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Rural Employment and Rural Unemployment in the Post Socialist Countryside*

THE GENERAL PICTURE

The Three Pillars of the Socialist Countryside

In the real world of agricultural support policies, where the free-market ideology is compromised at least as much by the Common Agricultural Policy as utopian socialist principles are by 'actually existing socialism', socialist countryside policy from the 1970s onwards, including collectivisation, was less of a failure than is commonly thought. It provided much needed stability for the regimes and security and affluence for villagers. Villages remained working communities, communities where people focused their productive energies. This success was achieved in three ways. First, agriculture policy supported an agriculture based on integrating large-scale,

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socialist (first economy) with small-scale, private (second economy) farming, which achieved the overriding policy goal of agricultural self-sufficiency (near self-sufficiency in the case of Poland). Second, it stimulated non-agricultural production in villages. Third it facilitated working class commuting through subsidised transport. These three pillars of the socialist countryside will be briefly discussed in turn.

Agriculture in all four countries was based on a combination of large-scale socialist and small-scale private production. I have described the symbiotic integration of large-scale and small-scale agriculture within co-operative farms in Hungary elsewhere¹. In the former Czechoslovakia, small-scale agriculture did not have such a public presence, but it played a supplementary, less integrated role. In Poland, the two sectors were separate: the large-scale socialist sector was the State Farm, the small-scale private second economy sector made up the bulk of agriculture. Polish private agriculture was no more market-driven than the Hungarian household plot-based private agriculture, and it was as tightly circumscribed by socialist economic regulation. Polish farms were run as peasant holdings not private businesses. There were limitations on the scale of activity on the purchase of additional land and the acquisition of machinery. Furthermore, the method by which the incorporation of private production was achieved, namely by the promise of improved social provision, paralleled Hungarian incorporation of the agricultural second economy. There was no formal integration, although the extent of 'shrinkage' of State Farm equipment, petrol, building materials and so on points to an extensive unofficial integration. Nevertheless, despite self-sufficiency, by the end of the 1980s, neo-Stalinist agriculture was beginning to reach its natural limits. The large-scale socialist farms were over staffed, the small-scale private ones were too small; and neither was under any pressure to respond to consumer demand.

The second pillar of the neo-Stalinist countryside was the encouragement of diversification out of agriculture within large-scale socialist farms. Diversification of this kind was very extensive in three of the four Visegrad countries by the end of the 1980s. Such non-agricultural ancillary units had lower wage costs and could produce more flexibly than the state companies to which they subcontracted.

The third pillar was the nexus identified by Ivan Szelenyi²: socialist centralised redistribution in society generally and its particular manifestation of 'underurbanisation'. Because urban construction did not keep

¹ N. Swain, *Collective Farms which Work?*, Cambridge, Cambridge University Press, 1985.

² G. Konrad and I. Szelenyi, *Social conflicts of underurbanisation*, [in:] A. Brown et al., *Urban and Social Economics in Market and Planned Economies*, Volume 1, New York, 1974.

pace with industrial development, huge sections (in Hungary the majority) of the working class continued to live in villages, where they could also engage in second economy agricultural activity and commuted to work. The down side of underurbanisation was that villages were starved of infrastructural resources and poorly endowed with sewerage, running water and paved roads. Despite, partly because of the infrastructural failure, neo-Stalinist rural policy created working communities populated by local inhabitants rather than middle class commuting newcomers. Community identity did not develop outside work and the very limited number of cultural organisations approved by the party, but work was the centre of most people's lives. Villagers did not come together in amateur dramatic clubs, but their community identity was kept alive by building houses and killing pigs together.

The Three Pillars under Attack

The introduction of market forces into the rural economies of Central and Eastern European countries has undermined all three pillars of the socialist countryside. Employment in socialist agriculture has been radically reduced. Non-agricultural subsidiaries of socialist agricultural units proved to be little more resilient to the discipline of the market than the socialist enterprises to which many of them subcontracted. Recession-hit urban employers shed their commuting labour (which tended to be less highly skilled) first, even before greatly increased transport costs made it uneconomic for either employers to continue to subsidise the travel costs of their commuting workers, or for commuting workers to pay the costs themselves. As the three pillars of the socialist countryside were undermined by market forces, employment came under a three-pronged attack, from a declining agricultural sector, from a reduction in the sources of non-agricultural village employment, and from the increasing unviability of the commuting option. Villagers were faced with stark choices. Whilst for urban workers still in employment, market forces brought with them a more exacting boss but no requirement radically to change one's life strategy, for villagers the option of being a 'better', 'more disciplined', less demanding employee, is a minority one because of the reduction in the number of rural employers. The major alternative to unemployment in the post socialist countryside is setting up in business. Regular incomes and secure social benefits must be abandoned for the risks of self-employment in agriculture or other branches of the economy, and under severely depressed market conditions.

Many villagers have responded enthusiastically to this challenge. Numerous new businesses have been established all over the countryside of Central and Eastern Europe. The gaps in the service sector so characteristic of socialist economies have in most places been plugged. But these are in

the main family businesses or one-person businesses. They rightly offer a picture of dynamism, initiative and change; but they compensate only partially the numbers of jobs that have been lost. New businesses that are also sizeable employers are much less common. Where they emerge, their presence is commonly the result of outside agents perceiving some element of regional comparative advantage of which the locals were unaware, or which they were unable to respond to because insufficient local resources. But some of the biggest employers are not 'new'. They are rather companies whose origins lie in the private sector or second economy which matured during the socialist years.

For those unlucky enough not to find one of these rare new jobs and unable or unwilling to embark on self-employment, the alternative is unemployment. But, in the rural context, it is unemployment of a particular kind. For, in the countryside, everyone has access to land, and retreat into semi-subsistence farming is a real possibility. This cushion effect of the peasantisation of the unemployed is more than simply a statistical device for making large numbers of those who would work if they could disappear from unemployment registers, although it is also this. It has a genuine content. The village unemployed do enjoy greater autonomy than their urban counterparts. For the present at least, they still can refuse to work for a local employer who pays derisory wages or who is disliked, for some reason, by village opinion. Village dwellers who have already established themselves in the village do not abandon it for the town.

But peasantisation of the unemployed can only be a short-term solution. It can be the means by which a former commuting worker who has been made redundant saves his family from starvation. But it cannot be a career option for his children, and many villages are being abandoned by the young. Between the wars in Central and Eastern Europe, the peasantry was a peasantry proper, distinct from society at large, in the manner Teodor Shanin describes when he writes:

The fundamental duality of the peasant's position in society consists in their being, on the one hand, a social class ... and on the other hand a 'different world' — a highly self-sufficient society 'in itself', bearing the elements of a separate, distinctive and partly enclosed pattern of social relations³.

Shanin concurs with A. L. Kroeber that peasants constitute 'part-societies with part-cultures', yet, 'peasantry's major characteristic [is] its self-sufficiency, its ability to exist outside the thrall of the nobleman and town'⁴. Between the wars too, part of the rural population was made up of commuting relatively unskilled workers, as Hugh Seton-Watson recounts:

³ T. Shanin, *Peasants and Peasant Societies*, second edition, Oxford, Basil Blackwell, 1987, p. 358.

⁴ *ibid.*

The unemployment statistics of the Eastern European States during the last twenty years have not been very striking, even in the Depression years. The reason why they have been comparatively low is that when there is less employment in industry, most of the unskilled workers go home to their villages, and sit there, and rot. The State forgets about them, and they do not appear in official statistics⁵.

Allowing the rural unemployed to 'rot' in subsistence agriculture might have been an option between the wars, but it is not an option for the twenty first century. The amount of land available per family is insufficient for villagers to retreat to a peasant economy proper, and villages are no longer socially isolated in the way they were. Most villagers have television sets, many have satellite dishes, and a number are hooked up to cable television. They do not inhabit a separate, subordinate world where it is possible to believe that living from hand-to-mouth is the norm; they are part of society.

So far this paper has been at a very highly level of generality. In what remains, national and regional variations on the overall pattern will be considered on the basis of research that has been carried out in thirty six villages in the Visegrad countries of Central Europe (the Czech Republic, Hungary, Poland and Slovakia). Rather than paint a complete picture of each country's experience, the focus will be on variations from the norm, together with some interesting illustrations of general trends. Hence, for example, there is no discussion of the increase in family businesses in the villages, since this has occurred everywhere in a fairly uniform way. Similarly, levels of unemployment will not be discussed in each section, but only in connection with the special features experienced in Poland.

NATIONAL VARIATIONS

The Czech Republic

Two features have characterised the Czech transition to a market economy: low levels of unemployment, associated with a reluctance to enforce bankruptcy, and direct, physical restitution. Both have had an impact on the rural economy and modify somewhat the picture painted above.

In the more benign market conditions of the Czech Republic, the non-agricultural ventures of the collective farms did not fare so badly.

Their resilience was partly a consequence of the cushion all Czech economic institutions enjoyed as a result of the government's extreme undervaluation of the Czech crown and its coupon privatisation strategy which

⁵ H. Seton-Watson, *Eastern Europe Between the Wars, 1918-1941*, third edition, New York, Evanston and London, Harper and Row, 1967, p. 135.

resulted in extensive ownership of industry by mainly publicly owned banks and other financial institutions, which remain reluctant to let their own subsidiaries go bankrupt. But it was also because, in the final years of socialism, such ventures were the only form in which budding entrepreneurs could exercise their commercial ambitions. In Hungary, and in Poland, by the 1980s, those with an entrepreneurial spirit could fulfil their ambitions in less covert ways. In the ideologically purer former Czechoslovakia, covert entrepreneurship was the only form.

Czech non-agricultural units of collective farms mostly disappeared from agricultural statistics, a fact which partially explains the huge drop in 'agricultural' employment in the country, but they generally survived in one form or another. Commonly they were sold off to their existing management. In cases where the unit was actually located in the village, this had a relatively small net impact on jobs. In cases where the units were located in distant towns, as was the case in one of our Czech villages, the effect on local jobs was also minimal, but a potential source of revenue was lost to the co-operative. Some units did fail, however, despite the more clement Czech economic climate. A food processing venture in another village in the economic core of the country, for example, fell victim to foreign competition in the fruit juice industry.

Low rates of unemployment also had beneficial consequences for those who lost their jobs in agriculture. In the majority of cases, alternative jobs were available in surrounding towns and villages. For the overall loss of jobs in the towns to which Czech commuting workers travelled was much less than elsewhere in the region. And the concomitant of low levels of unemployment in the Czech Republic is the much lower incidence of the peasantisation of unemployment. The case studies reveal very few examples of individuals retreating to subsistence farming.

A further factor in the relative absence of job loss in the Czech Republic is proximity to Germany. In our villages located near the German border this was of determining importance. One German textile company had closed down its operation on the German side of the border altogether and opened a facility on the Czech side instead. Other village businesses subcontracted to major German companies, not only those located physically near the German border. In some cases, such as one co-operative which moved for the first time into non-agricultural production in order to respond to German demand, this was the result of local initiatives. In other cases, German businessmen identified the market potential, as in the case of the two 'erotic clubs' opened in the same village.

A second distinctive feature of the Czech case was the direct restitution of small businesses nationalised under socialism. Former owners, or in most cases their heirs, constituted a particularly Czech form of external agent which brought new jobs to villages, or at least saved some old ones. Our case

studies include many examples of small businesses (saw mills, for example, were particularly common in remoter areas) being returned to their former owners. In some cases the new owners turned tired state-owned companies into profitable ventures. In others the result of restitution has been uncertainty — claims and counter claims in the courts, purchases by inhabitants of Prague whose plans for a factory in a remote village are uncertain. Czech (and Slovak) direct restitution introduced an element of serendipity rather than continuity into the process of creating new businesses. Businesses were not passed into the ownership of aspiring businessmen armed with concrete plans for what to do with them. People suddenly found themselves to be potential owners of businesses by an accident of history, and it was a matter of chance whether or not they had the skills and drive to make the venture a success.

Hungary

Compared with the Czech and Slovak Republics, Hungary was quick to impose 'market discipline' by means of strict bankruptcy legislation, and its co-operative reform legislation encouraged the break-up of co-operative farms. As a result, the reduction of agricultural jobs was larger, and a larger proportion of the non-agricultural ventures of co-operative farms, especially those that subcontracted to the recession-hit engineering or heavy industry sectors, were wound up completely.

Where the ventures survived as units, they were, as in the Czech Republic, usually floated off from the co-operative to form a separate company. In one of our Hungarian villages, for example, it was sold to the former co-operative chairman and a German investor. In another, it was bought out by a former employee and his wife. Such disposals were usually associated with job loss, as, of course, were closures. In yet another village, a textile unit was sold to a company based in a nearby village. The company closed the unit down and offered alternative employment in the nearby village, an offer roughly half of the women affected accepted.

Hungarian 'market discipline' resulted in a much steeper job loss in the villages and surrounding regions, especially in the regions where socialist heavy industry had predominated. Unemployment in some villages was put at 40 per cent. In one such village, a quarry which in the 1980s employed around 300 was employing only 27 after it had been bought by a French company. In a village in the recession-hit east of Hungary, the number of commuting workers fell by a half. In the economically more prosperous region around Győr it is still quite common. In the peripheral south west of the country there was an initial severe contraction in job opportunities, which now appears to have stabilised.

Proximity to a western border has proved, as in the Czech Republic, to be an important factor in job creation, or at least job maintenance. Both

direct investment by foreign companies (in textiles by an Italian company in the case of one village) and production contracts to German and Belgian customers have been important factors in keeping employment levels in border regions relatively high. In other cases, the agent creating new jobs has been less clearly external. In one village in the economic core of the country it was the appointment of a new works leader to the plastic goods producing subsidiary of the collective farm at the end of the 1980s. This dynamic individual persuaded his work mates to form an independent co-operative during the course of co-operative restructuring. By sacking the unnecessary management and administrative workers he inherited from the collective farm subsidiary he has retained all twenty productive jobs and is producing profitably. In another village, in the east of Hungary, the main employer is a businessman who emerged not from the socialist sector but from the private sector. After leaving his job in the top management of a collective farm following an argument with his colleagues, he started work on a self-employed basis in the 1970s. Over the course of the years he moved from the construction industry to chicken breeding and currently chicken slaughtering, a business in which he is succeeding despite the fact that the majority of the former state sector chicken slaughter houses have gone bankrupt in recent years. He provides 100 jobs for his village and the surrounding area.

Peasantisation of unemployment in Hungary manifests itself as follows. In the Hungarian villages almost everyone is engaged in supplementary agricultural production, as they were in the socialist years. The difference now is that for some, the only additional source of income is unemployment benefit, until it runs out, at which supplementary farming becomes the only form of income. These are individuals forced into a reliance on agriculture, not those who have made a positive decision to become private farmers. They have no resources to acquire land and machinery. Nevertheless they have a cushion to protect them from labour market pressures, and this gives them some autonomy. In the village described in the previous paragraph, for example, most workers in the chicken slaughter house do not come from the home village because the owner is not well-liked in the village and locals prefer not to work for him. In another village, in the west of the country, a businessman growing specialist mushrooms for the Austrian market employs people from the nearby town rather than villagers, because only urban workers, with no small-scale agriculture to fall back on, are willing to work for the pitifully low wages he offers.

Poland

In Poland, change in the agricultural sector has been less dramatic. Although many co-operative farms did diversify outside agriculture, they were a tiny presence in the socialist countryside. State farms, which repre-

sented socialist large-scale farming in Poland, did not, on the other hand, normally have non-agricultural units. The decline of socialist large-scale farming therefore had minimal impact on non-agricultural jobs. It had a dramatic impact on the availability of agricultural jobs, all the more so because, to an extent far greater than in the collectivised countries, state farms built for their workers urban type blocks of flats from which it was rather difficult to run a small-scale subsidiary farm. But state farms too were a relatively small component of the Polish rural economy and the overall effect of 'the transition' on agricultural employment was less dramatic in Poland than elsewhere.

On the other hand, further long term job loss in agriculture is to be expected in Poland unlike the other countries of the region. For Poland is, as is common knowledge, the country with the most peasants in Eastern Europe. In other countries of that region collectivisation followed by the transformation of collective farms into new types of co-operative had the consequence of reducing the proportions of the work force engaged in agriculture (that is to say agricultural production within the agricultural sector) to between six and ten per cent of the work force, levels approaching the western norm. In Poland the figure remains nearer 25 per cent. Poland also stands out, when compared to the other countries, as having rather lower levels of satellite dish and cable TV ownership. Not only does Poland retain peasant farms, Poland's peasant farmers also appear to be more isolated from society at large in the classical sense referred to above than is the case elsewhere.

The situation regarding non-agricultural jobs in Polish villages and their surrounding districts is similar to that in the countries which had collectivised agriculture in the socialist years. The number of jobs available locally and regionally has declined and commuting is becoming more expensive. In Poland too, what is lacking is new businesses which provide jobs in significant numbers. One exception is a manufacturer of containers for paint and glue located in one of the villages in the economic core region of Poland. The company is not only of interest because, as in the case of the Hungarian chicken-slaughter mentioned above, the owner operated in the private sector from the 1970s, but because its big opportunity was provided by the state sector. It was a contract with Polish State Railways during the socialist years which transformed the company from a two person partnership into a company employing thirty and with plans to increase the staff to one hundred.

The Polish case also confirms what is perhaps self-evident, namely that it is proximity to western borders, and not borders per se that is beneficial in terms of job creation. In villages in the far north east of Poland near the Lithuanian border, German, Austrian and Italian companies are not queuing up to invest. Nevertheless, borders provide entrepreneurial opportunity

in the form of smuggling. If smuggling does not produce jobs, in this region it is an open secret and major source by which many families supplement their incomes.

Poland is, perhaps, also the paradigm case of the peasantisation of unemployment. This is first of all because peasant farmers cannot legally be unemployed. Anyone who has over two hectares of land counts as a farmer and, as a farmer, is not eligible for unemployment benefit. Many who in other countries would qualify for unemployment benefit and are recorded as unemployed are, in Poland, classed as peasants. But peasantisation also operates in the same sense as in Hungary, agriculture provides a cushion for the unemployed. Workers peasants and commuting workers who lose their jobs are returning to the household and participating in the family farm. As a consequence, although the average size of Polish farms has somewhat increased, so too has the number of people that they have to support.

The cushion effect of peasantisation is reflected in the following table taken from the quantitative phase of our research in Central Europe. The share of those officially unemployed in the Polish villages was just under thirteen per cent, which is close to the national norm. But the estimates of the numbers of individuals who are unemployed in the sense that they would take a job if they could find one was given by officials interviewed in council offices to be everywhere nearer twenty five per cent.

Unemployment Rates in Rural Communities in Central Europe

Country	Per Cent of Active Population of Village
Poland	12.9
Czech Republic	2.3
Slovakia	21.1
Hungary	16.3

Slovakia

In Slovakia the starting point was similar to that in the Czech Republic, but the levels of unemployment have grown more steeply. The fate of non-agricultural units was more mixed, some folding completely, some continuing with a reduced staff, others being spun off to become successful private sector companies. An example of the latter is to be found in one of the villages close to Bratislava where not only have the former non-agricultural ventures continued under new private ownership, but the co-operative has become almost a business park for new small businesses.

Slovak unemployment is, as indicated above, the highest in the region, and this has inevitably been reflected in the loss of jobs in the village

and local economy. The number of workers commuting to their place of work had fallen drastically, by as much as a half in many of the villages included in our research. In one remote village in the north of the country this is mainly because of a reduction in the possibilities for commuting to Ostrava in the Czech Republic. The Slovak unemployed too generally have some form of cushion in the form of a small plot of land to protect them somewhat from the structures of the labour market, and there is some evidence of village workers exercising that autonomy. As in Hungary, some village employers make use of urban rather than local village labour.

Unlike Hungary and Poland the new businesses which operate on a scale sufficient to provide jobs are run predominantly by people from the socialist economy. The private sector in Slovakia, as in the Czech Republic, had been virtually non-existent. In the same village near Bratislava, one of the tenants of the 'business park' co-operative had formerly been a foreman in the co-operative non-agriculture unit. Rather than continue with it when it was sold off, he asked the co-operative for additional space, which he knew was available, in order to set up his own business. He now employs around 30 individuals and, thanks to an organisation of emigré Slovaks in Germany, has lucrative contracts with German companies. A perhaps more typical case is that of a former socialist company manager who, having learned the business during the socialist years, realised that certain types of production could be carried out in low technology locations and could thus produce more cheaply by utilising village labour. His choice of village, where he has created 45 new jobs, was in part dictated by emotional rather than hard business decisions: it was the village where he was born.

REPLACING THE SOCIALIST PILLARS

The short account given above suggests that what is needed in the post socialist countryside is jobs, and jobs outside the agricultural sector. Agriculture is more likely to lose jobs in the future, especially in Poland, than gain them; and there are limits to the numbers of self-employed, one person businesses that the rural economy can support. But the account also suggests that such jobs are unlikely to appear spontaneously. Where new businesses have emerged which provide significant employment, and they have, as we have seen, in all four countries, they have been the consequence of combinations of special factors.

Nevertheless, the special factors are not unique. They are replicable, and could be replicated if there bodies existed whose role it was to promote local rural economic developments. But such bodies are conspicuous by their absence. Only two of our thirty six villages benefited from the services of a small-business promoting organisation, and it was purely chance that

this body was located near to the villages. More tellingly, not one local authority was actively involved in promoting local businesses, although some had plans on paper which they could not implement. And the reason for this was straightforward. Local authorities were all too poor to engage in anything as expensive as business promotion. Almost without exception, the most that the village mayors interviewed could contemplate from the small budgets that they had at their disposal was to attempt to redress the effects of socialist under investment in the countryside: the provision of sewerage, running water, perhaps a gas supply.

There was a tendency amongst those interviewed to blame central governmental parsimony for this impoverishment at the local and the concomitant impotence experienced by local authorities. But the situation is more complex than that. Throughout Central and Eastern Europe a curious pattern of democracy has emerged. National governments are democratically elected. Local councils covering single villages or clusters of villages are democratically elected. But there is no democratically accountable body at the intermediate level, at the level which might be able to make strategic decisions in relation to a local economy. Our finding that villages are too poor to develop a local economic strategy of their own is not surprising given the sorts of responsibilities village councils are entrusted with in the West. But the finding that impoverishment is associated with total impotence because there is no way at all by which local economic development can be influenced is not self-evident, and is cause for concern. There is a clear need for democratically elected bodies at a more regional level that can have an impact on the rural economy. And there is a need for more appropriate local government structures which facilitate the co-operation of local authorities in certain fields of activity which they cannot afford to carry out on their own. In only one area, where two of the Bohemian villages were located, were villages considering joint plans for the development of the region.

The conclusion of this paper can be summarised, therefore, in two sentences. Villages need non-agricultural jobs. Non-agricultural jobs are unlikely to emerge unless local government is restructured to create democratically accountable bodies at the regional or district level which are empowered to take measures to promote local economic development.