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The Influence of Agricultural Transformation on Employment

The decline in the numbers of agricultural employees — active co-operative members, co-operative employees, state farm employees, private full time farmers — and their proportion within overall employment has seen the biggest change in the labour market in Hungary since 1990. The large scale fall of employment experienced since 1990 has accelerated, particularly since 1991. Of the more than one million employees in agriculture in 1988, only 431,000 people remained in by January 1st, 1993. The decline in employment continued in 1993, 94 and 95 when the number of employees fell to 41.9% to 36.1 and to 28.9% of 1988.

Table 1
Number of employees in agriculture and forestry in 1988–1995

Year (Jan 1)	Number of employees (thousands)	Fall as compared to the previous year (persons) in thousands (%)	Fall as compared to 1988 (1988=100%)
1988	1028.0		
1989	986.1	-41.9 (4.1)	95.9
1990	955.0	-31.1 (3.2)	92.8
1991	835.4	-119.6 (12.5)	81.2
1992	647.7	-187.7 (22.5)	62.9
1993	431.3	-216.4 (33.4)	41.9
1994	371.8	-59.5 (13.7)	36.1
1995	297.4	-74.3 (19.9)	28.9

Source: Central Statistical Office Labour Force Balances

To a smaller extent, the fall in agricultural employment was due to the fact that domestic food consumption has dropped by about one third, and the influence of drought, general recession, the loss of the Eastern markets and the war in Yugoslavia were also strong. The separation of the former ancillary branches of economic activity and their transformation into forms of autonomous companies, or their liquidation, mostly took place up to 1992, significantly reducing the number of people employed in agriculture until then. A further rapid decline in the number of agricultural employees was primarily the consequence of allocating property to real owners, of compensation, the launching of the privatisation of state property, bankruptcy procedures and liquidation of co-operatives and the consequence of new liberal and monetarist economic policy; the fall of state subsidies allocated for agriculture and of state credit policy. The uncertainties of information pertaining to the effects of employment and the lack of detailed knowledge on compensation and allocation of property make it difficult to identify the effect of individual factors on the agricultural labour market. According to the experiences of our own research, when detailed reports were requested from the Central Statistical Office, in the Spring of 1993, and several interviews were made¹ — among others about the causes of changes in the labour market, it is obvious that the political practice of the state in agriculture, the manner and phasing of compensation and reprivatisation have had a decisive influence upon changes in agricultural employment.

In 1993, the collapse of the firm structure of agriculture based on the division of labour between small and large scale units has become an irreversible process, which has primarily resulted in the significant narrowing of the possibilities of large agricultural enterprises, and primarily of co-operatives of retaining labour. Agricultural employment has declined primarily in the co-operatives. In agriculture, co-operatives used to employ about half of agricultural labour, and it is here that the fall in employment is the greatest. Though the private sector has expanded, its growth in personnel has been able to absorb only a fraction of those who were released from state farms and co-operatives.

PROBLEMS OF INTERPRETATION OF AGRICULTURAL EMPLOYMENT

No satisfactory registration of agricultural unemployment has been accomplished. Data of those who left agriculture has been recorded since last year, but far less people are recorded than should be because of the problems in interpreting agricultural unemployment, the reservations of those

¹ The interviews were conducted by László Laki and András Csité.

who supply data and the shortcomings of the system of data collection. Despite the loss of almost 700,000 people that has taken place in agriculture since 1988, the register from the Ministry of Agriculture calculated agricultural unemployment to be between 180,000 and 190,000 people as indicated in a report on employment. In 1993, the number of registered agricultural unemployed was smaller at about 100,000 and in 1994, 74,000.

According to social insurance data, the winding up of legal relations with social insurance by people working in agriculture is also large scale. The number of co-operative members insured in their own right has come down by 140,000 people at the end of the first six months of 1993 than in 1992. Social insurance data does not offer information on what happens to those in respect of labour and employment whose insurance as co-operative members has ceased, as they may be unemployed, but they may also appear in other non-agricultural categories of social insurance, therefore it is impossible to identify the exact number of agricultural unemployed.

According to the county reports and interviews mentioned earlier, the privatisation or liquidation of the industrial and other servicing ancillary activities of co-operatives took place mostly during the period prior to 1992, therefore, as was mentioned above, their influence on the reduction in staff should also be taken into account for that duration. Hungarian agricultural co-operatives and state farms have run industrial and service branches and units, but it was the departure of those who were employed in agricultural production which started in the first part of 1993. Basic agricultural activities in co-operatives lost labour to a smaller degree until the end of the first half of 1993, than non-agricultural i.e. industrial, service etc. Activity in the co-operatives was almost entirely wound up, or were removed from the co-operatives in another way. New economic associations emerged from the co-operatives and state farms, employing fewer people. The last eight to ten months may have grave consequences upon lasting unemployment because, in addition to the acceleration of the processes which increase the number and proportion of the unemployed in real food production, there are now many more unskilled people newly ejected by agriculture and finding employment hard to get than between 1990 and 1992. Presumably, the growing unemployment of unskilled labour has been hastened by the process of smaller economic units separating from the larger ones, which was continuing in the first half of 1993 as their need was also primarily for skilled labour.

The firm structure of agriculture keeps on changing. While in 1988 there were 1563 enterprises in agriculture — in May 1993, their number was 4087, in June 1994, 5547, and 7916 in January 1995, together with new forms of enterprise — a significant part of them belonged to bis units (state farms, co-operatives), that have separated and become autonomous.

The number of state enterprises has fallen by 16, the number of co-

-operatives has grown by 515, which is the consequence of splits, because co-operatives were also wound up during the same period. It was the number of economic associations of legal entity which has grown from 69 to 5567 from 1988 to January 1995.

Table 2

**Number of firms of legal entity in agriculture
by numbers of staff employed**

Year	Less than 11 pers	11-20 pers	21-50 pers	51-300 pers	More than 300 pers	Altogether
Dec 1990		413*	106	960	722	2101
Dec 1992		1471*	437	1200	378	3486
Jan 1 1993	1066	978	635	1252	255	4186
June 1 1993	1017	968	627	1246	256	4114

*Together with data of firms of less than 11 persons

Source: Monthly Statistical Information

The number of large enterprises has been reduced by more than half between 1988 and 1993. The obligation to employ members has been eliminated in the new economic units and naturally, better trained staff were retained.

The employment relations between members and employees (non member staff) of co-operatives has been transformed. Earlier, membership of the co-operative meant employment. After the Acts on the transformation and other aspects of the co-operatives entered into force, the former differentiation between member and employee lost its meaning. Though the expression co-operative member continued to survive in literature, its earlier import was lost. Membership has been transformed into shared ownership, (share-holding) without employment, which may be a category of ownership but not of employment. Nothing obliges the newly established co-operatives and other economic units to employ the former co-operative members who have become part owners of the enterprise. Those who presently work in agricultural enterprises are exclusively employees.

EMPLOYMENT SITUATION OF AGRICULTURAL CO-OPERATIVES

Despite the large scale reduction in staff, the agricultural co-operatives remain the biggest employers. As a result of splits, their number grew from 1300 in 1988 to 1980 by the first half of 1993. Of the 1123 member co-operatives of MOSZ 94 underwent bankruptcy procedure, 92 were liquidated and 21 were financially cleared. In 1993 the economic activities of 228 co-operatives are likely to be profit making, which is more than in 1992, yet is only 20% of all the member co-operatives of MOSZ.

Employment by co-operatives has undergone a sea change as a result of the Acts on compensation, co-operatives and transformation. Two of the former three forms of employment, such as members and assisting a family members employment were eliminated and were replaced by uniform employment. Membership, which earlier expressed the legal status of the largest stratum, has been transformed into ownership relations, which are essentially, relations of share holders. However, the partners in ownership are employed by the co-operatives or their successors to an extent judged necessary to effective cultivation, which has led to massive loss of employment by co-operatives. Those who are released by co-operatives do not form a uniform occupational group. A significant part of the unskilled have lost their jobs, and very few of them have been able to start a successful private firm.

Of the more important Acts related to co-operatives and of their implementation, is in allocating property to real owners and the transformation of co-operatives which have had no particular consequence upon employment. In addition to falling production, it was the Acts on property and their implementation which have caused the abandonment of co-operatives and the growth of agricultural unemployment. Until the decision had to be made on leaving and asking for the individuals share of the property, the members of the co-operatives were biding their time. The reduction of the staff of co-operatives was primarily limited to the separation of ancillary branches of activity and to dismissals deriving from the fall in demand. From the Spring of 1992 to early 1993, members of co-operatives had to decide on withdrawal and to ask for their of property. In many settlements, withdrawal was not announced until the last few days, delaying also their intention to demand their share. An avalanche of forced or intended secessions was set in motion at the end of 1992 and the first part of 1993, precisely registered at almost 300,000 people leaving large agricultural concerns and primarily the agricultural co-operatives during the aforementioned 10 to 12 months, rising to almost half a million from early 1992 onwards. Social insurance documentation adequately shows the trends in changes of employment by co-operatives. In 1992, 261,000 members of agricultural co-

-operatives, 43,500 members of specialised co-operatives were registered, whereas in 1993, there were only 106,300 co-operatives members and not a single one from specialised co-operatives was registered.

There is no relevant, comprehensive data suitable for analysis on the qualifications and occupational structure of the employees of co-operatives for the period following the major reduction of employment. According to county reports and interviews there are great differences between the regions as to how and to what extent the occupational groups of co-operatives participated in the privatisation of large scale agricultural enterprises. In some regions it was the agrarian intelligentsia who became entrepreneurs first and foremost, whereas elsewhere, it was those very people trying to hold the co-operatives together and help the qualified skilled workers to start autonomous farming. In other regions, the less well trained groups of labourers were squeezed out of the co-operatives or became the losers in privatisation. It is the less favoured co-operatives which have sacked large numbers of unskilled labour — the very people who have less chance to go into business for themselves.

PRIVATE FARMS

The small private farms which used to have a decisive role prior to the establishment of co-operatives, almost completely disappeared, and their role in employment took a long time to grow again — from the eighties onwards. According to data from the Central Statistical Office, there were 78.7 thousand individual farmers in operation — with employees and helping family members — in 1988. By 1992, their number grew to 120,000, of which 87.6 thousand had farming as their main occupation, together with those who participated in company enterprises. (According to the data from Social insurance, there were only 42.4 thousand individual entrepreneurs in 1992, 57.1 thousand in 1994. By 1990, the continuous growth of those fully employed in the private sector overtook that of the state sector, taking into account the large scale reduction in staff in the state sector.

According to data on January 1, 1993, individual and company enterprises employed 125.9 thousand people, together with employees and helping family members (29.2% of the active earners in agriculture constitute 2.9% of the active earners of the population). In 1994, 134.3 thousand people were employed on individual farms (36.1% of active agricultural population, 3.2% of total Hungarian active population).

Table 3

Active earners on private farms

Year Jan 1	Individual farmers*	Company enterprise**	Altogether	% of active earners in agriculture	% of active earners of the population
1988	78.7		78.7	8.6	1.6
1989	103.6		103.6	11.7	2.1
1990	130.3		130.3	15.1	2.7
1991	116.4	2.9	119.3	15.6	2.5
1992	120.0	1.7	121.7	20.7	2.9
1993	123.5	2.4	125.9	29.2	2.9
1994	134.3	no data	—	36.1	3.2

* Together with employees and helping family members

** Not of legal entity, with employees and helping family members

Source: Central Statistical Office Time Balances

The data collection of the Central Statistical Office done in November and December 1992 among those producing forms of an entrepreneurial nature offers information on the agricultural private sector. (Randomly selected people having production above 500,000 forints were included in the sample of data collection and the data of 1798 small firms were compiled). Of the heads of farms under observation 47.2% were individual farmers, whereas the other part of small scale production was done on a part time basis. It shows clearly that part time production as a significant factor of employment should be taken into consideration.

Another lesson of the survey related to employment is that no significant outside labour is regularly used even on the most intensive small farms. Most of the work is done by members of the household — primarily the head of the household. The respondents used hired labour primarily for harvesting and transportation. Hired labour used in animal husbandry, considered to be the most important commodity production remained below 5% in the farms observed. The use of outside labour at harvest time suggests the use of the exchange of labour. It is a lesson of data collection that the private sector, showing slow growth in respect of the number of people involved, but showing a fast growth of proportion within the agricultural earners, is primarily based on family enterprise and its impact on employment cannot be explained by the massively created new places of work.

Part time small scale production is a sector of agriculture hitherto insufficiently assessed and hence receiving hardly any state subsidy. Its proportion is precisely indicated by the fact that, according to the survey of small agricultural cultivators done by the Central Statistical Office, one third of the arable land of the country served the purpose of full or part time private farming in 1991, before the major changes of agricultural ownership and employment. International trends, Western and Eastern European as well, show the growth in part time production. Presumably, as the decline in the number of people employed full time in agriculture will continue, it is necessary to take into account the system of part time employment in agriculture and its impact on the labour market and to elaborate the regulation and promotion of this form of employment by the means of state and social insurance.