs, plants for production of biofuel, rare breed animals), also rural tourism, the basic process of effective rural development – SME expansion - remains very slow. It has been hampered by undeveloped physical rural infrastructure, relatively low education rate and lack of knowledge and experience (especially in management and marketing) of rural people, their lack of mobility and low economic activity or both: starting own business and looking for waged labour.

In 2005, seven SMEs existed per 1000 of the rural population (doubled since 2000). Most of SMEs in rural areas are engaged in trade (39%), fewer in industry (25%) and in services (23%). About 15% of SMEs are related to the agricultural sector.

Own alternative to agricultural business is the main source of incomes for only every fiftieth rural inhabitant. 20% of them are additionally engaged in traditional agriculture.

Individual enterprises make the majority (67% in 2003) in SME structure.

Territorial distribution of SMEs is very uneven. The counties with biggest cities comprise the majority of rural SMEs (46% in 2003). In Eastern Lithuania, agriculture as a business branch is stunted; forestry, fishing and recreation prevail. In this region, rural tourism is supposed to be one of the main alternative businesses (more than 20% of people working in this business switched to it from agriculture).

Rural tourism in Lithuania is a relatively new business activity - about 70% of rural businesses were started 1-3 years ago and 30% - 4-6 years ago (according to LAEI research, 2005). And although expanding fast (from 203 resorts in 2003 to 493 in 2005), the supply is not yet satisfied. Rural tourism is considered a viable occupation for rural people, as the potential is high and the start is relatively easy (various municipality privileges, EU support). Intensified development of rural tourism encouraged the increase in handicrafts, which have old traditions in Lithuania.

The transfer to other than agricultural activities will take a long time, but since employment in agriculture will have to decrease, unemployed people will have to switch to other activities, especially in infertile land districts, where incomes from agriculture are very low. In the long-term strategy of Lithuanian rural and agricultural development, it is projected that until 2015, about 10 thousand new workplaces in non-conventional agriculture and 23 thousand workplaces in alternative activities will be created; about half of them in less-favored areas. The need for qualified workers and management/finance specialists will increase substantially in most Lithuanian districts.

*For statistical supply look Annex 3

2. The context of rural employment

2.1. New employment opportunities*

In recent years, high emigration rates and rising economic status have influenced demand on the labour force that cannot be satisfied by the supply. Many qualified specialists have emigrated and many of the rest feel a sharp lack of desired qualifications and practical skills.

The most increasing branches according to the number of workplaces are industry (28.2% more workplaces as compared to 2004) and services (+55%). The number of registered vacant workplaces in the agricultural sector decreased by 21% (to 3.4% of all registered vacant workplaces in 2005).

The most desired professions are: various construction workers, drivers, salesmen. High employment possibilities are projected for various types of managers, finance cadres, IT specialists, and teachers (especially for Informatics, English, and Mathematics). Low employment possibilities are supposed to be for: various types of agricultural specialists (agronomists, foresters, animal specialists) and agricultural workers (gardeners, agricultural machinery operators, mechanics, etc.). The variation of the demanded profession type is little among the counties.

In recent years, the demand for permanent jobs has been increasing. Most of the latter are involved in services (49%), then industry (28%), agriculture (14%) and construction (10%).

Every second work proposal is for qualified workers, every fifth is for unqualified workers. The ones having professional qualifications have the highest employment possibilities.

The essential factor for the decrease of unemployment in rural areas is the development of SMEs. As rural areas aren't very attractive, the State provides support for the modernisation and establishment of farms or SMEs in these areas.

The Lithuanian Labour Exchange implements various employment initiatives. Their goal is to involve more and more registered unemployed people to participate in active integration into the labour market. Especially, much attention is given for youth employment.

Re-skilling has been encouraged a lot in recent years. In 2001-2005, the extent of professional training has tripled as compared to the first five of its active years (1991-1995).

Since 2001, the Exchange started a "Local employment initiative and implementation programme". It directly supports the creation of new workplaces in the lowest level. Every third project of the Lithuanian Labour Exchange is implemented in rural areas.

*For statistical supply look Annex 4

2.2. Education and skills*

The majority of the rural population has primary (22%), general lower secondary (21%) and general upper secondary (21%) education (2005). Only 6% have higher educational attainment; most of them are people of the 40-65 years old category. According to LIAE research (2005) a new dangerous tendency has shown up – more and more young people, especially males, start avoiding studying. The education of females is increasing (7.5% have higher education), but most of the educated women after graduation stay in the cities. Most rural women have no professional preparation.

The educational attainment of the employed rural population is a bit different – the majority has general upper secondary (26%), then special secondary (16%) and general lower secondary (15%) education; 11% have higher education. As compared with 2000, the situation is similar with positive tendencies of increasing number of employees with higher education (increase of 15% since 2000) and decreasing number of employees with primary education (74%).

Skilled agricultural workers are distinguished as the largest group of all in the employed rural population (36%). The second largest professional group is in primary sector occupations (13.7% in forestry, quarrying and mining), the third - craft and related trades workers (13%).

Most of the unemployed rural population has general upper secondary (24%) and general lower secondary (22%) education; 4% of people with higher education are unemployed; 30% of the unemployed have no professional qualification. A large part (42%) of young unemployed people, registered in the Lithuanian Labour Exchange, have no professional qualification. Most of the unemployed according to previous occupation were in elementary occupations (39%), craft and related trades workers (19%) and service workers / shop and market sales workers (13%).

A critical problem in the Lithuanian agricultural sector is that the majority of farmers lack necessary knowledge and practical skills in management, hygiene and animal welfare, good agricultural practice, and other spheres. The previously attained qualification and knowledge is not enough to adjust to high EU standards. Computer literacy is very low among rural people (but it has been being upgraded through EU funds (in 2006 SPD 20 mln. LTL)). The worst thing is that most people don't acknowledge this – “lifelong learning” is very low in Lithuanian rural areas (only 3.2% of all 25-65 year-old people are studying). Additionally, almost all financing is dedicated to youth education, and finance for adult education is committed according to the residual principal whereby it only receives the left-overs.

Youth education faces somewhat different problems. One of the most acute problems is that ongoing structural changes require new qualifications, and present professionals don't fully match market needs. Employers still complain of the lack of practical preparation of young people.

Scarcity of financial resources prevents many youths, especially less financially endowed ones to choose the best profession. One of the main factors affecting the choice of scholastic institution is the location of the school.

However, problems in the rural education system come from lower levels. Many rural schools have been closed because of the small number of pupils and the latter have to ride to the district centre. In the period of 2000-2004 in rural areas, the number of pre-primary schools has decreased by 20.6%, the number of secondary schools by 45%. Most rural schools have a severe lack of teachers for informatics and foreign languages.

Nevertheless, the overall education level in rural areas is slowly rising, with a substantial increase in the number of consulting firms in rural areas.

*For statistical supply look Annex 5

3. Specific rural employment issues

3.1. The nature of under-employment*

The present serious unemployment problems in rural areas were determined in the past. Desultory reforms in agriculture substantially decreased its industrial economic potential. Farms reduced in size a lot, but in recent years it has started increasing (average farm size in 2005 was 11.5 ha – increased more than 25% since 2003), this resulted in diminished agricultural productivity and high production costs, decreased economic and financial potential.

The prolonged land restitution process coupled with still unfinished land reform hinders smooth functioning of the land market.

The improvement and development of agriculture is hampered by a substantially unfavorable agricultural credit system. Physical rural infrastructure is in poor condition (60% of roads aren't paved, most of waterworks are broken down, there is an undeveloped telecommunication system, very low rate of internet access points, and only less than 10% of rural households have a personal computer). Rural social infrastructure is characterised by low education, lack of activity and mobility, and a remarkable mismatch of labour force demand and supply.

All the above mentioned reasons have determined high unemployment rates in rural areas. According to LAEI research, even 4% unemployed people would start working for minimal salary (600LTL – 174EUR) and 10% for less. This shows that rural people are desperate enough about getting a job.

State policy is also pretty faulty. Support is dedicated more for the removal of the consequences of negative social expressions, but not for their prevention (i.e. for social grants instead of e.g. re-skilling of those who are unemployed). Consequently, in rural areas with many unemployed people it's already a problem to find a person for seasonal work.

55% of all employed rural people work 40 or more hours per week. Rural employees work 37.2 hours per week on average (since 2000 it has fluctuated very little). So the rate of disguised unemployment is substantially high in rural areas. Hidden unemployment is also supposed to be pretty high (up to 8%). On the other hand, there is unofficial employment (can reach up to 15-20%).

3.2. The scale of semi-subsistence farming*

There is a great lack of exact data about this issue. Data is available mainly from 2003 Agricultural Census. It recorded a relatively low farms' commerciality rate. In 2003 about 31% of all farms were subsistent (farms are classified as subsistent if they have at least 1 ha of agricultural land and produce only for their own consumption), 55% - semi-subsistent and 14% farms produced only for sale. Most of the latter were situated in fertile land areas – Middle Lithuania.

High unemployment rate and lack of other employment opportunities determine very low incomes in rural areas. Subsistence and semi-subsistence farming often stays the only income source for the unemployed.

*For statistical supply look Annex 6

*For statistical supply look Annex 7

3.3. The implications of the “Lisbon strategy”

It's supposed that “Lisbon strategy” has had impact on rural employment, but because of too many factors influencing the fluctuation of it, precise influence can't be determined. At least not yet, because no research has been performed on this issue.

4. Overview and prospects

In 2005, the unemployment rate in rural areas was 7.6% (though hidden unemployment is supposed to be much higher). A critical problem is long-term unemployment (52% in 2005). The unemployment rate among youth (15-24 years) is especially high at 19%. Most of the unemployed (40%) are unskilled labour.

Most of the employed rural population (42%) work in agriculture, 14.8% - in industry, and 43.2% - in services.

The education rate in rural areas is low - the majority of the rural population has primary (22%) and only 6% have higher educational attainment.

In the future, the number of rural people should decrease, especially of employable ones. Despite this, unemployment will most probably increase in the next several years. Through structural changes, many people will have to withdraw from agriculture, but due to undeveloped other businesses, they won't have other employment alternatives. Therefore, the transfer is going to be slow. However in the long perspective, unemployment rate will diminish together with strengthening farms and development of alternative businesses.

Two trends in farm development are projected to polarise : 1) increase in average size of specialised traditional farms, 2) ecological and non-conventional farms, functioning in market niches. Alternative activities, such as rural tourism, services and other small businesses should increase substantially.

These changes should enhance the demand for a qualified and skilled labour force. Therefore, the number of people studying, training and retraining should increase.

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