



Project no.
513705

Project Acronym
CEEK AGRI POLICY

Project title
**Agro economic policy analysis of the new member states,
the candidate states and the countries of the western Balkan**

Instrument Specific Support Action

Thematic Priority Scientific Support to Policies

**D12-3 Third 6-monthly report
RURAL EMPLOYMENT
IN THE CONTEXT OF RURAL DEVELOPMENT
IN SLOVENIA**

Start date of project: 01.05.2005

Duration: 24 Months

Revision Final

Project co-funded by the European Commission within the Sixth Framework Programme (2002-2006)		
Dissemination Level		
PU	Public	X
PP	Restricted to other programme participants (including the Commission	
RE	Restricted to a group specified by the consortium (including the Commission	
CO	Confidential, only for members of the consortium (including the Commission Services)	

Acknowledgement

This report forms part of the deliverables from a project called "CEEC AGRI POLICY" which has been awarded financial support by the European Commission under the 6th Framework Programme.

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.

DOCUMENT HISTORY

see country reports on www.agripolicy.net for full list of authors

Date	Author	Description
October 2006	Tomaž Cunder, Matej Bedrac	Report – preparation
19.10.2006	Tibor Ferenczi	Twinning
23.10.2006	John Wibberley and Martin Turner	Review and editing
18.12.2006	Tomaž Cunder	Corrections, response

CONTENT

1	Introduction and background	4
1.1	An introduction to rural employment.....	4
1.2	Agricultural employment.....	5
1.3	Non-agricultural employment	6
2	The context of rural employment.....	7
2.1	New employment opportunities	7
2.2	Education and skills – levels, access and provision.....	8
2.3	Other key factors in employment (if any)	9
3	Specific rural employment issues	10
3.1	The nature of under-employment	10
3.2	The scale of semi-subsistence farming.....	10
3.3	The implications of the ‘Lisbon Strategy’	10
4	Overview and prospects.....	11
5	References.....	12

1 Introduction and background

1.1 An introduction to rural employment

Despite relatively successful economic recovery after the transition shock, the divergence in the level of economic growth between rural and urban areas in Slovenia still persists. This can be attributed to various reasons, e.g. less favourable sectoral structure, uncompetitive business and farm structure, emigration and consequent underutilisation of human capital. The period has also been characterised by growing disparities among individual sub-regions (NUTS 3 level) within the region with respect to economic infrastructure available and even more so with respect to their labour and employment indicators. There can still be found highly agriculture-dependent or declining industrial areas with the lack of working places and low educational level of population. Jobs in the manufacturing sector prevail and the number of working places is falling.

The rate of activity and the rate of employment of Slovenian rural population are more or less comparable with the rates on general level. The employment rate of both men and women decreased compared to the previous period. Observation of employment rates by age groups presents an increasing employment trend in the age group 25-54 years and decreasing employment in the age group 15-24 years (mostly due to intensive enrolment in education – secondary schools and universities). Meanwhile, employment rates for older workers are growing as a consequence of the gradual implementation of pension reform measures.

Unemployment, measured according to the international ILO standards by LFS – labour Force Survey, has been falling from year to year – 7, 4 per cent (1998) to 6,5 per cent in 2005. In the last period differences in unemployment rate at the sub-regional level have not been increasing with the same intensity as before. The ratio between sub-regions with the lowest and the highest unemployment rate at the NUTS 3 level was 1:2, 4 in the year 2004.

Despite the favourable trend and reform of the labour market, Slovenia still lags behind the EU in terms of the flexibility of the labour market. The differences are large primarily in the percentage of part-time employment (5, 7 percent had part time employment in 2004). The relationship between fixed-term employment and permanent employment has changed in the last decade: the share of men employed on the basis of fixed-term contracts is stable at 10 per cent, while the share of women on fixed-term contracts is increasing, and reached 2, 2 per cent in 2004.

Table 1: The indicators of the labour market

	2000	2001	2002	2003	2004	2005
Registered employment rate (%)	62,9	63,9	63,4	62,6	65,3	65,9
Unemployment rate (%)	7,0	6,4	6,4	6,7	6,3	6,5
Labour productivity (actual growth) %	3,3	2,2	3,8	2,9	3,7	3,1

Source: Statistical Office of RS

The mobility of the labour force is limited; 61 per cent of persons being employed in the municipality of their residence. The migratory flow of the labour force is in the direction of urban municipalities, which have established business centres. Obstacles to increasing work mobility include the traditional Slovene attachment to a particular environment, compounded by the housing problem.

1.2 Agricultural employment

In addition to the unfavourable natural and structural conditions for agricultural production, farms in Slovenia are affected by inefficient allocation of agricultural work.

Work on agricultural holdings (family farms, agricultural enterprises, cooperatives) is performed by 207.501 persons. For more than 70% of them agricultural work means only a supplementary activity or they help out occasionally. The consequences of this unfavourable structure of working population are also shown in socio-economic structure. Part-time farms are prevailing as the holdings are too small to ensure enough income only from agricultural activity. In Slovenia there are only 20 per cent full-time farms.

Farm work on 77.175 farms is measured in equivalent of 95.263 Annual Work Units (AWU). The structure of labour force differs relevantly from that of similar structure in other EU countries. On Slovene farms, the majority of the work is done by members of family farms as there are practically no external regularly hired workers on farms. Consequently, relative immobility of labour force is reflected in the work intensity.

Despite their small size, Slovene farms employ on average ten per cent more workforce than an average farm in the EU. It is therefore hardly surprising that labour productivity in agriculture is distinctly low. On average, one Annual Work Unit utilises 5, 1 ha of agricultural land or, in terms of economic size, produces within the scope of 4,2 European Size Units (ESU). Difficult growing conditions, technology lag, low level of vocational qualification in agriculture and, in particular, an extremely disadvantageous farm structure have a considerable impact towards low labour productivity and underdevelopment in agriculture.

Table 2: Labour force in agriculture; 2003 and 2005

	Number		Index 2005/03	Structure (%)	
	2003	2005		2003	2005
Labour force in agriculture - total (persons)	211.245	207.571	98,3	100,0	100,0
- Agricultural enterprises and cooperatives	3.234	3.271	101,1	1,5	1,6
- Family farms	208.011	204.300	98,2	98,5	98,4
Number of AWU	95.605	95.263	99,6	45,3	45,9
- Agricultural enterprises and cooperatives	3.383	3.449	102,0	1,6	1,7
- Family farms	92.222	91.814	99,6	43,7	44,2
AWU/100 ha UAA	19,6	19,6	100,1	-	-
AWU/farm	1,24	1,23	99,2	-	-

Source: Statistical Office of RS

1.3 Non-agricultural employment

An employment overview by production sector shows a gradual relative increase in the services sector, which employs 52.9 per cent of all employees and a relative decline in agriculture.

The negative employment trend stopped in the industrial sector, and since 2001 employment in manufacturing has also been increasing. The fastest increase in employment has been in the manufacturing of electrical and electronic products and equipment. The employment structure in industry was further diversified by numerous new branches such as the automobile, pharmaceutical and clothing industries. According to the number of people employed in the industry, the most important industrial branches in 2004 were textile and leather industry of employees), metallurgy, electro-technical, machinery and food-processing industry.

The increase in employment in the services sector was fastest in financial and business services, while in trade, tourism and transport, employment is increasing more moderately. In the public sector, employment in administration and education has also been gradually increasing.

Employment data in the business sector observed by the size of companies show a highly positive trend in micro and small companies (5 per cent average annual in the five-year period), while in medium and large companies employment has been falling for 1,2 per cent.

Table 3: Employment structure by sector

	2000	2001	2002	2003	2004
Employment structure by sector:					
- agriculture (%)	11,9	11,4	11,0	10,8	10,5
- industry (%)	38,8	38,2	38,4	38,2	38,1
- services (%)	49,3	50,4	50,6	51,0	51,4

Source: Statistical Office of RS

The increase of non-agricultural sectors contributed to the further fast decline of agriculture and its importance. A class of part-time-workers/part –time-farmers also occurred which has become characteristic of rural areas. This stratum is typical for being closely attached to small farm properties of native villages, which results in intense daily migration to work. The majority of these workers built single houses in rural areas and thus contributed to dispersed settling pattern and to a kind of suburbanisation. Manufacturing industry has contributed to the beginning and further establishing of numerous boroughs, small towns and new centres which, being the centres of administration, hold control of rural areas. At the same time, these centres prevented a more intense development of medium-sized towns and urbanisation in general.

2 The context of rural employment

2.1 New employment opportunities

Difficult production and structural conditions, technology lag, low level of vocational qualification and, in particular, an extremely disadvantageous farm structure have a considerable impact towards low labour productivity and under-employment in rural areas. Employment outside agriculture (industry, services) represents the main additional activity for the Slovene rural population. Classical supplementary activities (homework, rural tourism, and handcraft) represent a smaller part. From the regional point of view they appear principally in those regions where due to poorer options for employment outside agriculture there is a greater share of surplus labour force. The long-term strategic orientation of agricultural and rural development policy in Slovenia is thus directed towards encouraging farms to search for new sources of revenue from supplementary activities. More efficient allocation of the workforce at agricultural holdings is the main objective of this development.

This implies that farms need to be urgently redirected towards development of alternative income sources. Diversification of agricultural activities and activities close to agriculture is planned to improve income status of agricultural holdings and to provide alternative sources of employment. They are intended to make the best use of development potentials of the immediate environment and to be complemented by the range of regional products and services and thus to contribute towards the promotion of the entrepreneurial sector and competitiveness.

Around 4 per cent of family farms in Slovenia are currently engaged in some of the supplementary activities. Among them, four activities predominate: contract services with agricultural machinery, tourism on the farm, wood processing and different types of food processing activities. Other subsidiary activities are represented only to a smaller extent. The demand for products and services of subsidiary activities is on a steady increase.

Table 4: Family farms by supplementary activities; 2003 in 2005

	Number of farms		Index	Share (%)	
	2003	2005	2005/03	2003	2005
TOTAL	2.867	3.146	109,7	100,0	100,0
Food processing - meat	101	189	187,1	3,5	6,0
Food processing - milk	115	185	160,9	4,0	5,9
Food processing – fruits and vegetables	354	390	110,2	12,3	12,4
Food processing – others	104	200	192,3	3,6	6,4
Wood processing	508	449	88,4	17,7	14,3
Services with agricultural machinery	905	796	88,0	31,6	25,3
Tourism on the farm	675	628	93,0	23,5	20,0
Cottage industry	130	171	131,5	4,5	5,4
Public utility services	149	297	199,3	5,2	9,4

Source: Statistical Office of RS

The greatest importance of supplementary and additional farm activities on farms is economic as well as social. These activities ought to bring such an additional income to farm people which,

together with the income from agriculture, should provide the same material and social status as acquired by those employed in other activities or by farmers owning economically profitable farms.

Additional farm activity makes possible the employment at home and thus decreasing the need for employment of rural population in industry, preventing migration and opening, first of all to younger generations, the possibility of staying in the country.

2.2 Education and skills – levels, access and provision

Improvement in human capital of population can be inferred from the increasing average number of years of schooling of population in Slovenia. In the year 2002 the average number of years of schooling of persons in employment stood at 11, 3 years, while in 1995 it was 10,8 years. The greatest contribution to the raising educational attainment in the 1990s came from the significant increase in participation rates of young people.

The main characteristics of education and training system in Slovenia are:

- the growing percentage of children in kindergartens (almost 60 %),
- an average secondary schools enrolment in the amount of 97, 9 per cent,
- post-secondary education enrolment higher than 50 per cent and undergraduate tertiary studies around 40 per cent,
- 32, 4 per cent of part-time students (the number of them increased fourfold in the last decade).

The educational achievement of youth (age group 25-29) has significantly improved; of labour active youth 20 per cent have post-secondary education, 68 per cent have secondary education, and only 11,7 per cent basic education. The data for working age labour force show that 17,9 per cent have completed post-secondary education, 64,5 per cent have secondary education, while 17,7 per cent have only basic education. The data of participation rate in education per cohesion regions show that the number of upper secondary school pupils per thousand inhabitants does almost not differ among regions. On the other hand, there are quite significant differences by the number of university students; here the number for Ljubljana urban region is 48, for Western Slovenia 44 and for Eastern Slovenia only 37.

From the point of view of educational system and the corresponding human capital, the labour market in Slovenian rural areas is faced with the following main problems:

- low participation rate of adults in education and training (only 3,7 per cent of adults is involved into different forms of education and training),
- low level of functional literacy (by majority of population is only at the 1st or 2nd level),
- lower percentage of adults with tertiary education compared to the EU average (the proportion of people with post-secondary education in 2002 was 18,4 per cent),
- lack of balance between the education and training provision and the demand of the economy, the labour market and individuals,
- quality in education, especially initial education,
- considerable material barriers to further quality implementation of education and training.
- Low inter sectoral and inter institutional co-ordination at the national and local levels (education, economy and working environment).

School education and vocational level of agricultural population significantly differs from the average of the labour force in Slovenia. The overview of educational structure focused on holders of farms shows that less than half of holders have vocational or upper secondary education and more than half only elementary education or are without formal education. Deriving from the criterion of formal agricultural education achieved, the situation as regards professional qualification of holders is even less favourable. Only 28 % of them finished at least one of the programmes of agricultural education.

Table 5: School education and vocational education of holders; 2000-2005

	Number			Index 2005/03	Share (%)		
	2000	2003	2005		2000	2003	2005
Holders total	86.336	77.037	77.042	100,0	100,0	100,0	100,0
General education							
Incomplete elementary education	9.719	7.937	7.672	96,7	11,3	10,3	10,0
Elementary education	40.698	34.438	32.813	95,3	47,1	44,7	42,6
Upper secondary education	33.044	31.536	33.221	105,3	38,3	40,9	43,1
Higher education	2.781	2.507	2.874	114,6	3,2	3,3	3,7
No data	94	620	462	74,5	0,1	0,8	0,6
Vocational education							
Only practical experience	72.440	63.104	55.562	88,0	83,9	81,9	72,1
Short-time course from agriculture	7.045	7.415	16.368	220,7	8,2	9,6	21,2
Upper secondary agricultural education	2.752	3.087	4.755	154,0	3,2	4,0	6,2
Higher agricultural education	2.230	2.431	681	28,0	2,6	3,2	0,9
No data	1.869	1.001	0	-	2,2	1,3	0,0

Source: Statistical Office of RS

2.3 Other key factors in employment (if any)

In the past, agriculture was predominant in the economic structure in rural areas, whereas economic development was present in cities and regional and local centres. In spite of relatively polycentric spatial pattern of economic development in the past, the trends of demographic structure deterioration apprehended the majority of rural areas. The differences between them grow further. The closeness of stable and interesting jobs outside agricultural activities and positive restructuring processes in agriculture has given some rural areas a new impulse. In places where no substantial development in agriculture has taken place a social degradation and even a renewed appearance of poverty is being registered, which at least in the countryside, have been less present in the past.

In the recent decades the rural population share is declining, as the majority of inhabitants living in countryside do not make the living from farming. On the other side, the countryside has also become an attractive environment for living, work and leisure, at the same time economic interaction and coherence between urban and rural areas have arisen. Although various enterprise activities are available, they remain less developed in the countryside than in urban centres.

3 Specific rural employment issues

3.1 The nature of under-employment

The disparity between the contribution of agriculture to the value added and the employment structure implies at low productivity of the agricultural sector and as a consequence under-employment of great part of rural population. Several factors contribute to the low productivity; among them are unfavourable age, educational and vocational structure, size structure as well as low rate of production specialisation of agricultural holdings. According to the economic accounts data of agriculture the gross value added of agriculture in EU – 25 is 3, 4 times bigger than in Slovenia. Due to the employment decline in agriculture the value added per men-work unit has increased. However, even in the very favourable year 2004 it reached only 20 per cent of the GVA average per employee at the national level.

3.2 The scale of semi-subsistence farming

The latest agricultural sample census (2005) shows that there are around 77.000 agricultural holdings/farms in Slovenia. Corresponding to the standard of European Size Units (ESU) with respect to the production capacity these farms are directly comparable to those in the EU.

The size structure of the Slovene farms is practically incomparable with the size structure of the farms in EU. Almost one quarter of holdings is smaller than two and almost 60 % smaller than five hectares. These farms are, together with those from six to ten hectares, the basis of agricultural production in Slovenia and occupy around two thirds of the agricultural surface in Slovenia. Only 43, 5 per cent of the farms are specialised agricultural holdings all others belong to one of the mixed production types, whether mixed plant production, mixed animal husbandry or combination of both.

The average economic size of family farms is 4,6 ESU. Distribution of agricultural holdings by individual ESU classes shows that in Slovenia almost a half (48 %) of holding belongs to the lowest class (under 2 ESU) and that almost three quarters of holdings (73 %) have economic size under 4 ESU. Among family farms with less than 2 hectares of UAA there are around 80 per cent of farms with the economic size under 2 ESU. Most of them are so called semi-subsistence farms which produce only for their own consumption.

3.3 The implications of the ‘Lisbon Strategy’

The fourth development priority of **National Development Programme** - modern social country and creation of more jobs, is to contribute to the fulfilment of the economic and employment objectives of the Lisbon Strategy and thus improve the competitiveness of whole economy. It relates to the development of educational system and strengthening of active policies of the labour market, whereby the employment opportunities of vulnerable social groups (older people, women, young) would be provided for and preservation of employment in agricultural and fisheries sector. This priority relates also to the improvement of the health condition of the population, reduction of housing problems and encouragement for sports off all generations and reduction of exclusion of vulnerable social groups.

The targets of the priority are:

- Improving labour market flexibility,
- Modernisation of social protection system
- Securing optimal health conditions
- Reducing social exclusion and social vulnerability.

The implementation of **Rural Development Strategy (RDS)** shall contribute towards realisation of Community priorities, especially towards achieving sustainable development objectives from reformed Lisbon Strategy for growth and employment. By measures contributing to improvement of quality of life in rural areas and diversification of economic activities outside urban areas the strategy implementation shall contribute to a higher number of small and medium-sized enterprises, and to higher employment opportunities and thus to a greater economic and social cohesion.

4 Overview and prospects

By organising training, advising and various programmes for investment support, the state has contributed substantially to the promotion and development of additional employment opportunities. In the future, the state shall continue pursuing a more intensive support for development of entrepreneurship in rural areas, whereas priorities shall be given to the activities based on competitive advantages of the countryside (e.g. traditional knowledge, manpower, raw materials). To achieve better quality of life and diversification in rural areas the following factors are also important and the following strengths shall be used as much as possible:

- Availability of building infrastructure in rural areas, renewal and revitalisation of rural building heritage, revitalisation of agricultural facilities for non-agricultural activities,
- Rich cultural and natural heritage as a basis for the development of alternative economic activities in rural areas,
- Handcraft tradition as a basis for enterprise development based on the strengths of the countryside,
- Diversity of cultural landscape and preservation of natural environment as an opportunity for the development of rural tourism.

Slovenia has fifteen years of experience in implementing programmes for the overall rural development and in active engagement of local communities and local people in development planning. Within the framework of the LEADER axis in the new programme period it shall use and upgrade these experiences.

5 References

1. Cunder, T. 2003: Reform of the rural development policy in Slovenia - challenges and dilemmas. V: *EU-Enlargement - chances and risks for the rural area*, Ljubljana, 8 str.
2. Ministrstvo za kmetijstvo, gozdarstvo in prehrano (MKGP). 2004: Program razvoja podeželja za Republiko Slovenijo 2004-2006, Ljubljana, 205 str.
3. Ministrstvo za kmetijstvo, gozdarstvo in prehrano (MKGP). 2006: Nacionalni strateški nacrt razvoja podeželja 2007-2013, Ljubljana, 38 str.
4. Vlada Republike Slovenije. 2003: Enotni programski dokument 2004-2006 (EPD), Ljubljana, str. 172-197