Chapter 1

Introduction and Key Conclusions

Sophia M. Davidova^{*,§}, Ashok K. Mishra^{†,¶}
and Kenneth J. Thomson^{‡,||}

**School of Economics, University of Kent, Canterbury, UK*

*†Morrison School of Agribusiness, W. P. Carey School of Business,
Arizona State University, USA*

‡University of Aberdeen and James Hutton Institute, UK

§s.m.davidova@kent.ac.uk

¶ashok.k.mishra@asu.edu

||k.j.thomson@abdn.ac.uk

1.1 Introduction

Rural areas are a vital part of the geography and economy of almost every country. They are places of residence, work and recreation for many or even most of the national population, and very often the location of long-standing cultural traditions. One of their most important features is that agricultural land, almost in its totality, is managed in rural space. However, this does not mean that the terms “rural” and “agricultural” are synonymous, particularly in developed countries, where rural areas have a complex economic structure. Apart from agriculture and forestry, these rural areas contain many non-agricultural activities, such as manufacturing and services, in particular recreation and tourism, which have increased greatly in recent years.

To focus a study on rural areas is a complex task due to their heterogeneity in terms of local biophysical, economic, demographic and cultural characteristics. It is no less complex to study rural policies, which often derive from a range of supranational, national, regional and local competences. In the European Union (EU), the measures of the Common Agricultural Policy (CAP) combine with an array of national and regional policies, specific to each EU Member State (MS), both for agriculture as an economic sector and rural development. In the United States (US), rural areas are affected by federal, state and local policies, and, compared to the EU, there is much less policy emphasis on rural as opposed to urban. Major policy instruments, e.g. tax and public welfare, are not targeted specifically at rural areas, although they may have different outcomes there due to the structural, economic and demographic characteristics of rural space. It is even a more complex task to compare policies and their outcome for rural labor market in the EU and USA — the main subject of this book.

Although rural policy variations between the EU and the USA may, on many occasions, hamper direct comparison, employment in view of rural job creation and/or job retention is a commonly stated or implicit policy objective in both the EU and the USA. The issue of the availability of local jobs is exacerbated in more remote rural areas where commuting to towns and cities is difficult, and thus the rural population is not able to exploit the growth of urban economies to find employment.

The relationship between rural policies and employment is a multifaceted one. For this reason, the book is divided in several sections dealing with different aspects of this relationship in both the EU and the USA, along with some special studies based on targeted geographical analyses. In sequence, the book covers the following: the general policy context; rural trends; farm policies; agricultural entry and exit; post-farm agri-food processing; household and rural diversification; and rural recreation. Each section and the chapter is focused on the link to the number and nature of jobs in the relevant sectors.

Although the range of topics included has been carefully selected, the book does not pretend to be comprehensive. Various aspects of relevance are missing, e.g. health and safety in agricultural and rural work, gross job

number gains and losses, and the balance and status of rural jobs by gender; a few topics of these are discussed briefly in Section 1.3. The importance of these issues is not underestimated, but a more concise book was thought to be more attractive to the readership.

1.2 Main Issues

The lack of a unified definition of what constitutes “rural” leads to different estimates of the share of rural areas in the economy of both the EU and the USA, and of their populations. In the EU, the problem is compounded by the change in 2010 from the use of Organization for Economic Cooperation and Development (OECD) criterion of population density to a system based on a 1-km² grid, i.e. “rural” cells are those with fewer than 300 inhabitants and outside contiguous grid cells of at least 5,000 inhabitants [Eurostat, 2017]. In the USA, more than 20 definitions of rurality are used by federal agencies. For example, the United States Department of Agriculture (USDA) defines rurality as any place with fewer than 50,000 inhabitants and not located adjacent to an urban area. Similarly, the Census Bureau defines rurality as any place outside a town, city or “urban cluster” with more than 2,500 residents. Finally, the Department of Veterans Affairs defines rurality as areas with a population density between seven and 1,000 people per square mile. Data are usually differentiated according to metropolitan (metro) urban areas and non-metro (rural areas) on the basis of county units.

In the EU, apart from the CAP and its European Agricultural Fund for Rural Development (EAFRD), and national and regional policies, there are four Structural and Investment Funds (SIFs) with direct implications for rural employment: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, and the European Maritime and Fisheries Fund (EMFF). Although in popular perception, the CAP is targeted at rural development via a wide range of measures, including those for farm modernization, knowledge transfer and innovation, agri-environment, and social inclusion, the SIFs budgets are larger and more focused on employment.

In the USA, rural policies aimed at employment mainly promote infrastructure development, but, as mentioned previously, it is not common to

have different policies for rural and urban space. Still, 10 states have taken actions to promote development of rural areas, e.g. providing information on rural issues and making recommendations at the state level for rural policy. But the most targeted at rural areas are federal rural development programs, mainly the so-called “discretionary programs” with a budget annually approved by the Congress. Some of these programs are quite different from the EU rural development measures and focus on assistance for utility services, housing and public safety.

At the core of the book is the rural labor market, which operates alongside those for land (natural resources) and capital (physical or financial resources). Each of these markets can be affected by policy intervention, with effects on the amount and types of labor supplied to, or demanded by, farming and other rural sectors. The supply of labor depends on the size and nature (e.g. age, sex, skills) of the available “economically active” population, while labor is sought by employers by offering wages or salaries, and sometimes also housing, etc., to potential workers. The resultant market often has specific features of local oligopoly (few sellers) or oligopsony (few buyers), imperfect information about possible jobs or wage levels, and policy intervention, e.g. hiring and safety regulations. In rural areas, some of these features are emphasized, while others are less clear-cut. Much farming is undertaken as a family business — a type of enterprise often favored by fiscal and other policies — in which personal relationships may be as important as financial considerations, especially when household income is shared between spouses, their parents or children, and perhaps other relations, and where the farm itself is an asset whose management and future are of concern to all.

Again, the physical location of rural businesses, often with few nearby alternatives on either side of the market relationship, affects how labor is acquired and retained. While better physical and electronic communications — mostly arising from direct or indirect policy activity — have reduced the isolation of rural families and communities, there are still relatively few easy opportunities for employers to acquire additional or replacement workers when desired, or for workers to look for and try out new positions.

In both the EU and the USA, although agriculture is important for rural jobs (mainly through self-employment), it is not the principal

employer. In the EU, rural economies do not heavily rely on the primary sector, i.e. agriculture, forestry, fishing and mining, although it is relatively more important in a few of the EU New Member States (NMSs), in fact the poorest ones, Bulgaria and Romania. Instead, it is the tertiary (service) sector that is crucial for rural employment. For example, the primary sector accounts for 13.5% of rural employment, secondary for 26.8% and tertiary 59.7%. The importance of tertiary sector is even larger in the “old” MSs — the EU-15. The Great Recession of 2008 onwards hit rural employment more strongly than the urban one, but by 2016, the average employment rate was similar across all types of regions, with the usual big variations across the MSs.

Employment in rural USA also does not rely mainly on farming, but depends crucially on manufacturing and public services. This structure of employment led to substantial job losses following deep cuts in government spending during the Great Recession and subsequently to a lower rate of employment recovery in rural areas in comparison to urban areas. Until 2016, job losses were not fully recovered, although the self-employed sector has been somewhat more dynamic. This may be a sign of a stagnating rural labor market as people have been discouraged to look for wage or salaried jobs.

The fact that both in the USA and the EU rural jobs are not predominantly in agriculture clearly emphasizes the importance of non-farm job creation, which in turn depends on the degree of economic diversification. It should be borne in mind that such diversification develops at different levels: at the farm level when farm assets are used for activities outside farming, e.g. rural tourism or renewable energy, and at the level of rural economy, where economic activity and employment in rural space are spread amongst more sectors. Apart from creating non-farm jobs, rural diversification increases the resilience of the economy to negative supply or demand shocks in a particular sector.

In the EU, farm and rural diversification has been an explicit policy objective, and diversification into non-agricultural activities has been supported by a measure in Pillar 2 of the CAP. A special study in this book on Poland indicates that, for the period 2007–2013, 5.4% of rural development funds was spent on diversification into non-agricultural activities and on support for the establishment and development of

micro-enterprises. The latter measure generated 26.2 thousand rural jobs at a public expenditure cost of over €23,000 per job. In the USA, the rising importance of off-farm income to smooth total household income of farmers and to provide benefits to the local communities is driven by private initiatives. One can conclude that US agricultural and rural policy is highly motivated by the economic conditions in the farm sector rather than conditions — rural and non-rural — more generally.

1.3 Special Issues

1.3.1 *Health and safety in farm and rural work*

Agriculture is widely known as an unsafe and sometimes unhealthy sector of employment, with high rates of illnesses, accidents and deaths, although other rural occupations, such as forestry and small-scale mining, are even more dangerous. On the other hand, outdoor activity is widely considered — especially by higher-income groups — as healthy, with beneficial effects on “wellness”, and farming as a satisfying “way of life”, with important socio-economic roles. A mixture of physical and mental health issues, coupled with remote locations and often lone working, produce a complex picture in which government action is sometimes seen as desirable in trying to reduce the incidence of harmful events, as well as promoting more general participation in healthy activities.

About 500 people per year die while working in EU agriculture, forestry and fishing, and there are about 150,000 non-fatal accidents at such work, as well as work-related physical and mental health problems. Numbers in the USA — though the recording system is different and incomplete — are similar [NIOSH, 2018]. Accident and illness incidence rates are also generally higher than in other sectors. Moreover, on-farm accidents happen to a very wide range of ages, from the very young to the relatively old. There is no clear pattern of incidence rates across EU MSs, for a number of possible reasons, such as different systems of official reporting or farming (e.g. crops *vs.* livestock, large *vs.* small), and different national health patterns. Policy action can take a number of forms, but must take into account changes in farming technology, and the need to reach a wide range of potential casualties.

Occupational health and safety is a field well recognized in legislative, institutional and professional terms, with nearly all countries having specialized arrangements for defining, enforcing and monitoring dangers to workers in most sectors of the economy. However, agriculture sometimes has specialized legal and organizational arrangements, and in any case farming conditions often include a number of factors, such as self-employment, family-working, remoteness, and multiple and season-varying work tasks, which make it harder to apply policy to the industry.

1.3.2 Employment and gender

There is a considerable, though sometimes geographically patchy, literature on gender in developed-country farm occupations, though much less on gender aspects of rural employment generally. However, with the rising importance of gender equality, policy interest in this area, though still limited, has become noticeable [European Commission, 2012, 2016; European Parliament, 2016; USDA, undated]. In both the EU and the USA, about 30% of farm holders are registered as female, but this proportion almost certainly overestimates their decision-making influence on land-based production and economic activity, or (even more so) their role in policy-making. This is not to underplay women's contribution to farming — and probably other rural occupations — in terms of labor time, especially when “invisible work” such as book-keeping and office management is taken into account.

Policy intervention to increase and enhance female employment can take a number of forms, both to support women's initiatives and skills, and to remove barriers — both formal and cultural — to their fuller participation. In the former category, specialist training courses for women, or on topics likely to interest women, or at least extra encouragement to women joining standard courses can be provided, taking into account likely problems in attendance during times of family responsibilities. Amongst the latter, a major factor is the tendency — sometimes reinforced by inheritance law — to pass on farms (especially large farms) to sons rather than daughters [Shortall, 2010].

As a case study, a current initiative in one part of Europe [Scottish Government, 2018] has revealed a number of barriers to women taking a

more important economic role in rural life. A taskforce, involving farmers, academics, government officials and others, has been set up to tackle inequality in Scottish agriculture and to ensure that the potential of women in farming is realized. It will seek ways to implement a set of 27 recommendations based on research. These involve training in skills and safety, rebalancing financial assistance, changing farm succession practices, and institutional reform — the latter focusing on representation within farmer unions and similar organizations, which are crucial to policymaking.

In the United States, women principal operators tend to be older than principal operators overall: in 2012,^a the average age of women principal operators was 60.1 years, nearly 2 years more than the average age overall. However, such operators had increased their Internet access to match the access rate of all principal operators. Women operators were less likely to report farming as their primary occupation and more likely to work off the farm. Off-farm work is most common among the women operators of farms with sales less than \$10,000 [Hoppe and Korb, 2013]. Farms with women operators tend to be smaller than farms overall, with fewer acres and lower sales, and about a fourth of women farmers specialize in combination crop farming (including hay production), followed by beef cattle farming, ranching, and combination livestock farming [USDA-NASS, 2014]. Women farmers in America have a strong conservation and stewardship ethic, committed to healthy farmland, farm families, and farm communities.

1.3.3 Canada

With the exception of the chapter on agri-tourism by Thilmany *et al.* (Chapter 22), little mention is made in this book of the important other country in North America, i.e. Canada.^b In many ways, the picture is similar to that in parts of the United States, especially considering the regions

^aAt time of writing, the 2012 Census of Agriculture was the most recent with results available.

^bMexico, although an OECD member, is excluded from consideration here due to its relatively undeveloped agricultural and rural sectors.

on either side of the common land border between the two countries.^c In Canada, an OECD [2009] report observes that:

The rural economy, both farm and non-farm, is closely tied to nearby urban centers.

Farming is neither the main source of farmers' employment nor their main source of income. In 2005 less than 50% of farmers reported working more than 40 hours per week in farming activities. On the other hand, almost half of them reported off-farm work in the year previous to the last 2006 census of agriculture.

Moreover, primary agriculture (farming) represents only 15% of the employment generated by the total agri-food sector in Canada, while:

remote rural communities are struggling to retain a critical mass of residents, particularly young residents, the trend in rural agriculture and manufacturing is towards more capital intensive technologies, providing little new employment for rural residents.... [W]ith advances in technology, reductions in the cost of transportation of goods and improvements in communication systems, many communities in Canada have become more competitive in manufacturing. Niche marketing for specialty and value-added products, including biofuels, nutraceutical products as well as recreational and environmental services represent strategies that entrepreneurial communities are adopting to improve their economies.

Thus, in Canada, "agricultural policy would appear to have a weak demographic overlap with 'rural' and rural development policy". However, it may be observed that Canada has a stronger federal structure in terms of provincial powers and budgets for several relevant policy areas than amongst the States south of the border.

1.4 Key Conclusions

1.4.1 Policy context

On both sides of the Atlantic, the political, macro-economic, demographic, and to some extent, the cultural context is an important determinant of the

^cAbout 87% of the Canadian population lives within 100 miles (161 km) of the border. There has been little change in Canadian metro:non-metro proportions of about 69:31%.

types of rural employment policies which are adopted and implemented. Islam [2014] points out that employment is a cross-cutting issue, with both horizontal (i.e. between relevant government agencies and other institutions) and vertical (i.e. between various levels of implementation, central and local) components, and that, to be effective, responsibility for policy coordination has to be at a sufficiently high and influential level. In rural areas, this involves various ministries, including those for agriculture, labor, environment, and economic and business development. Apart from the “normal” business cycles which dominate economic activity and thus employment, trends — which may be accelerating — in consumer tastes and technological possibilities also affect how governments perceive, and tackle, the maintenance and improvement of work opportunities and practices.

In the EU, MSs have different attitudes to the need to support employment in general through government intervention. In France, Italy and other MSs, “social dialogue” [Government of France, 2017] has led to consistently high unemployment over several decades, accompanied by employment legislation defending worker rights and pension provisions. In the Netherlands, Germany and the UK, policies have focused on creating a more flexible job market, along with support for training, and have resulted in generally lower rates of unemployment, though with some years of crisis and a more stringent attitude to worker availability and entitlement to state benefits. The NMSs in Central and Eastern Europe (CEE) experienced the loss of central planning in the 1990s, with massive job losses in previously state-supported enterprises. These patterns and developments have been to some extent reflected in farm and rural employment policies, though overlaid by the CAP which has tried — not always successfully — to adopt a similar approach across the MSs. Thus the CAP’s Pillar 1, for market and income support, has sustained farm employment only indirectly through payments linked originally to production levels and more recently to land area, while its Pillar 2, for rural development, has included both an element for farm modernization and development, with ambiguous implications for farm job levels, and another element for innovative farm-based rural diversification, with explicit job targets. MSs have been allowed to apply Pillar 2 in different ways, with different emphases on these and other elements, such as

environmental payments, and consequently assessment of the policy effects has been difficult [ÖIR *et al.*, 2012].

In the USA, with its more disengaged attitude to government intervention, O’Leary and Straits [2000] have suggested that labor market support initiatives have usually been forged at federal level in difficult economic times, with contributions and compromise from the full political spectrum. Individual states have been inhibited from greater policy action by fear of disadvantaging local industries, and perhaps by urban–rural tensions [US Chamber of Commerce, 2011].

On both sides of the Atlantic, the potential effects of general employment policies, as they affect farms and other small-scale rural enterprises, are often reduced by the fact that a large proportion of such employment is self or family employment. Thus, formal job contracts and wage regulations have been less important than personal relationships and expectations, e.g. of succession to farm ownership and management. Moreover, physical distance from other employment opportunities (and routes to these, such as retraining centers) has probably limited the sensitivity of rural employment levels to market and policy conditions, though this is lessening with improved internet links and social media.

Comparison of the European and North American situations suggests that farm and rural employment is of lesser policy concern in the USA, where personal responsibility and greater socio-economic diversity are more notable features than in Europe, where the CAP has been a “cornerstone” of the EU, and is seen as at least partly responsible for labor and other conditions in the countryside, alongside longstanding political views at the national level. In the general discussion concerning rural development in Europe, the role of Structural and Investment Funds is often underestimated, although these funds, though lacking a focus on rural areas, may be better placed to facilitate employment than the CAP. The undergoing policy process for closer integration of the CAP and the Structural and Investment Funds may be an effective way to enable diversified rural employment.

1.4.2 *Trends in rural employment*

Rural areas in the EU and the USA face several challenges which affect employment and may justify government intervention, e.g. a growing

educational gap between the rural and the urbanized areas, generally declining and aging populations, and pockets of poverty. However, depending on the specific characteristics of rurality in Europe and the USA, policy objectives and interventions differ. The large average size of rural counties in the USA puts the maintenance of local infrastructure, transport and communication at the forefront of the policy agenda. In the EU, the large variations in the development of rural regions amongst the EU-28 brought about a drive toward cohesion policy and support to lagging behind regions. However, one of the main conclusions from the analysis presented in this book on both sides of the Atlantic is that employment trends seem only modestly affected by policies.

The transatlantic comparison shows that agriculture is no longer a dominant sector in rural areas either in the EU or USA. Instead, growth (or lack of it) in non-agricultural industries is more essential for jobs. Despite this, farming is still important, providing some occupational stability, particularly in periods of general economic downturn. This may justify the use of agricultural policies to retain jobs in agriculture, and in upstream and downstream industries. However, expectations as to the ability of agricultural policies to contribute to rural employment are often overestimated. As mentioned before, in the EU, rural development is associated with the CAP's Pillar 2, which may create jobs but at a high price in public expenditure, as evidenced by the study on Poland. Moreover, not only the number of jobs matters, but also the quality of these jobs and rewards they bring to labor. Often, farm employment is in low-productivity activity, which leads to low incomes and maintains a large rural–urban income gap, as evidenced in some of the EU NMSs. In the USA, there is less emphasis on the direct use of agricultural policy for rural job creation, and policy funding is mainly targeted at rural infrastructure. There, private entrepreneurship, and particularly self-employment, has been more effective in addressing the issue of rural unemployment. On both sides of the Atlantic, the growing importance of internet access, online sales, and physical services, such as custom (contract) farming, are affecting how farm and rural people are spending their work and leisure time.

1.4.3 *Job entry and exit in agriculture*

Over the years, agricultural sectors in the US and the EU have gone through structural changes, including increasing size of operation, aging farming populations and fewer new farming entrepreneurs. These structural changes have significant impacts regarding product competitiveness, and labor supply and demand.

The EU agricultural sector, and logically policy, is concerned with the entry and exit of farmers. While in the past, the EU policy was more focused on retirement of old farmers in order to free resources for new entrants through succession or otherwise, currently the CAP is mainly targeting young farmers, since entry problems exist for younger people interested in taking up farming as a business. A study for the Agriculture Committee of the European Parliament identified access to land as the major barrier to entry, but equally new entrants have more limited non-land resources than the established farmers and it is often difficult for them to compete [Zagata *et al.*, 2017]. In order to reduce the impact of these problems, CAP includes various measures both in Pillar 1 and Pillar 2, and age-differentiated support, discussed by Viaggi (Chapter 12). Successors of the existing farms are the main beneficiaries of this support. Young farmers in the EU have substantial lobbying power as they are organized at national and European levels.

In the US, policy is less oriented to influence entry and exit. However, in 2017, the National Young Farmers Coalition (NYFC) organized a survey, in partnership with the Executive Director of Sustainability at George Washington University, to better understand the challenges and opportunities faced by existing and aspiring young farmers [NYFC, 2017]. Similarly, to the EU, the main challenge to young farmers appeared to be access to land, followed by student loan debt, labor availability and access to credit. Young farmers are often outbid for purchase of land by established farmers or non-farmers who have easier access to credit. The report based on the survey results has many policy recommendations for the next Farm Bill aiming to mitigate some of the barriers to new farmers.

Many young aspiring farmers choose to work in an off-farm job before entering farming. In fact, the role of off-farm employment is

becoming prominent in the US farming households in order to stabilize family income. Off-farm jobs provide income that can be used as capital to buy additional real estate holdings. As younger people work more off the farm, the US has experienced labor shortages, especially in California and Florida, due to the decreasing supply of immigrant labor coming from Mexico. Thus, the US immigration policies affect farm and rural labor supply, demand and wages. In order to address these changes, the US farmers have adopted labor-saving technologies and are hiring temporary foreign laborers through the H-2A visa scheme.^d

1.4.4 Farm policies and rural jobs

Farm policy usually has several objectives, including food security and safety, farm income support, and environmental conservation and enhancement. Amongst these, the maintenance of farm and rural employment may loom large, weak or hardly at all in the statement and implementation of different measures. The various EU and US authors of chapters in this book illustrate the variety of policy approaches taken on either side of the Atlantic.

In their review of recent EU literature on the effectiveness of the CAP in supporting employment, Vigani *et al.* (Chapter 7) find that the influence of the policy measures on agricultural and rural jobs increases with the amount of support received. However, the overall effect of CAP Pillar 1 support has been to slow or halt the decline in agricultural jobs (and incomes) rather than to create new jobs. The impact of Pillar 2 schemes on employment is more difficult to estimate, but there is little indication of the permanence of jobs beyond the funding period, and influence seems to depend a good deal on how policies are implemented at national/regional levels.

Mantino finds that structural and context variables contribute to territorially differentiated changes in farm employment more than policy measures. Indeed, Pillar 1 payments to farmers appear to have affected

^dThe H-2A temporary agricultural program establishes a means for agricultural employers who anticipate a shortage of domestic workers to bring non-immigrant foreign workers to the US to perform agricultural labor or services of a temporary or seasonal nature.

farm employment negatively in most areas, perhaps due to the introduction of activities requiring lower labor input, or to risk-averse behavior by farmers. The Pillar 2 Rural Development Program (RDP) measures all showed positive, but not always statistically significant, effects, which differ according to measure type: farm and agro-industrial investment support generates higher employment effects than other environmental or “rural” types. However, in some cases, investment in rural diversification also contributes to farm employment. Beyond the farmgate, Rizov *et al.* (Chapter 9) find positive though small net spillovers of CAP payments to non-farm employment in the UK. In general, Pillar 1 has a stronger positive employment effect than Pillar 2, but Pillar 2 payments have a stronger positive effect per Euro spent in rural areas and within the agricultural supply chain.

For the USA, Ahearn in this book finds that the longstanding Farm Bill approach of funding an assortment of supports for basic inputs into development has some advantages for communities with leaders able to access and integrate these and other programs. However, major shifts in US rural development policy have been driven by differing visions for the appropriate development role of government in a market economy. There has been a shared view of the important role of investing in people, e.g. in education and training, and in local infrastructure (roads, broadband), but little agreement on the total levels of funding, or on responsibilities for funding among levels of government.

Dodson analyzes how the US Farm Credit System addresses broad-based credit availability issues related to informational asymmetries and non-competitive markets. The USDA credit programs are designed specifically to serve creditworthy farm businesses that are of higher risk, while direct loan programs, which are costlier to administer, have become directed toward groups and purposes where the net social benefit is greater. This includes encouraging new entrants into farming, especially members of young, small, beginning farmers, socially disadvantaged groups, and, more recently, promoting organic and farm-to-table types of agriculture. Government-guaranteed lending^e has

^eIn 2011, the Farm Credit System made nearly \$10 billion in new farm loans to beginning farmers. The 2014 legislation continues the Beginning Farmer and Rancher

evolved as a cost-efficient method to serve middle- and large-size family farms suffering temporary financial hardships and thus to safeguard core agricultural jobs and businesses.

1.4.5 *Agri-food*

The agri-food and processing sectors in the EU and the USA have evolved through the years due to changing consumer preferences. The EU has implemented different food quality schemes in order to stimulate rural development, while the US has promoted food and related industry transformation in order to gain market power.

Different trends are observed in agri-food and processing industries and its impact on labor in the EU and the US. In the EU, despite the growth in the Food Processing Beverage and Tobacco (FPBT) sector, there is still a decline in employment in the overall agri-food sector. As illustrated by Donnellan and Hanrahan, among the EU MSs, one sees differential growth rates for Gross Value in Agriculture (GVA) in FPBT and in Agriculture, Forestry and Fishing (AFF). On the other hand, the food quality schemes such as Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI) in the EU have created rural employment in general, although the impact is heterogeneous across EU. For instance, in the Mediterranean region and in Germany, the policy has decreased unemployment. On the other hand, in the EU's "less favored" and remote areas, food quality policy has been ineffective in increasing employment but has led to differential employment levels.

The US processing sector has witnessed structural changes due to changes in consumer preferences and demographics. For example, there has been a sharp rise in chicken demand and hence food processing employment growth in rural poultry processing plants. Linking to an issue discussed above, worker safety and labor supply are two concerns that agri-food employers face in the USA. Food and feed processing plants rely greatly on foreign-born workers, and workers in meat and

Development Programs, but increased mandatory funding from \$75 million to \$100 million over the 2014–2018 period.

seafood processing have higher turnover rates than those in other food and feed producing industries.

1.4.6 Rural and farm household diversification

With falling agricultural labor needs, economic diversification by farm and rural businesses — sometimes involving pluriactivity by farm household members — offers promise of alternative job creation to maintain populations and incomes in rural areas. Diversification is perhaps the most direct way to create non-farm rural jobs and to use existing agricultural assets for non-farming activities, which can increase and/or smooth the incomes of farming households, and thus secure or even increase rural job numbers. In this book, Johnson reports that 80.2% of the incomes of US farm households come from off-farm activities. In the EU, the proportions amongst MSs appear lower, but increased after the 1980s [OECD, 2003], and almost certainly has continued more recently.

In the USA, policy is aimed at supporting firms with employers, e.g. relocation of some businesses from urban to rural areas, instead of targeting “non-employer” activities which might be more important for jobs in the long run and might have a more important contribution to local communities. In the EU, the CAP is more directly dedicated to farm and rural diversification though its success seems rather modest, with farm diversification levels being very low in some Southern and East European countries. In 2013, only 5.2% of all EU farms were diversified in terms of having income from “other gainful activities”, such as agri-tourism, food processing or forestry, although those holdings generated 18.9% of all EU agricultural standard output, indicating that larger farms found this to be an easier route to follow. Overall, the effect of CAP support for diversification is mixed and more successful where location, natural capital and agricultural landscape can be attractive to consumers.

1.4.7 Rural tourism and recreation

As developed and prosperous economic blocs, both the EU and the USA show relatively high and increasing use of rural areas for direct enjoyment (i.e. consumption by residents and non-residents) rather than production

of food. This is not only common in areas where cultural landscapes are juxtaposed with low-intensity farming and strong local food cultures, but also takes place around cities, along coastlines, and in “wilderness” areas with little or no agriculture. The range of activities is enormous, from mass-tourism accommodation, food and entertainment facilities, through farm-based bed-and-breakfast and craftwork, to individual or small-group hunting and sighting of wildlife.

The employment and policy aspects of this phenomenon are therefore highly variable, depending as they do on regional conditions, including local farm and rural community structures, and natural landscapes. They also depend on the demand for governmental intervention in order to support rural jobs, as well as on changing consumer demands, such as concerns for the environment and the growing importance of recreation for older people.

Policy to support these activities, with their employment, can take a number of directions, including improvement of rural infrastructure, assistance in training employees, and support for the marketing of regional tourism. Most of these policy measures have their roots in pre-existing governmental structures, such as departments for transport, employment and environment. However, as the basic and widespread economic sector, agriculture is often used as the basis for intervention by encouraging farm diversification (see above) and by regulating change in land use, management, e.g. to preserve public goods, and sometimes land tenure, i.e. to determine eligibility for loans or grants. The nature of employment in rural tourism and recreation also needs to be taken into account: it is often highly seasonal, and often low paid, whether due to the lack of other local job opportunities, or to intense competition between enterprise and/or workers.

Comparison of Europe and North America in this subject area shows reflections of the wider political and policy context. In the EU, the CAP has been adapted — though perhaps not always enthusiastically — to include measures to encourage farm- and food-based tourism, while the USA, with its stronger culture of land-owning privacy, and low-level support for the more extensive forms of farming found in many of its recreational regions, has relied more on a mix of simple infrastructure (roads, power, water) and private initiative. In both cases, fiscal policy seems

important, in particular whether rural recreational enterprises can benefit from the tax and grant support provided to “agriculture”.

1.4.8 *Final thoughts*

With rising general concerns over future employment as the next “robot” and information technology (IT) revolution looms in many industrial and service processes, agriculture and other rural sectors exhibit several special characteristics which affect how government policies might, or should, support jobs in these sectors.

On the one hand, these technological developments promise to move as fast, if not faster, on farms and elsewhere in rural areas, as more generally. They include genomics applied to both plants and livestock, satellite-based and local sensors for soils, crops, livestock and pests, and machine learning by robots employed both on and off the farm. These are all likely to reduce rural labor requirements, continuing a longstanding trend initiated by the first crop machinery 200 years ago. Similarly, many household and business services can increasingly be supplied by better physical and electronic communications which reduce the need for traditional local, i.e. rural, or small-town jobs. Almost everywhere, economies of scale point in the same direction, with capital replacing labor whether for fieldwork, farm product processing, or office-based services.

On the other hand, changing consumer demands, whether for food, residence or other services, are becoming more sophisticated and specific, with rising household incomes able to support relatively high-cost sectors such as local or organic food production, the maintenance of houses, gardens and the countryside, and outdoor leisure services. The socio-economic aspects of these developments, e.g. in terms of income disparities between families and between regions, are yet to become apparent, but in any case, policy support for existing or even past employment patterns seems pointless.

The analyses in this book almost uniformly suggest that “horizontal” policy support for farm and other rural incomes is largely ineffective, or possibly even counterproductive, in protecting jobs against the technological, economic and social forces. It is also expensive in terms of public funds, and in terms of foregone efficiency, especially as important

agricultural and rural interest groups defend longstanding payments and regulations which work in their favor.

More targeted and transformational support is therefore indicated, where public funds and opinion allow, in order to help more disadvantaged groups to adapt to the changing employment situation, usually by means of different skills, but sometimes by the provision of start-up capital and public infrastructure. However, targeting involves higher administrative costs, e.g. to determine eligibility and to monitor compliance and progress, and to provide organizers or *animateurs*^f who can help and encourage persons and businesses, whether individuals or groups, to take advantage of available support which has to be tailored to specific local and temporal conditions. This is work in progress, but the need for more targeted policies is apparent.

References

- European Commission (2012). *Women in EU Agriculture and Rural Areas: Hard Work, Low Profile*. EU Agricultural Economic Brief No. 7. Brussels. https://ec.europa.eu/agriculture/sites/agriculture/files/rural-area-economics/briefs/pdf/07_en.pdf (accessed 26 August 2018).
- European Commission (2016). EU Policies to Promote Women and Youth in Agriculture. Presentation to G7 International Forum for *Empowering Women and Youth in Agriculture and Food Systems*, Japan, 12–13 December. http://www.maff.go.jp/e/g7_niigata.files/attach/pdf/161222-2.pdf (accessed 26 August 2018).
- European Parliament (2016). Women and their Roles in Rural Areas. Report no. 2016/2204(INI) to Committees on *Agriculture and Rural Development Committee and on Women's Rights and Gender Equality*. <http://www.europarl.europa.eu/committees/en/agri/home.html> (accessed 26 August 2018).
- Eurostat (2017). *Urban-Rural Typology*. https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Urban-rural_typology&oldid=335872 (accessed 7 September 2018).

^fA French term in rural development: A person who enlivens or encourages something, especially a promoter of projects.

- Government of France (2017). *Boosting Employment in France*. http://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/17-27_boosting_employment.pdf (accessed 20 August 2018).
- Hoppe, Robert, A. and Korb, P. (2013). *Characteristics of Women Farm Operators and Their Farms*. EIB-111, U.S. Department of Agriculture, Economic Research Service, Washington DC.
- Islam, R. (2014). *Employment Policy Implementation Mechanisms: A Synthesis Based on Country Studies*, Employment Policy Department Working Paper No. 161. International Labour Organization, Geneva. https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_251002.pdf (accessed 20 August 2018).
- National Institute for Occupational Safety and Health (NIOSH) (2018). *Agricultural Safety* <https://www.cdc.gov/niosh/topics/aginjury/default.html> (accessed 26 August 2018).
- National Young Farmers Coalition (2017). *Building a Future with Farming: Results and Recommendations from the National Young Farmers Survey*, November 2017. <https://www.youngfarmers.org/wp-content/uploads/2018/02/NYFC-Report-2017.pdf> (accessed 23 September 2018).
- Organization for Economic Cooperation and Development (OECD) (2003). *Farm Household Income: Issues and Policy Responses*. <http://www.oecd.org/tad/agricultural-policies/farmhouseholdincomeissuesandpolicyresponses.htm> (accessed 7 September 2018).
- Organization for Economic Cooperation and Development (OECD) (2009). *The Role of Agriculture and Farm Household Diversification in the Rural Economy of Canada*, Report to *OECD Trade and Agriculture Directorate*. <http://www.oecd.org/agriculture/agricultural-policies/43245349.pdf> (accessed 26 August 2018).
- Österreichisches Institut für Raumplanung (ÖIR), ÖAR-Regionalberatung, Polish Academy of Sciences, University of Gloucestershire and ECORYS (2012). *Synthesis of Mid-Term Evaluations of Rural Development Programmes 2007–2013. Final Report to European Commission DG Agriculture and Rural Development*. https://ec.europa.eu/agriculture/sites/agriculture/files/evaluation/rural-development-reports/2012/synthesis-mte-2007-2013/full-text_en.pdf (accessed 26 August 2018).
- O'Leary, C. J. and Straits, R. A. (2000). *Intergovernmental Relations in Employment Policy: The United States Experience*, Upjohn Institute Working Paper No. 00-60. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. <https://doi.org/10.17848/wp00-60> (accessed 20 August 2018).

- Scottish Government (2018). *Women in Agriculture*, <https://www.gov.scot/Topics/farmingrural/Agriculture/Women-in-Agriculture> (accessed 26 August 2018).
- Shortall, S. (2010). *Women Working on the Farm: How to Promote their Contribution to the Development of Agriculture and Rural Areas in Europe*. Note to European Parliament, Brussels. IP/B/AGRI/IC/2010_090. [http://eige.europa.eu/docs/2026_IPOL-AGRI_NT\(2010\)438609_EN.pdf](http://eige.europa.eu/docs/2026_IPOL-AGRI_NT(2010)438609_EN.pdf) (accessed 29 August 2018).
- United States Department of Agriculture (USDA) (Undated). *Women in Agriculture*. <https://www.usda.gov/our-agency/initiatives/women-agriculture> (accessed 26 August 2018).
- US Chamber of Commerce (2011). *The Impact of State Employment Policies on Job Growth: A 50-State Review*. https://www.uschamber.com/sites/default/files/legacy/reports/201103WFI_StateBook.pdf (accessed 20 August 2018).
- US Department of Agriculture, National Agricultural Statistics Service (USDA, NASS) (2014). *2012 Census of Agriculture*, Vol. 1: Geographic Area Series, Part 51: United States Summary and State Data.
- Zagata, L., Hrabák, J., Lošt'ák, M., Bavorová, M., Rättinger, T., Sutherland, L.-A. and McKee, A. (2017). Young Farmers — Policy Implementation after the 2013 CAP reform, report to AGRI Committee, European Parliament, Policy Department for Structural and Cohesion Policies, Brussels. [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU\(2017\)602006_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/602006/IPOL_STU(2017)602006_EN.pdf) (accessed 23 September 2018).