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Labor Force as a Resource for Rural Entrepreneurship in Romania

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Abstract

In rural areas there are smaller opportunities to find jobs, because of lower economic activity than in urban areas. The labour market faces different challenges than those in urban areas, where people are closer to education, training and employment opportunities. The main obstacle in obtaining a job by the rural population is the lack of employment opportunities for individuals in the localities of residence. In addition to the above, we can add the lack of education, specific skills, respectively the lack of desire or motivation to work. An essential aspect for increasing employability in rural areas is the personal and professional development of jobseekers during the process of identifying and seeking it. Entrepreneurship has a decisive role to play in increasing employment and social integration of the population in rural areas. In order to reduce unemployment and increase the employment rate of the rural population, rural entrepreneurs must be supported and encouraged to capitalize on. The purpose of this paper is to analyse the participation of the population to labour force in rural areas. The data were collected from the website of The National Institute of Statistics and were analysed using the descriptive method. The results show that unemployment rates are higher in rural areas, in the context of aging and increased migration in these areas.

Keywords: *labour force participation; employment; unemployment; rural areas.*

J.E.L. classification: E24, J11, J21

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1. Introduction

Labour is one of the factors of production, so paid workers influence entrepreneurship through the possibility of enterprise growth [6]. Entrepreneurship is one of the main directions of the Europe 2020 Strategy, which aims to create more jobs and ensure better living conditions for the rural population. A recent research has identified some aspects about population involved in rural activities and the rural development programs applied in some of EU countries [1].

Stimulating and supporting entrepreneurship in rural areas is a real solution to reducing the unemployment rate by creating jobs for the rural population, available in the area. In the literature can be identified relevant features of business development in Romania and the Republic of Moldova, along with the perception of entrepreneurs on influencing factors [4].

The main obstacle to obtaining a job in rural areas is the lack of employment opportunities in the area of residence. Therefore, for rural areas, entrepreneurship is an opportunity to increase the quality of life by creating jobs and reducing the gaps between rural and urban areas.

2. Problem Statement

Rural includes all activities that take place outside the urban and includes three essential components: the administrative communities made up of relatively few members and who have mutual relations; pronounced dispensation of the population and collective services; economic role especially agriculture and forestry [3].

The potential workforce of an economy comprises both inactive people looking for a job but not available to start work and inactive people not looking for a job but are available to start working. The economically active population includes all persons who provide the labour force available for the production of goods and services during the reference period, including the employed population and the ILO unemployed [8].

The employed population includes all persons aged 15 and over who have carried out an economic activity producing goods or services for at least one hour during the reference period (one week), in order to obtain income in the form of wages, payment in kind or other benefits [7]. The employed population is classified into categories of employed persons according to their professional status. The professional status represents the situation held by a person depending on the way of obtaining income through the activity exercised, namely: employee, employer, self-employed, unpaid family worker and member of an agricultural company or a non-agricultural cooperative. According to the International Labor Office (ILO),

the unemployed person is over 15 years of age and at the same time fulfills several conditions: is fit for work, has no job and does not work to earn an income; is looking for a job and is available to start work immediately [11].

The problem of unemployment assumes serious dimensions and is threatening upon the lives of the individuals. Within rural communities, individuals are overwhelmed by the conditions of poverty. It is affecting the lives of the individuals in an unfavorable manner. Therefore, it is necessary to make provision of employment opportunities, particularly for the underprivileged and socio-economically backward sections of the society in rural areas [13].

Supporting entrepreneurship in rural areas and implicitly creating jobs in order to reduce unemployment and increase employment in rural areas is achieved through the National Rural Development Program, which has a dedicated financial allocation aimed at creating jobs in rural areas through sub-measures that directly target the financing of job creation [10].

There are around 20 million small and medium-sized enterprises (SMEs) in the European Union (EU). The vast majority of them (90%) are micro-enterprises that employ less than 10 people, some of them located in rural areas [5]. There is increasing demand and interest in placing new business formation as a key element within the development and revitalization process of lagging rural areas [9]. Although changes have taken place in recent years in the role of agriculture, it continues to be the main economic activity in rural areas. In Romania, the share of the agricultural economy in the rural economy is 60%, four times higher than in the European Union, where it represents 14% [12]. Labor productivity in the field of agriculture, forestry and fishing in Romania remains well below the level registered in the European Union. Among the main factors are: lower work motivation, a higher proportion of women and the aging of the rural population [2]. Encouraging entrepreneurship meets the fragile economy of the Romanian village and reducing work abroad that affects children, families and communities alike [14].

3. Aims of the research

The purpose of this paper is to analyse the participation of the population to labour force in rural areas. The main objectives are to identify the existing differences in terms of labour force participation by area of residence and to establish the size of these differences in dynamics and structure in the period 2010-2018. The research hypotheses were formulated as follows:

1. There are significant differences in employment rate and unemployment rate by area of residence
2. There are significant differences in the participation of the labour force in the rural area, by activities of the national economy in 2018 compared to 2010
3. There are significant differences in the participation of the labour force in the rural area, according to age and professional status in 2018 compared to 2010.

4. Research Methods

The data were collected from the website of the National Institute of Statistics, for the period 2010-2018. The research method used for data processing and analysis is the descriptive method. Descriptive analysis was used to describe the basic characteristics of the data. Graphic representations were used to determine whether there are changes in the dynamics and structure of population participation in the labour force in the rural areas.

5. Findings

5.1. The evolution of the labor force participation in the rural areas

The participation of the population in the labour force, by areas of residence experienced important changes in the period 2010-2018. The indicators used to express the population's participation in the labour force are: employment rate and unemployment rate. The employment rate of labour resources represents the ratio, expressed as a percentage, between the civilian employed population and labour resources. The unemployment rate represents the proportion of the unemployed, according to the international definition (ILO), in the active population.

The employment rate in rural areas fluctuated during 2010-2018, unlike in urban areas where it has been on a continuous upward trend since 2010, as can be seen in figure no.1.

Figure no.1 Occupancy rate (15-64 years) by areas of residence in period 2010-2018

The employment rate in 2018 was 63.5% in rural areas, 2.3 percentage points lower than in urban areas. Supporting the increase of the employment rate in rural areas can be achieved by setting up new enterprises, which create and maintain jobs.

The unemployment rate in Romania, by areas of residence, experienced a different evolution in the period 2010-2018, as can it be seen in Figure no.2.

Figure no.2 Unemployment rate in Romania, by areas of residence in period 2010-2018

In rural areas, the unemployment rate increased during periods, reaching a maximum of 6.6% in 2016, followed by periods of decreases reaching a minimum of 4.7% in 2018, being almost one percentage point higher than in urban area.

5.2. Changes in the structure of labor force participation in rural areas

The analysis undertaken for the period 2010-2018 regarding the participation of the population in the labor force highlighted a series of structural changes in the rural environment. The changes produced in the participation of the population in the labor force, according to the professional status are presented in figure no.3.

Figure no.3 Employed population in rural areas, by professional status

In the period 2010-2018, there is an increase in the share of employees, to the detriment of self-employed and unpaid family workers. In 2018, more than half of the employed population had the status of employee. The share of unpaid family workers decreased from 25.49% in 2010 to 16.55% in 2018.

The employed population in the period 2010-2018 in Romania, in rural areas, experienced different evolutions by age groups, as can be seen in figure number 4.

Figure no.4 Employed population in rural areas, by age groups

Statistical data shows an increase in the share of the employed population, aged between 35-49 years and a slight decrease of those aged 25-34. The share of the employed population over the age of 65 decreased in the period 2010-2018, reaching 7.07%.

Population participation in the labour force on activities of the national economy in 2010 is shown in figure no. 5.

Figure no.5 Employed population in rural areas in Romania, by activities of the national economy in 2010

The largest share (62%) of the employed population is in agriculture, forestry and fishing, followed by the manufacturing industry (11%). Among the activities in which important shares of the employed population were concentrated are: construction (6%), trade (6%), transport and storage (3%). Equal shares of the employed population were in public administration, education and health. In the field of hotels and restaurants, 1% of the labour force was employed.

The changes produced regarding the participation of the population in the labour force in 2018, by activities of the national economy are presented in figure no. 6.

Figure no.6 Employed population in rural areas in Romania, by activities of the national economy in 2018

There is a decrease in the share of the population employed in agriculture, forestry and fishing and a significant increase in areas such as manufacturing, trade, construction and other activities of the national economy. There is also an increase in the share of the population employed in hotels and restaurants from 1% in 2010 to 2% in 2018. The increase of the share of the employed population in other fields of activity can be explained by encouraging the creation of new enterprises in the rural area in other fields than agriculture, forestry and fishing.

6. Discussions

The limits of the research are determined by insufficient statistical data for rural areas. The insufficiency of the statistical data regarding the implementation of the financing programs for the creation of new enterprises in the rural area constituted an impediment in determining their contribution to the increase of the employed population.

7. Conclusions

The research conducted led to the confirmation of the hypotheses formulated. The unemployment rate in rural areas is decreasing but it is higher than the unemployment rate in urban areas. There are significant differences in the participation of the labour force in the rural area, by to age, professional status and by activities of the national economy in 2018 compared to 2010.

In order to reduce the gaps between rural and urban areas by stimulating the development of the local economy due to the creation of employment opportunities for the local population, it is necessary to identify and adopt solutions to support both existing entrepreneurs and potential rural entrepreneurs to open and develop new businesses. Among these needs we have identified primarily the provision of training courses in business management, training courses in the field of innovation, change management, risk management and the development of creativity and entrepreneurial capacity of individuals, especially for young people and women.

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