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## **Socio-economic Changes in the East German Countryside**

### **Introduction**

The unification of Germany and the integration of the former German Democratic Republic (GDR) into the political and economic system of the Federal Republic of Germany also included the integration of the East German economic system into the West German national economy. This process created very rapid and fundamental structural transformations.

Agriculture was also facing a tremendous constraint for structural transformation. In the face of a new economic and legal setting, existing forms of agricultural production and land use became — virtually overnight — inefficient and unrealistic. In order to manage the transition to a competitive market economy, become 'modernized' and raise their competitive capacity to the general standards in the European Union, East German farms had to take radical steps to change their structures and systems of land use. The structural change in the agrarian sector went hand in hand with social problems in the rural areas.

### **The Starting Point in 1989**

Regional differences are quite significant in East Germany. Population density in the north (except for Berlin) is much lower than in the southern regions, and the latter also have better economic potentials and a better infrastructure. The northern part of East Germany stands out, above all, for its vast rural areas. In those regions — most of them in the *Laender* of Brandenburg and Mecklenburg-Vorpommern characteristic features include low population density, well below-standard levels of industrialization, a poorly developed services sector and strong dependence on agriculture. In most cases, the farms had been the largest — and often the only — employers in the villages. They offered a wide range of jobs and generally carried the responsibility for most of the social and cultural services.

Co-operative and state farms and enterprises had been the predominant farming structures in East Germany. In 1989, altogether 4530 co-operative farms and 580 state farms and other state-run enterprises farmed about 90 per cent of the farmland in East Germany (Agrarbericht, 1991). The remaining land was used privately by members of the co-operative farms as well as by small private producers, church property and about 3500 independent farmers (Agra Europe, 45/95).

### **Structural Transformation after 1989**

Since the economic, monetary and social union in Germany, agriculture in the eastern part of the country in the course of its integration into the agrarian structure and market organization of the Federal Republic of Germany and the European Community has undergone fundamental and far-reaching structural transformation and adaptation.

At an initial stage, the farms and enterprises which continued to exist in their old forms of business organization first of all accomplished internal transformation schemes, concentrating mainly on farm profiles and concepts. They reduced the size of their business activities, brought animal husbandry and crop production together again, and more and more abandoned non-agricultural business lines.

Transition to new forms of business organization and ownership and the restitution and guarantee of private ownership of landed property marked the beginning of another major stage in the transformation of agriculture in East Germany. The legal basis was provided by the Act on the structural matching of agriculture with the social and ecological market economy — *Landwirtschaftsanpassungsgesetz (LAG)* — of June 1990 (AGE, 29/90) and its amended version of 3 July 1991. According to the Act, the co-operative farms had until the end of 1991 to complete their transformation (AGE, 18/91; 25/91), or they would be liquidated. LAG regulated, among other things, the procedure of transferring co-operative farms to other forms of business organization — registered co-operatives, partnerships (private partnerships) and joint-stock companies (private limited companies, public limited companies) — the withdrawal of members of the co-operative farm and apportioning assets and liabilities. Besides the LAG, the Trust Act (*Treuhandgesetz*) was passed in June 1990. It is the skeleton law for the privatization and reorganization of public property, including state-owned farms and enterprises.

By the end of 1991, a large part of the agricultural enterprises in East Germany had completed the transformation process. They have remained in existence, but in different forms of business organization.

The process of transformation and continued privatization has resulted in a type of business and farm structure that is quite different from the one in West Germany. Its characteristic features include:

- a mixed structure with mostly large farms and a great diversity of forms of business organization and ownership and very different farm sizes,
- farms of various types of ownership each of which work comparatively large stretches of land, mainly based on tenancy,
- a large proportional share (54.4%) of land farmed by corporate enterprises (registered co-operatives and joint-stock companies).

Table 1

Farm structure by forms of business organization 1998

Forms of business organization	Farms		Area proportional share (%)	Average farm size (ha)
	Number	Proportional share (%)		
<b>Individuals</b>	28,989	90.6	45.6	88.1
thereof				
Individual farms	25,925	81.0	22.8	49.3
Partnerships	3,064	9.6	22.8	416.6
<b>Corporate bodies</b>	3,013	9.4	54.4	1,011.0
thereof				
Registered co-operatives	1,218	3.8	31.1	1,432.3
Private limited companies	1,560	4.9	21.5	773.5
Public limited companies	230	0.7	1.7	413.0

Source: Agrarbericht der Bundesregierung, 1999.

Table 2

Development of labour force in agriculture

	Labour force per 100 ha utilized agricultural area ('New German <i>Laender</i> ')	Labour force per 100 ha utilized agricultural area ('Old German <i>Laender</i> ')
1989	15.2	6.7
1990	9.5	6.4
1991	5.6	6.1
1993	2.6	5.6
1995	2.3	4.9
1997	2.1	4.6
1998	1.9	4.4

Source: Agrarbericht der Bundesregierung, 1990, 1996, 1999.

According to professional forecasts, many of these farms have good chances for survival. This development, however, has been at the expense of a drastic reduction of the agricultural labour force. The manpower per unit of farmed area is now already less than the respective average in West Germany.

Other major results of structural transformation in the agricultural sector include:

- change of production structures (see Figure 1),
- drastic decline in livestock numbers (see Table 3),

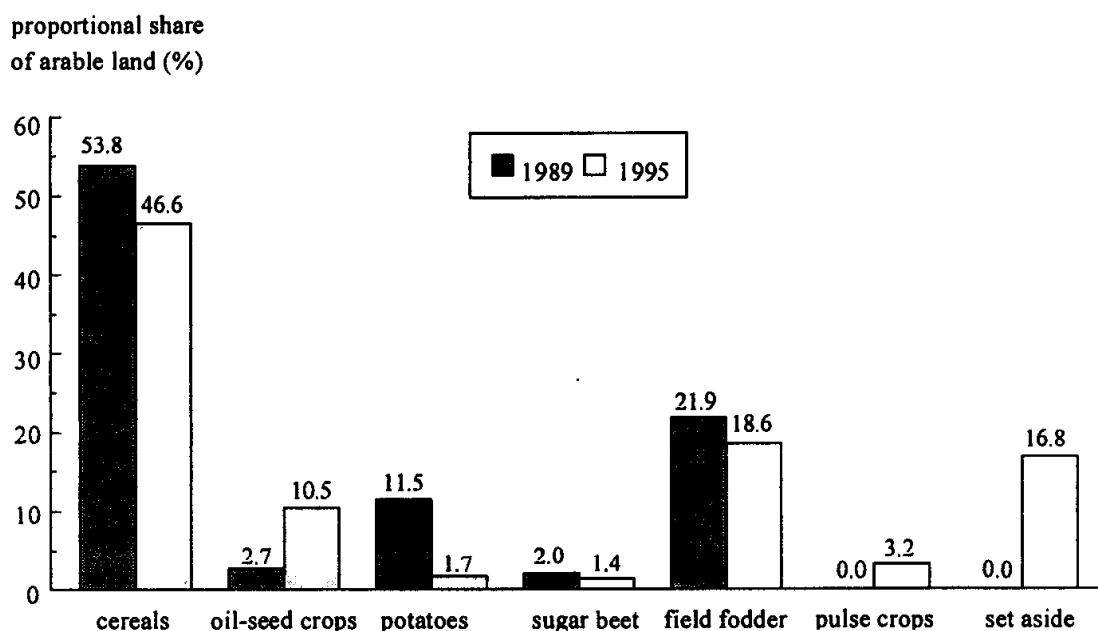


Figure 1. Development of various uses of arable land

Source: Agrarstruktur in Brandenburg — Gegenwart und Zukunft, 1996.

Table 3

Development of livestock numbers in the 'New German *Laender*'

	Livestock numbers (in 1000)				Changes from 1995 to 1990 (%)
	1990	1993	1994	1995	
Cattle	5,727	2,775	2,833	2,922	-49.0
Thereof dairy cows	1,960	1,165	1,196	1,242	-36.6
Pigs	11,088	4,043	3,672	3,237	-70.8
Thereof breeding sows	916	535	464	416	-54.6
Sheep	2,973	814	755	818	-72.5

Source: BfLR, 1997.

- development of a land and leasehold market,
- heavy job cuts.

### Changes in Gainful Employment

The adjustment process in agriculture was accompanied by drastic job cuts. On the territory which now forms the five new *Laender* of the Federal Republic of Germany, in 1989 about 9.6% (i.e., 850,000 persons) of the total labour force had been working in agriculture (Statistisches Jahrbuch der DDR, 1990): 60% of them in agricultural production proper, 22% in secondary and supporting fields (maintenance, farm machinery, construction, processing, storage, transport, etc.), 12.5% in the management and administration sector, and the rest in cultural and social services (Agrarbericht, 1991).

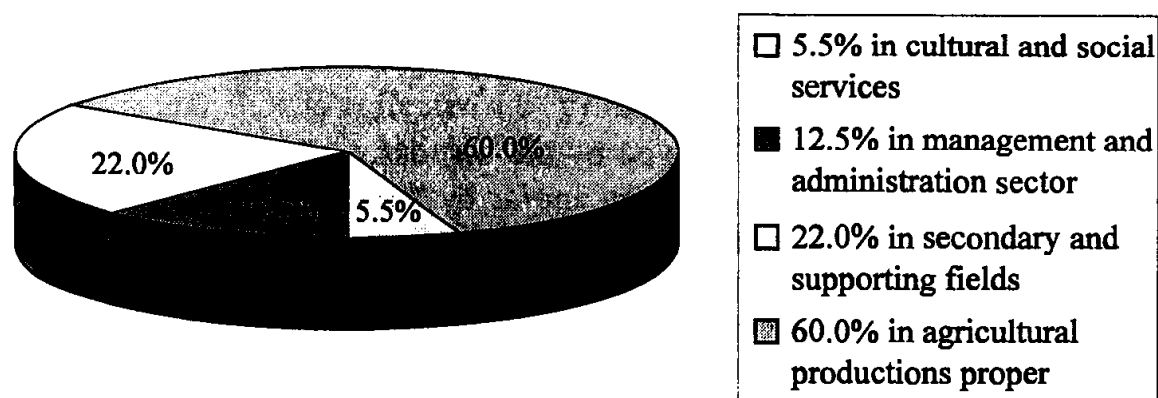


Figure 2. 850,000 jobs in agriculture in 1989

Source: Agrarbericht, 1991.

Reduction of the excessive agricultural labour force began at an early stage of the transformation process. By the end of 1990, 530,000 people were still working in agriculture. 1991 saw another heavy reduction to about 300,000 persons. By 1993, this figure fell to 180,000 people gainfully employed in agriculture (Agrarbericht, 1994), i.e., to about one-fifth of the original agricultural labour force. Hence, almost 80% of all jobs in agriculture were lost within four years — a development which is certainly unprecedented in history.

Although the peak of job cuts in agriculture has passed, employment figures continue to decline. Today, some 144,500 people are still working in this sector of the economy (Agrarbericht, 1999). In the long run, agriculture is not expected to absorb more of the labour market.

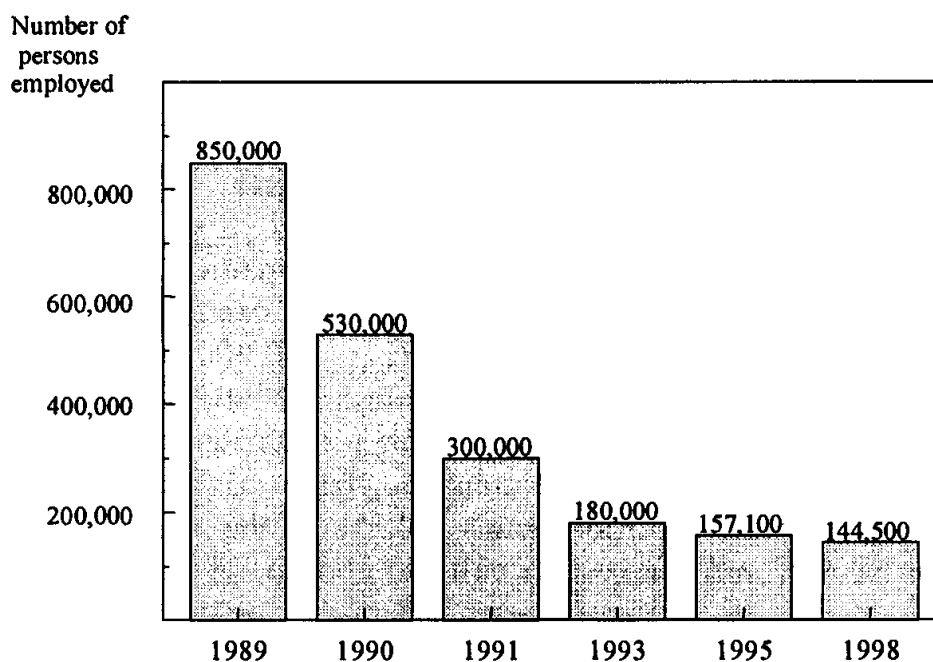


Figure 3. Decline in agricultural employment

Source: Statistisches Jahrbuch der DDR, 1990; Agrarbericht der Bundesregierung, 1994, 1996, 1999.

The job cuts were first achieved by the dismissal of persons working in non-agricultural fields of production and/or by the spin-off of the respective branches. About 20% of those formerly engaged in the farming sector found new jobs above all in the building industry, in the processing industry and in the trading field. At the same time, several instruments — such as early retirement and modified regulations for reasons of age — contributed to the reduction of farm employment figures. About 30% of the agricultural labour force left in response to those policies or having reached retirement age. Hence, almost one complete age cohort was pushed out of the employment market (Hiller and Müller, 1993).

About 17% of those who lost their jobs had a chance of joining labour market programmes (job retraining, further training or education, job creation schemes) for a limited period of time. For one-third of those dismissed, there was nothing else to do but go on the unemployment register (Scholz, 1992).

Those persons whose jobs were eliminated because of changing economic structures or whose basic qualifications are hardly in demand any more were particularly disadvantaged. In this context, the situation of people with agriculture-oriented trades or professions is extremely bad. Unemployed agricultural specialists have the poorest chances for employment on the 'first' employment market. This applies particularly to persons over 45 years of age, those without a training qualification or with an agricultural training qualification as skilled or semi-skilled workers or with many years of work in the production sector of a farm, and women.

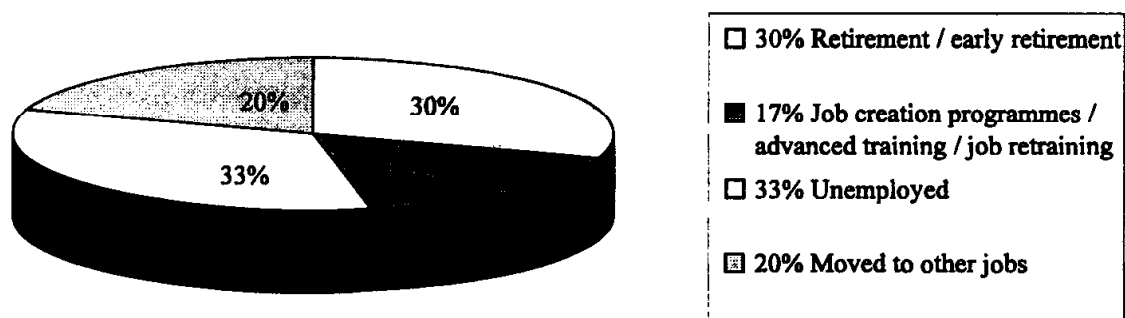


Figure 4. Whereabouts of labour that left agriculture

Source: Hiller und Müller, 1993.

In 1993, only about 50% of the women formerly working in agriculture were still gainfully employed. Today this portion is even smaller. In spite of their high level of willingness for qualification and retraining, many women who had been working in agriculture are affected by unemployment and are now on supplementary benefit. Women have less chances on the labour market, a fact that is reflected not primarily in their higher risk of being dismissed, but in the higher risk of remaining unemployed (Fink, Grajewski et al., 1994).

The structural transformations in agriculture accompanied by mass displacement of labour were a major mobility path that influenced and changed the course of life and the job career of many of those affected. For some, actual or impending unemployment was a central point of switching to new roles and positions in terms of source of income and social status. Some had to tolerate disqualification, while others succeeded in acquiring new qualifications and entering the non-agricultural labour market.

The rural labour market situation continues to be dramatic. Villages — particularly in the peripheral rural areas in the *Laender* of Brandenburg and Mecklenburg-Vorpommern — with more than 40% unemployment are not unusual. And there is also the fact that the extremely rapid and far-reaching job cuts in agriculture go hand in hand with an equally dramatic reduction of jobs in the densely populated urban areas. This makes it particularly difficult for the unemployed agricultural labour force to find alternative jobs. The chances of those people rejoining the labour force in nearby towns are much lower than in West Germany, which means that in the longer term there will still be a wide gap between the labour resources available in rural areas and the employment prospects. To compound matters, due to the regional separation of agricultural, industrial and manufacturing/commercial production as practised in the former GDR, there have been altogether few chances for non-agricultural gainful employment in rural areas.

### **Resultant Problems to be Faced in Rural Areas**

Against the background of job cuts due to transformation and because of the lack of alternative employment in non-agricultural sectors, severe problems arise for the rural areas, particularly in the northern and eastern regions of East Germany. In connection with the almost universal depletion of functions in those peripheral rural areas (collapse of large farms and agricultural enterprises and the associated social infrastructure, reduction of retail outlets, postal services, catering trade and cultural services offered in the villages) these trends may lead to a dramatic decline of working and living conditions in rural areas unless efficient countermeasures are taken.

This involves the risk that in certain parts of East Germany entire sparsely populated regions might 'erode' and outmigration, particularly of young people with good qualifications, would again increase.

After 1989, rural areas lost many people who went to other regions. The previous dominance (until 1989) of migration from the villages to Berlin and other towns was now overlapped and superseded by migration from East Germany to West Germany. About one million people left to settle in West Germany (Agra Europe, 1993). Almost two thirds of those migrants were under 30 years of age. For the sake of a job one person in four — with men under 25 even one in three — would be ready to move to the West (Siebert, 1995). At present, the trend of outmigration is increasing mainly for training reasons.

Against this background, falling birth rates are another serious problem in rural areas (Agra Europe, 1996). Also without migration losses, the ageing population structure of parts of the rural areas will cause an additional decrease in population.

The transformation process also has serious repercussions on the economic situation of rural households. In an inquiry among rural households in 1993, one in four of those interviewed declared that the economic situation of their households had taken a turn for the worse.

The economic revival of rural areas would benefit greatly from the settlement of new investors. This process, however, is making very slow progress and falls short of the regional development needs in terms of quantity, quality and structure.

In view of the present trends of economic development, sweeping changes for the better are rather unlikely in the near future. The West German instruments for the promotion of economic development aiming at more long-term structural transformation have so far turned out to be insufficient for coping with this unique historical situation of radical change in East Germany. That is why several employment policy measures and other instruments that are tailored to the specific problems and needs in rural areas have been increasingly initiated in recent years (setting-up of rural



development teams, establishment of employment promotion, job creation and structure development companies). This also includes the initiation of 'model projects' for certain rural areas. The main objective is to help people to take their fate into their own hands, promote self-starting qualities in the region, and provide new jobs, preferentially for people in agriculture.

Unfortunately, however, there have only been a few cases in which such projects were actually transferred to the 'first' job market, i.e., made virtually independent of development programmes.

Compared with densely populated areas, the starting conditions in rural areas are much worse. The transformation process in those regions will be very lengthy and complex. Rapid success and ready formulas cannot be expected. The market alone will not bring about a shift towards an efficient economic and social system. Consequently, the responsibility of the political system for a radical change in the rural areas in East Germany has been increasing by leaps and bounds.

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