

THE STIMULATION OF NEW JOBS EMERGENCE THROUGH SELF-EMPLOYMENT IN ROMANIAN RURAL AREA

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Abstract

The Romanian labor force market is dealing with an irregular transition period which could be translated through the lack of the labor force on the labor force market. An important factor for this negative increase is represented by the migration phenomenon. Furthermore, Romania is dealing with a lack of jobs on the labor market in the rural area. Nevertheless, 46% of the Romanian population is located in the rural area. In Romania, the revenue level per inhabitant is very low in this part of the country. The main objective of this study is to demonstrate that the Romanian people shouldn't try to immigrate to another European state, when it has all the support from the EU funding programmes to start new business and to create more and more new jobs on the labor force market in the rural area. The main research method used to prove the theory of this study is the quantitative research method, by gathering and comparing all the amount of data regarding the Romanian population in European context provided by Eurostat, The National Institute of Statistics and The Agency for Funding Rural Investments (<http://www.apdrp.ro/>). This study will present the measures taken on the national level to counteract the migration phenomenon in Romania. The study will also analyse the problem of the unemployment, in terms of retraining and professional reconversion of free movement of goods, persons and capital open with the accession of Romania to the EU's economic and social valences. Employment is one of the most important channels through which economic growth can be translated into poverty reduction and less income inequality (Perry et al.).

Key words

cohesion funds, labour force, migration, work productivity

Introduction

Starting with 2004, the efforts made for reforming the state institutions in Romania have been intensified along with the EU integration. In 2007, the European Council confirmed the accession decision for Romania. This period is being characterized, among others, through dramatic changes of the number of employed people. The restructuring program led to job losses without compensations by creating new jobs on the market at the economy level. Romania was confronted with a significantly migration that culminated in 2008 with a half of millions of people who chose to leave the country, according to the National Statistical Institute data and this situation have created a deficit of job requests on the market.

The migration wave of the labor force hides two phenomena: the young labor force highly qualified who leave the country on the one hand and the emigration of the unqualified workers who preferred to earn more money by working abroad on the other hand.

Hereinafter, this study will be concentrated on bringing the labor force remained in the rural area in agricultural activities and also non-agricultural through the *National development program 2007-2013*: proposed measures and their achievement regarding the labor force from the Romanian rural area. Using the quantitative research method provided by

Romanian and European authorized institutions, we managed to identify the needs and the possible solutions to solve the problems occurred in the past 15 years in the Romanian rural area development. This study will outline the measures taken by Romania regarding the sustainable development in rural areas, to what extent was applied and the immediate pursued goal, increasing and developing the rural labor force market. With the integration into the European Union, Romania follows, in terms of agriculture and rural development, the principles of the Common Agricultural Policy (CAP), which is a set of rules and measures that are primarily aiming the productivity increasing, ensuring a fair standard of living of the population who works in agriculture, stabilizing markets, guaranteeing security of supply, providing consumers with food at reasonable prices.

According to the European Council Regulation no. 1290/2005 regarding the common agricultural policy financing, there were created two European funds for agriculture:

- European Agricultural Fund (EAGF) for financing marketing measures
- European Agricultural Fund For Rural Development (EAFRD) for financing rural development programs

1. Rural development national programs – 112 Measure

The European Commission vision regarding the information and knowledge transfer can be found in the 2007 release “Improving knowledge transfer between research institutions and industry across Europe: embracing open innovation - Implementing the Lisbon Agenda.”

This release provides that the knowledge transfer consists in a series of activities that aim to collect and transmit knowledge, skills and competencies from those who generate them to those who will turn it in economic results. The transmission of information and knowledge as a process occurs at the individual level and organizational level. This paper is oriented especially on the individual level that is very important for bringing the migrated labour force back in the Romanian rural area. The transfer of knowledge involves several steps: obtaining, processing and transmission. Also, this process can be influenced by several factors: the knowledge nature, the opportunity and the motivation to transmit the information, the environmental characteristics where the individual acts and the relations between individuals.

Starting with 2007, in Romania were implemented several rural development measures. One of the most important measures applied in the rural area was the 112 Measure and its objectives were the followings:

- Improving and increasing the competitiveness of the agricultural sector by renewing the leaders, without increasing the active population in agriculture
- Improving and increasing the competitiveness of the agricultural sector by promoting young farmers and support the modernization process in accordance with the requirements of environmental protection, hygiene, animal welfare and the safety at work
- Increasing the farms revenues led by the young farmers
- Increasing the number of young farmers that starts for the first time an agricultural activity as a farm leader and encourage them to make investments

The 112 Measure had even from the beginning problems with accessing the funds:

1. We can see from the objectives from above that this Measure refers only to the young people that are located at some point of their life in a rural area – the increasing of the active population in agriculture was not wanted. We can say that this Measure acted at the beginning in the young farmers from the rural area favour, aiming to stop the migration of the labour force

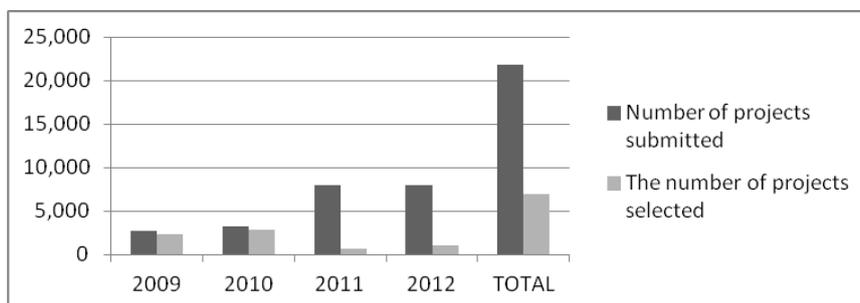
phenomenon among the young people from the rural area to the urban area or to other countries.

2. The young people (18-40 years) suppose to access the funds for the 112 Measure in 6 months from the moment of declaration of their farm to APIA, but not late than 12 months from that moment. If the 12 months term expired, they were no longer eligible and they couldn't access anymore the 112 Measure.
3. The condition from point 2 was not applied if the farm had in the first years more than 6 UDE.
4. The fragmentation of the agricultural exploitations, for the purpose to create artificially conditions to obtain the payments of the Measure, is against the FEADR (EAFRD) regulation.
5. Another problem of the Measures conditions was that the young farmer had to prove he worked with at least 12 month before for another farm (other than his family farm) and that he worked 50% of his working time for the foreign farm. This condition is outrageous from my point of view because basically brings back the slavery and it is against the law. Because of this condition, on the Romanian agricultural "market" appeared "agricultural societies" that in exchange of 100-200 euro were able to provide a certification that was proving the 12 months labour without remuneration.
6. The young farmer that wanted to access 112 Measure had to prove that he participated to a minimum 150 hours agricultural training. Also for this condition were founded "societies" that were able to offer calcification certificate in the exchange of 250-300 euro.
7. The young farmer was obliged to elaborate and to respect a business plan. If the plan wasn't followed, the young farmer could have been forced to return the first payment from the fund.
8. After obtaining the payment approval according to the project plan the young farmer was obligated to take professional training classes in management, primary accounting or environmental ecology.

Table 1 – 112 Measure

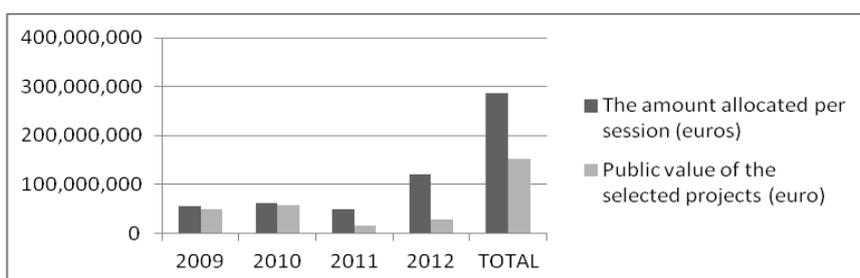
M112	2009	2010 session 1	2010 session 2	2011 session 1	2011 session 2	2012	TOTAL
The amount allocated per session (euros)	55.000.000	61.426.400		50.000.000		120.886.096	287.312.496
Maximum value of a project (euro)	25.000	25.000	25.000	25.000	40.000	40.000	X
Number of projects submitted	2.702	1.898	1.311	4.083	3.865	7.974	21.833
The number of projects selected	2.290	1.758	1.138	534	182	986	6.888
Public value of the selected projects (euro)	48.793.000	35.483.000	22.194.000	9.339.000	6.840.000	28.844.000	151.493.000
The average value of the project selected (euro)	21.302	20.184	19.502	17.489	37.582	29.253	X

Source: <http://www.apdrp.ro/>



Source: Data from table 1

Fig. 1 – Submitted and selected projects



Source: Data from table 1

Fig. 2 – The amount allocated per session vs. Public value of the selected projects

Although the program was prepared for 2007-2013, accessing of the EU programs started in 2009 in Romania. Until then, it's assumed that they tried to set the foundation of the program implementation: adapting the program to the Romanian economic conditions.

For the years 2009, 2010 (first and second session) and 2011 (first session) the maximum value of the fund offered by the program was 25.000 Euro. We can see from the table that the initial number of submitted projects was 2.702 from which 2.290 were approved and the medium value of a project was 21.302 Euro.

In 2010 (first and second session) was noticed a decreasing of the requests for accessing these funds and also a decreasing of the medium value of the accepted project – 19.502 Euro. The relevancy of this fact for the present study consists in the fact that in 2009-2010 were made 5.186 self-employments in the rural area and the main activity was the agriculture. If we consider the terms of use of the funds (30% of the funds can be used for personal interests) than each self-employee has a medium revenue of 171 Euro monthly.

We can state that, in theory, the people selected for receiving the fund are not thinking anymore to emigrate. It's possible though to exist a migration from the rural area to the urban area or vice versa, they're presence on "the plantation" being absolutely necessary.

The 2011 year, from a personal experience, does not fit into the decreasing trend of 2009 and 2010. At that time, even from the beginning of the year, was speculated the idea that the maximum value of an accepted project will increase. Due to the incertitude regarding the maximum value of the accepted project, were created the next situations:

- In the first session of 2011, we had a total number of request of 4.083; considering the incertitude, we had also a small number of selected projects – 534 (13, 07%).

- The second session of 2011 is even more eloquent regarding the incertitude: from 3.865 submitted projects only 182 projects were selected (4,7%):

a) Normally, if we check the data from 2011, we could believe that the low number of accepted projects is due to tightening the terms of selection, but it's not the case here.

b) The conclusion is that the applicants for the funds do not economically depend of the approval of their projects, a big part of them being already employees. We have here a problem of substance regarding the granting of the fund:

- the condition of being employed for the person who apply for the fund does not exist; this is a very important aspect of the problem because these funds could be and still can be granted to some people that, although they represent a labor force, they haven't worked a day in their life.

The year 2011 is beyond any expectation: we have 7.974 financing requests, but a very low rate of selected projects – 12,36%. From the number of selected projects, we can say that there are 986 self-employments in the year of 2011.

The idea of better revenue offered to a self-employee in agriculture will attract the labor force into this domain of economics. We are witnessing a labor force migration phenomenon to the rural area. This phenomenon will continue only if the labor force is economic stimulated through some proper programs. The fact that in 2011 the request for becoming a "self-employee" represented 57,54% of the total request from 2009-2011, makes me believe that we are on the good way regarding the self-employment in agriculture.

For 2013 the maximum value of the fund granted for a project is 40.000 Euro. Unfortunately, we don't have statistical data to analyze the status of granting the funds and the number of requests, but I do believe that there are over 10.000 requests for "self-employment" in agriculture.

If initially we had a low number of requests, the present problem is: are we able to cover the big number of requests with the funds offered now by the EU in the agricultural area?

It's still required an analysis of the efficiency regarding the use of these funds. The need to create new jobs by self-employment, shown by the EU added value in the economy or only contributed to the welfare of the moment for the "self-employment"?

2. Support for SMEs (Small and Medium Enterprises) in the rural area – 312 Measure

The 312 measure "Support for the creation and development of micro-enterprises" is part of Axis III - "Improving the quality of life in rural areas and diversification of the rural economy" and has the overall objective of sustainable development of rural economy by encouraging non-agricultural activities, in order to increase the number of jobs and additional income.

The specific objectives of the 312 Measure refer to:

1. Creating and maintaining jobs in the rural area;
2. Increasing the added value for the non-agricultural activities;
3. Creating and diversifying of the services for the rural population provided by the small enterprises.

The operational objectives of the 312 Measure refer to:

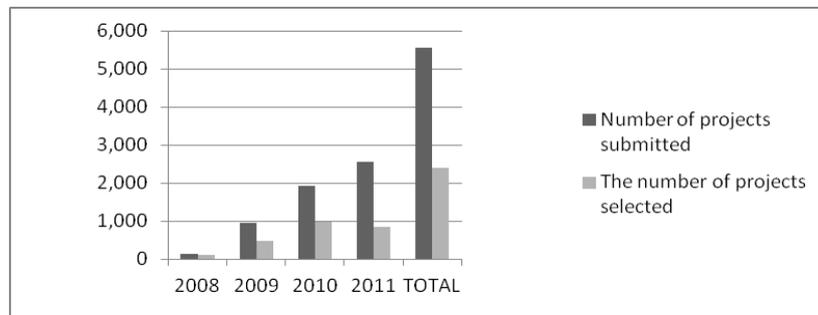
1. Creating small enterprises and developing the existing ones in the non-agricultural sector from the rural area;
2. Encouraging promoted business initiatives, especially by young people and women;
3. Encouraging of craft activities and other traditional activities;

4. Reducing the dependency degree in agriculture;

Table 2 – Measure 312

M312	2008	2009	2010	2011	TOTAL
The amount allocated per session (euros)	180.367.201	79.317.487	106.097.092	89.000.000	454.781.780
Public value of the submitted projects (euro)	23.690.221	156.906.704	209.086.360	82.016.477	471.699.762
Number of projects submitted	144	936	1.932	2.553	5.565
The number of projects selected	114	473	966	851	2.404
Public value of the selected projects (euro)	18.277.418	88.216.084	106.319.465	82.030.556	294.843.523

Source: <http://www.apdrp.ro/>



Source: Data from table 2.

Fig. 3 – Number of projects submitted vs. the number of projects selected (312 Measure)

Although this measure had a noble cause, the people who have benefited from these funds have founded some hilarious companies in 2011: spa centres (20 units in the rural area), cinema activities (2 units), with a public value of over 4 million Euro, considering that the people from the Romanian rural area are in their third age. Here are some other eligible activities for the funds offered by the 312 Measure: 22 car services, 20 medical/dental clinics, 8 activities that are using IT techniques, 35 workshops/ halls, 370 non agricultural machines, 10 warehouses, etc. This measure had determined the emergence of almost 11.000 jobs in the rural area with medium revenue of 1.000 Lei/month/employer, if we consider that a big part of the projects had maximum points received for the subject “creating new jobs, a new job for 25.000 Euro invested”.

3. European fund investments at the local government level

- I. Sub measure 125a) The improvement and development of the infrastructure for agricultural and forestry development and adjustment
 - Component a1) – Irrigation and other land improvement works
 - Component a2) – Agricultural infrastructure for access
- II. Sub measure 125b) The improvement and development of the infrastructure for forestry development and adjustment

III. Sub measure 125c) Rehabilitation and modernization works of the infrastructure for preventing and protection against floods

Table 3 - Measure 125a

M 125 a	2009	2010	2011	2.012	TOTAL
The amount allocated per session (euros)		89.264.511	119.880.000	19.049.919	228.194.430
Public value of the submitted projects (euro)		702.217.726	448.478.380	93.664.893	1.244.360.999
Number of projects submitted		719	493	97	1.309
The number of projects selected		88	123	20	231
Public value of the selected projects (euro)		90.164.251	111.632.316	19.466.988	221.263.555
The average value of the project selected (euro)		1.024.594	907.580	973.349	X

Source: <http://www.apdrp.ro/>

This study refers only to the 125a Sub measure. This measure could be accessed locally by the villages' mayors. As we can observe from the table below the total amount/year was given for 97% of the eligible projects. Due to the fact that for the three years when the sessions were developed we have 1309 submitted projects and only 231 accepted projects for financing, shows that locally, in terms of infrastructure improving and developing related to the development and adjustment of agriculture, it is necessary in the period 2014-2020 EU allocation of new funds. In a positive way, this measure influences indirectly the labor force migration from the rural area by creating better labor force conditions. Although this measure doesn't create new jobs in agriculture, it supports the creation of an attractive environment for the active occupied population in agriculture. With all the benefits of this measure, we have to highlight the fact that the people who benefit of these funds are the villages' mayors, who by "auctions" grant eligible project implementation to the companies of their "intimates".

Conclusions

Regarding the labor force migration phenomenon from the rural area we can state that, although it's hard to identify them, the people who have received EU funds or who were employed by companies who received the funds didn't intent to emigrate anymore.

The reason for taking the decision to emigrate was eliminated by the safety offered by a secure income and a safe and stable job. Ensuring the jobs without reducing them is an essential condition to receive the funds for a project from EU. Basically, for three years from the project implementation, dismissals are not admitted and in case of resignations the employers are obligated to make another hiring for the opened position.

In case of self-employment, the individual is obligated to take some classes in management, accounting or environmental ecology.

From reliable sources, we know that these classes weren't made due to some problems occurred between the Agricultural Minister and the professional change companies. It's possible like in the next period Romania to face with a refunding for the received funds for disregarding the funds granting conditions required by the project. We must keep this situation under a careful observation.

The self-employment is essential in the Romanian rural area being the only way to a sustainable development for the ecological agriculture.

By analyzing the data presented in this study, we can see that the non-refundable EU funds for agricultural and non-agricultural activities were allocated, but they were used unequally. Regarding the support for the young farmer by self-employment, the absorbed funds represented 52,72% from the total available funds. The absorbed funds by the companies from the rural area for non-agricultural activities represented 64,83% from the total available funds. By making a simple calculation we have a total value of 295.757.753 Euro of unabsorbed funds from both measures. If we consider the fact that EU grants 25.00 Euro for creating a job for a period of three years, than we have an unfulfillment of 11.830 new jobs in the rural area. The fact that the funding conditions weren't satisfied and the fact that it was created a deficit of new jobs generate instability of the revenue and for the inhabitants from the rural area. Thus, the existent labor force from a certain period can decide the emigration to certain areas or countries where their need for a job is being received by the existent offer from the market.

Granting EU funds to create the infrastructure for easy access to the farmland, irrigations and other land improvements is very important for attracting new investors and young farmers in the rural area.

In 2010-2012, for the Measure 125a were allocated 228.194.430 Euro and the absorption rate was very good – 97%. For 2014-2020 there is a request of approximate 1.000 million Euros for this measure. For this period it must be made sustained efforts to attract new EU funds simultaneously with improving the granting conditions for those with good economic initiatives. Attracting well trained young labor force in the rural area represents an essential condition for sustainable development in agriculture. In the end, we are very well known as an agrarian country.

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