

Teréz Kovács

Different Disparities between the Hungarian Urban and Rural Areas during the New Capitalism*

Abstract

The rural areas of Hungary have both old and new socio-economic problems at macro level. This paper focuses on the main new socio-economic problems. In Budapest the gross domestic product (GDP) per capita has reached 123.6% of the EU25 average, as opposed to the regions of North Great Plain, South Great Plain and North Hungary where this figure was around 40%. Agriculture accounted for 15.3% of the Hungarian GDP in 1990, this share dropping to only 3.9% by 2005. The decline in agricultural employment in the same period was from 11.5% to 5%. In 2001, 53% of the active age population was employed in Hungary. The corresponding figure for the EU 15 was 68%. The share of those employed in the active age population in villages was below the national average. The biggest socio-economic problem in the new capitalism in Hungary is the lower proportion of economically active population in rural regions in relation to the national average, on the one hand, and the high share of inactive and unemployed in these areas, on the other. The losers in the transformation are groups in rural areas with a low level of education. In the European Union, according to the Lisbon Strategy the main objective is the growth of employment. This objective is fully harmonised with the goals of rural development in Hungary.

Keywords: disparities in territorial level, polarisation of rural society, transformation of agriculture, economically inactive village population, ratio of the unemployed in villages

* The study was conducted within the framework of OTKA Research T43290.

The rural areas of Hungary have both old and new socio-economic problems at macro level. The old problems have deep historical roots, their origins often going back centuries, and these problems do not disappear with changes in social systems, they simply strengthen or weaken. The most important problem is poverty, the lack of equal opportunities and the polarisation of rural society. Under the new socio-economic problems at macro level I consider those phenomena which appeared after the system change in the new capitalism.

This essay focuses on the main new socio-economic problems at macro level. The data feature at different – regional, county, micro-region and municipal¹ – spatial levels.

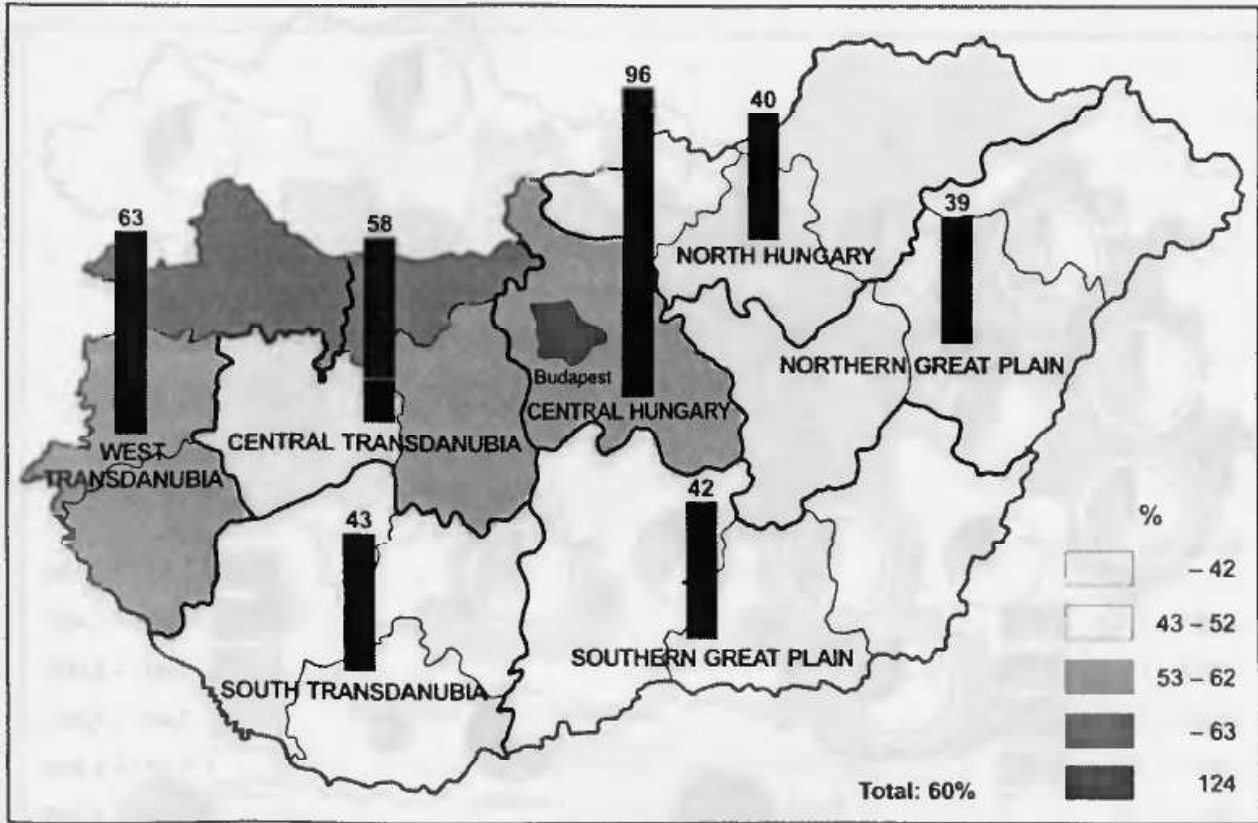
Disparities in the development level within Hungary

The economic development level of the Hungarian capital city, Budapest was also well above the national average in the past but this tendency strengthened in the new capitalism, primarily due to foreign direct investment (FDI). More than two-thirds of the FDI in Hungary came to Budapest; in Budapest the gross domestic product (GDP) per capita has reached 123.6% of the EU25 average, as opposed to the regions of the North Great Plain, South Great Plain and North Hungary where this figure was around 40%, or South Transdanubia slightly above the level of the other three regions (Figure 1).

A decade and a half following the system change, the proportions of the main sectors of the economy – agriculture, industry and services – in the production of GDP have changed considerably (Figure 2). A striking phenomenon is the growth of services in GDP production: the tertiary sector accounted for 42% of GDP in 1988, by 2004 this share increased to 65.2%. A parallel growth could be seen in the number of tertiary employees. The share of services in GDP production is the highest in Budapest and the least developed county of Hungary: Szabolcs-Szatmár-Bereg. While Budapest has a concentration of services requiring high technology and qualifications, in Szabolcs-Szatmár-Bereg family or small businesses dealing with trade are dominant.

¹ Hungary is divided into the following statistical spatial units: seven regions, consisting of 19 counties and the capital city, Budapest and 168 micro-regions; there are 274 cities or towns and 2,871 villages (data from 1 January 2005).

Figure 1. GDP per capita
% of EU-25 average (PPS)

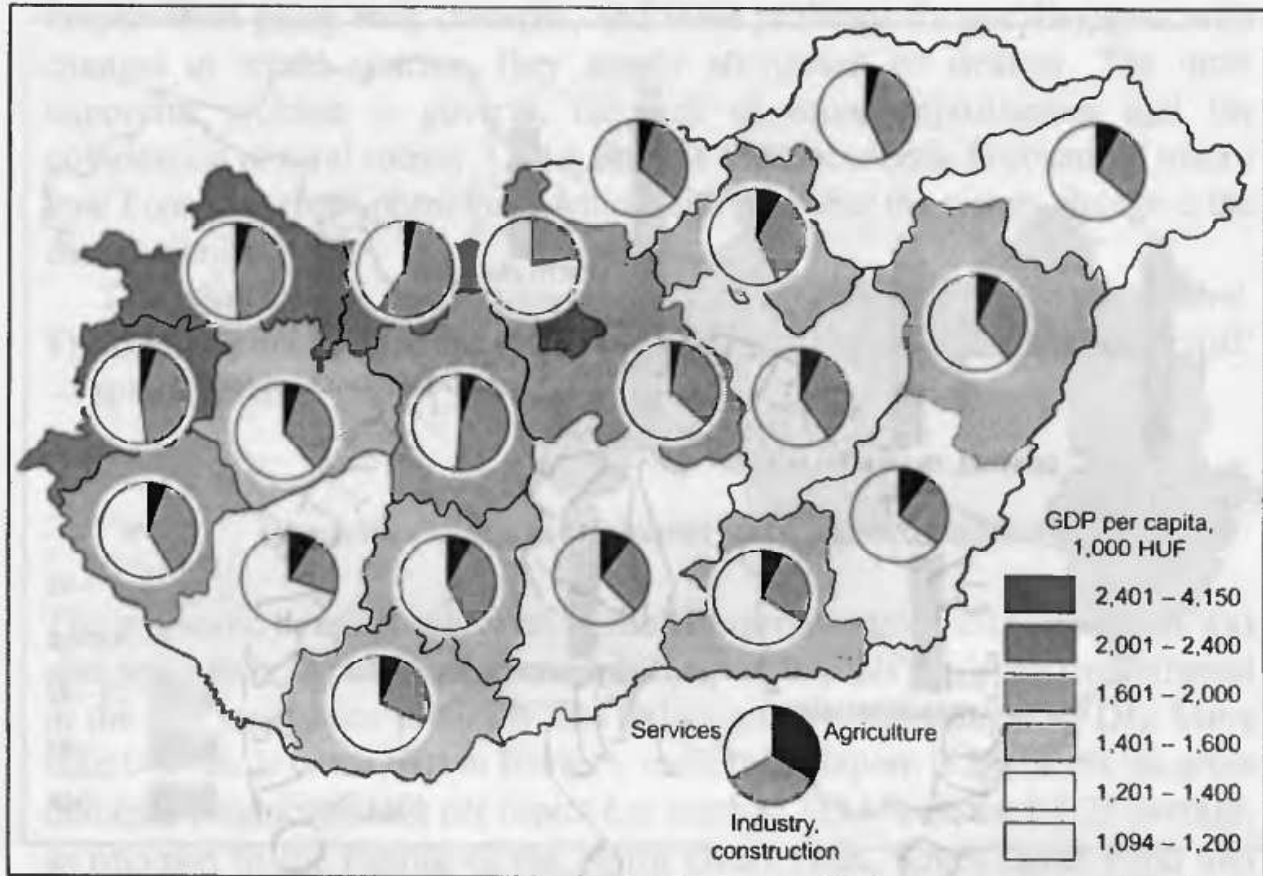


Source: By the author, according to the Territorial Statistical Yearbook 2005.

The share of industrial production within GDP shows a rather varied picture across Hungary (Figure 3).

Especially the role of agriculture decreased in the decade and a half after the system change. Agriculture accounted for 15.3% of Hungarian GDP in 1990, this share dropping to 3.9% by 2005. The decline in agricultural employment in the same period was from 11.5% to 5%.

Figure 2. GDP per capita, distribution of gross value added by main economic branches, 2004

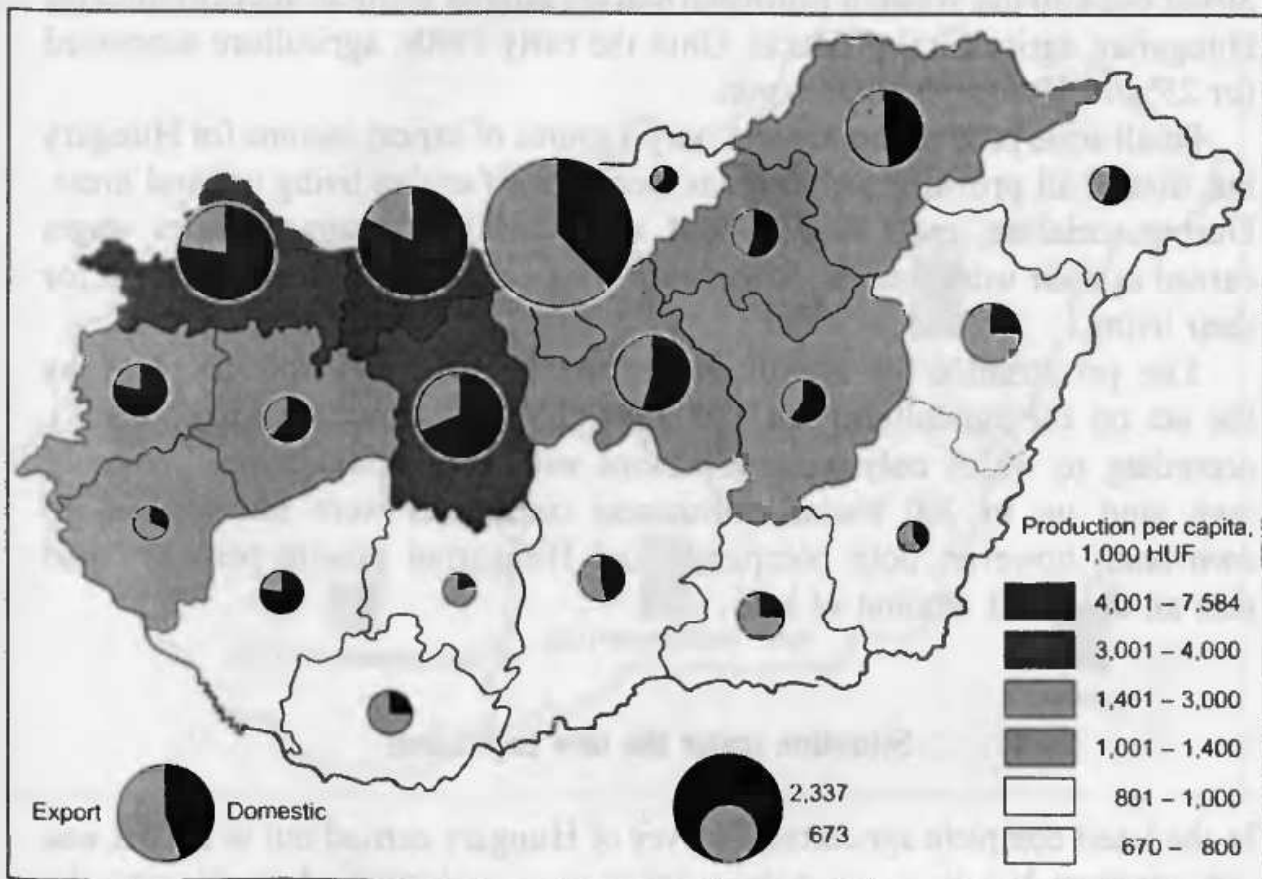


Source: Territorial Statistical Yearbook, 2005, p. 6.

As a summary, parallel to the decrease in total employment in 1990–2005 by 1.5 million people², there was also a restructuring, as a consequence of which employment in services grew, while it decreased in industry and even more so in agriculture. These changes were especially detrimental for the unskilled labour force living in rural areas.

² The decrease in number of population in the same period was 267 thousand.

Figure 3. Industrial production per inhabitant, distribution of industrial sales, 2005



Source: Territorial Statistical Yearbook, 2005, p. 7.

The transformation of agriculture

The situation in the 1990s

In 1990, 93% of all lands were cultivated by state holdings and cooperatives. In addition to the production taking place there, there was also private and family farming. After their working shifts and at weekends, cooperative members, workers and intellectuals did agricultural work on their small private family holdings, producing a third of agricultural products. In statistics they were labelled as small-scale producers.

At the end of socialism, 60% of all Hungarian families and 80% of those living in villages produced some food. Small producers produced not only for private consumption but also for sale. The work done in private holdings was closely connected to the agricultural cooperatives, all input necessary for

production (mechanised work, chemicals, seeds) was provided by the co-operatives. They also purchased products from small producers. Not only the Soviet but also the Western European market offered limitless opportunities for Hungarian agricultural products. Until the early 1990s, agriculture accounted for 25% of Hungary's total export.

Small-scale production was not only a source of export income for Hungary but first of all provided a significant income for families living in rural areas. During socialism, most families had some auxiliary income besides wages earned at their workplace – it was hard physical work but was important for their living.

The privatisation of agriculture started in 1992 and was followed by the act on the agricultural lands in 1994 (LV/1994, "Act on arable land"), according to which only natural persons with Hungarian citizenship could own land up to 300 hectares. Business companies were not allowed to own land, however, both companies and Hungarian private persons could rent an unlimited amount of land.

Situation under the new capitalism

In the latest complete agricultural survey of Hungary carried out in 2000 it was not property but land use patterns that were registered. According to the figures, almost half of the land is cultivated by private holdings, the other half by businesses (Inc.-s, Ltd.-s, associations, forest owners' associations, deposit partnerships). The latter cultivate 400–500 hectares on average.

The land use of private holdings shows significant regional differences (Figure 4).

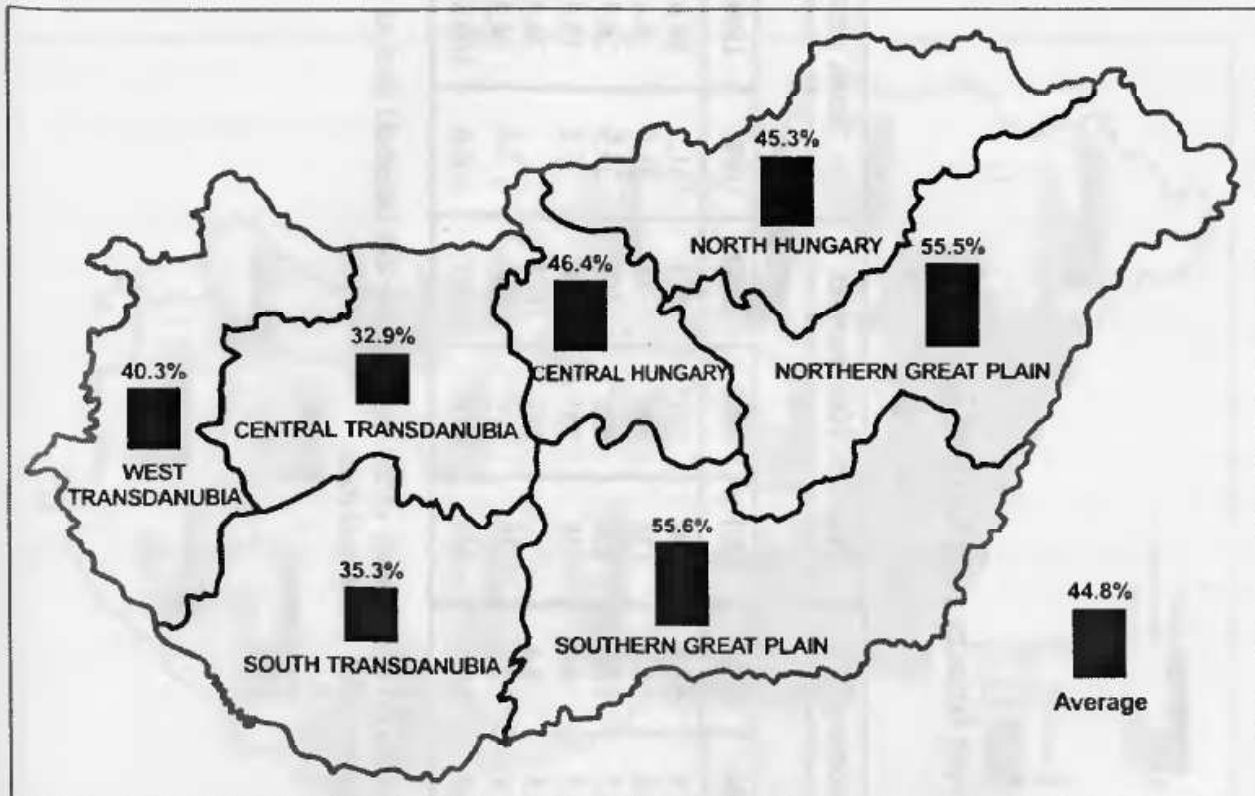
The Hungarian Central Statistical Office registered a total of 960,000 private holdings³ and 8,400 companies in 2000.

In 2000, 65% of all (960,000) private farmers produced for private consumption only, 28.6% of them produced for both private consumption and sale, and only 6.4% of them produced exclusively for sale.

However, 71% of the private holdings cultivate very small pieces of land (up to one hectare). They are not eligible for any agricultural support even after Hungary's accession to the European Union, as the Hungarian support policy decided on the assistance of competitive agriculture. The other end of the range

³ The Hungarian Central Statistical Office registered all those holdings that had at least 1,500 m² agricultural land, one large livestock or 50 poultrys.

Figure 4. Share of land used by private holdings in the regions of Hungary



Source: By the author, after *Agriculture in Hungary*, 2000.

of private farmers is that 5% of them have land in excess of 10 hectares (Table 1). They usually cultivate 100 to 300 hectares. They cultivate two-thirds of all land in the management of private farmers. These farmers are competitive, as are the agricultural businesses. They need a large amount of capital for their production and receive Hungarian and EU agricultural support. Not more than 200,000 farms had themselves registered for EU support. It is typical, however, to register several businesses within one family. I assume that the number of Hungarian families receiving EU agricultural support does not exceed 100,000.

Hungarian agriculture thus has a dual structure. On the one hand, there are large farms, including businesses and larger private holdings and on the other, small farms usually producing for private consumption and selling surplus on the local market.

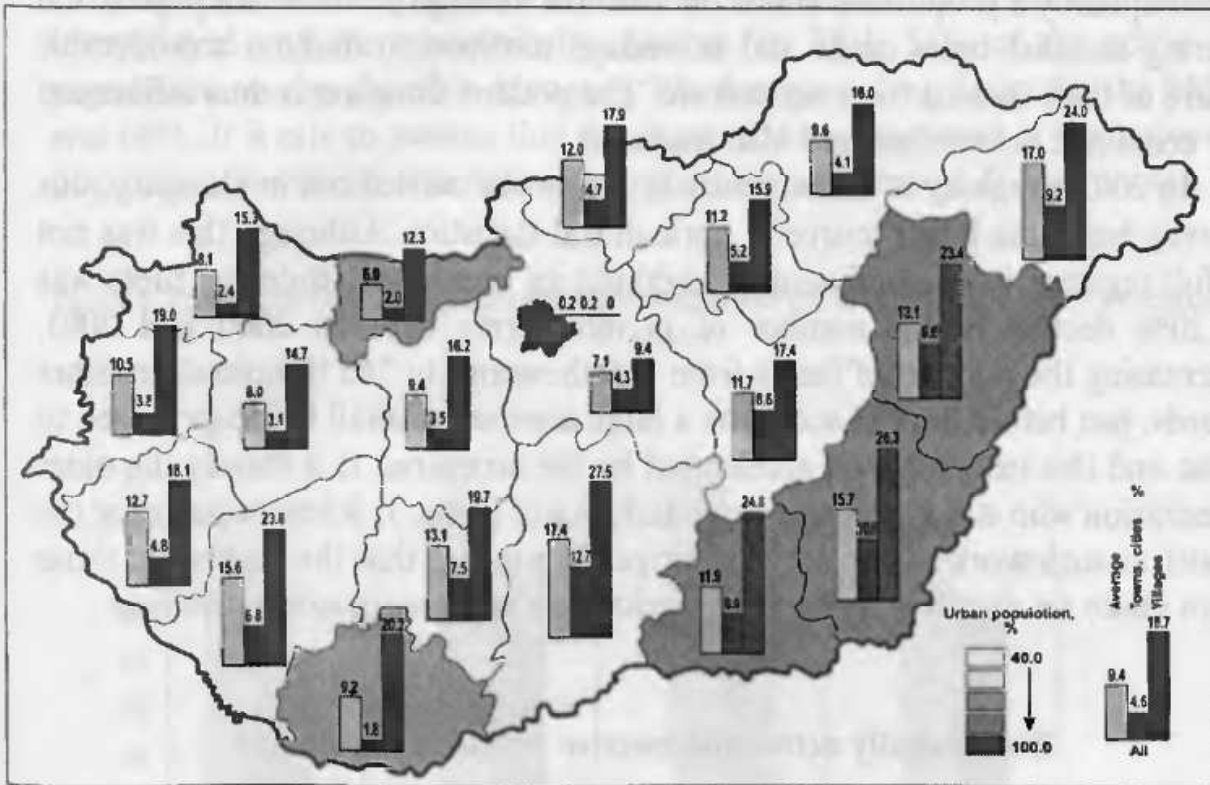
The establishment of these small farms was not motivated by the market economy processes after the system change; they had already existed before the

Table 1. Breakdown of the number and land property of private farmers using land, by holding size

Size of land, hectares	Number, 1000 people			Share, percentage			Number, 1000 hectares				Share, percentage	
	of private farmers using land						of all land					
	1991	1994	2000	1991	1994	2000	1991	1994	2000	1991	1994	2000
- 0.50	1044	839	586	75.6	63.9	61.1	200	219*	113	31.3	14.6	3.9
0.51 - 1.00	199	127	104	14.4	10.6	10.8	138	96	84	21.6	6.4	2.9
1.10 - 5.00	132	185	178	9.5	15.5	18.5	230	400	455	35.9	26.7	15.7
5.10 - 10.00	6	29	42	0.4	2.5	4.4	36	203	336	5.6	13.5	11.6
10.10 - 50.00	} 2	16	42	} 0.1	1.3	4.4	} 36	367	1013	} 5.6	24.5	35.0
50.10 -	1383	1201	960	100.0	100.0	100.0	640	215	896	100.0	14.3	30.9
Total								1500	2897		100.0	100.0

* The lowest size of farms registered was 400 m², and this category included the territory of the farms below this threshold level as well (author).
Source: Private holdings in agriculture, 1994 and Agriculture in Hungary 2000 - regional data.

Figure 5. Proportion of private farms per 100 inhabitants by settlement type, 2000



Source: By the author, after the Land use in Hungary in 2000 – data by settlements – and the county data of the census of 2001.

change (Table 1): in 1991 there were 1.4 million, in 1994 1.2 million private holdings in Hungary.

The breakdown of private holdings by settlement type also shows a varied picture (Figure 5).

If we compare where the proportion of private village farms is high (Figure 5) and GDP per capita is low (Figure 1) there is a close correlation between them. We can see that in areas characterised by a high GDP per capita it is rather rare that village inhabitants pursue private farming activities. These areas are the Central Hungarian region, Pest county and two counties in North Transdanubia: Komárom-Esztergom and Győr-Moson-Sopron. These areas have a sufficient number of jobs, people are not forced to produce food for private consumption. On the other hand, in counties with a low per capita GDP, the local population tries to counterbalance their economic disadvantage by private farming. In the Great Hungarian Plain this is not only true for

villages but also for a significant part of the urban population. The historical development of the Great Hungarian Plain led to the birth of large country towns and a large number of scattered farms after the Turkish conquest. Consequently a proportion above the national average of the urban population during socialist times made and nowadays continue to make a considerable share of their income from agriculture. The present situation is thus influenced by economic constraints and also tradition.

In 2003 a registry of the structure of farms was carried out in Hungary, this survey being the latest source of agricultural statistics. Although this was not a full registry, it was sufficient to highlight an important tendency: there was a 20% decline in the number of private farms between 2000 and 2003, decreasing the number of farms from 960 thousand to 766 thousand. In other words, just before the EU accession a large number of small holdings ceased to exist and this tendency was accelerated by the accession. It is mainly the older generation who still accept this work and way of living. It is less popular for the youth as such work has no social prestige. This means that the number of those who make an auxiliary living from agriculture will continuously decrease.

Economically active and inactive people in the villages

The 2001 census data reveal the following breakdown of the 10 million Hungarian citizens by settlement type (Table 2).

Table 2. Hungarian citizens by settlement type

Settlement type	%
Villages	34.6
Cities and towns	48.0
Budapest	17.4
All	100,0

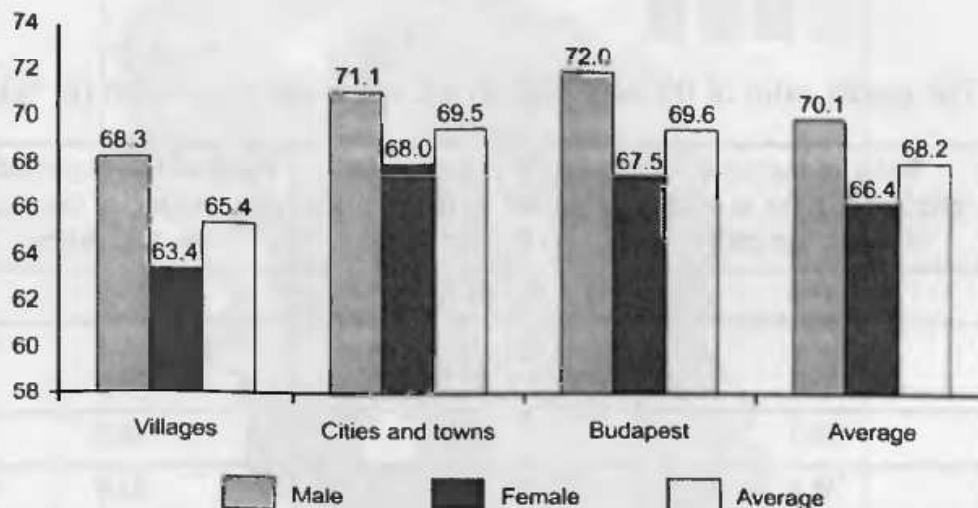
Source: 2001 census data.

Active age population (15–64 years old) varies from one settlement type to the next (Figure 6).

The reason why the proportion of the active age population is the lowest in villages is that the elderly and children represent the largest share in total population.

There are three large groups in the active age population: the employed, the unemployed and the economically inactive. In 2001, 53% of the active age population was employed in Hungary. The corresponding figure for the EU 15 was 68%. It is safe to assume that the share of those employed in the active age population in villages was below even the national average (Table 3–4).

Figure 6. Proportion of the active age population within individual settlement types in a breakdown by gender



Source: 2001 census data.

The gender ratio of the employed to the active age population is as follows (Table 3):

Table 3. Proportion of the employed, unemployed and economically inactive within the active age population (in %)

Settlement types	Employed	Unemployed	Inactive
Villages	47.9	7.3	47.8
Cities and towns	53.9	5.8	40.3
Budapest	60.3	4.0	35.7
Total	53.0	6.0	41.0
Difference of village averages from national average	-5.1	1.3	6.8

Source: 2001 census data.

Table 4. The gender ratio of the employed to the active age population (in %)

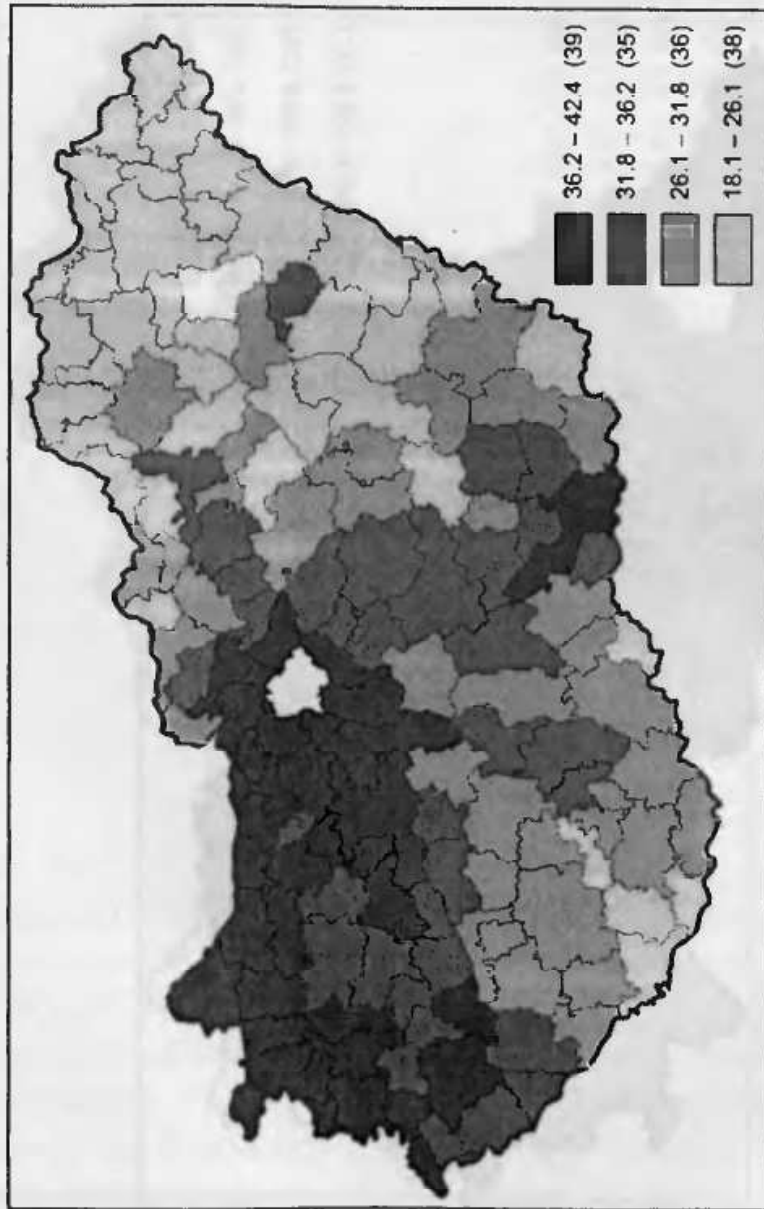
Settlement types	Ratio of the male employed to the number of active age males	Ratio of the female employed to the number of active age females	Ratio of the employed to the number of the active age population
Villages	54.2	41.5	47.9
Cities and towns	59.4	48.7	53.9
Budapest	66.1	55.1	60.3
Average	58.8	47.6	53.0

Source: 2001 census data.

In Hungary the highest proportion of employment among the village population (Figure 7) is in developed industrial regions (Figure 3). These villages have a healthy social structure with a growing proportion of local middle class or middle class people moving there, with relatively good incomes. In other parts of Hungary, there is unemployment and the proportion of an economic inactive population is high.

Full employment, typical in socialism, ceased to exist after the system change. The main losers in the privatisation of urban factories were the village population. They were the first to be fired by new capitalist owners, so that the costs of their commuting to work could be spared. From places where there

Figure 7. Share of employed people within the total population in the villages*



* The micro-region of Hajdú-Böszörmény has a zero figure because this is a micro-region consisting of three towns, without a single village.

Source: Data of the population census of 2001.

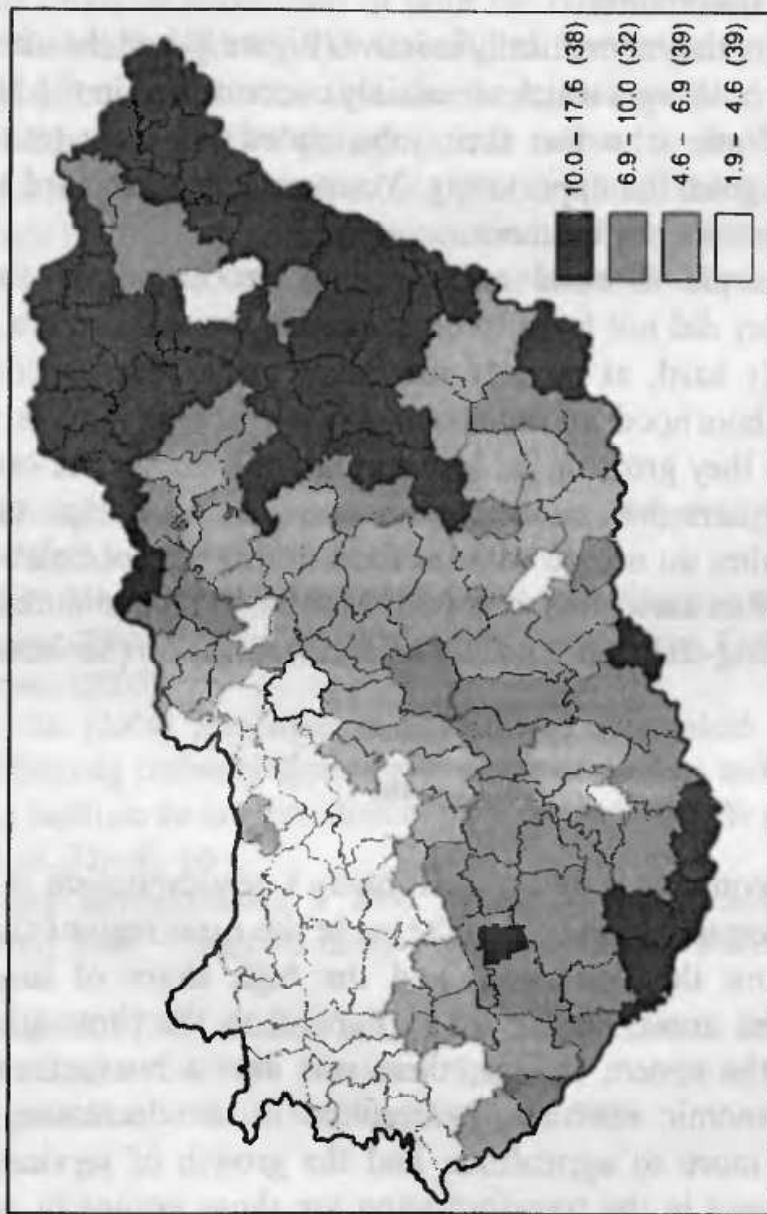
Figure 8. Proportion of the economically inactive village population within the active age village population*



* The reason why datum for the Hajdú-Böszörmény small region is 0 is that there are no villages in it. It consists of three towns.

Source: 2001 census data.

Figure 9. Ratio of the unemployed in villages to the active age village population*



* The reason why datum for the Hajdúszörény small region is 0 is that there are no villages in it. It consists of three towns.

Source: 2001 census data.

were no adequate jobs available in the vicinity, the youth moved if they could – decreasing the number of the economically active population in the villages.

Those who lost their jobs did not go back to the villages and did not start farming there, they applied for unemployment benefit which they were almost automatically given. Although unemployment benefit was a low amount of money, it was a certain income, as opposed to agricultural activities with a certain degree of uncertainty.

The proportion of the economically inactive (Figure 8) and the unemployed⁴ (Figure 9) is higher in villages which are mainly concentrated in the North East and South East. Those who lost their jobs, opted for early retirement or disability pensions, given the opportunity. Younger women decided to become 'full-time' housewives and/or mothers.

Unemployed people in rural areas cannot produce food for private consumption, as they did not learn to do so during the socialist era. This hits children particularly hard, as poverty surrounds them: they experience it at home, in the neighbourhood and at their relatives' homes. This is the social environment which they grow up in. Moral insanity becomes the order of the day for them. Furthermore, municipalities must see to it that children in disadvantaged families do not go without food during school holidays either. Lack of money is often associated with poor health and limited mobility. Their combined effect is long-term marginalisation and segregation (Szoboszlai 2004).

Conclusions

The biggest socio-economic problem in Hungary's new capitalism is the lower proportion of economically active population in the rural regions than on the national average, on the one hand, and the high share of inactive and unemployed in these areas, on the other. Parallel to the elimination of full employment with the system change, there was also a restructuring of the economy. This economic restructuring resulted in the decreasing share of industry and even more so agriculture, and the growth of services in GDP production. The losers in the transformation are those groups in rural areas which have a low level of schooling. During the socialist era this layer was fully

⁴ People who co-operate with employment offices qualify as unemployed. Co-operation means that they report to those offices at certain intervals and must be willing to accept suitable job offers. There are some who, after a while, get tired of reporting, which leads to their exclusion from the social assistance system.

integrated into small-scale agricultural production, but small-scale family farming is declining, especially after Hungary's EU accession, which means a double loss for the above groups, as regards their sources of living.

In the European Union, according to the Lisbon Strategy the main objective is the growth of employment. This objective is fully harmonised with the goals of rural development in Hungary. However, in the 2007–2013 EU budgetary period, the financial allocations of both the New Hungary Development Plan and the National Agricultural and Rural Development Plan of Hungary unfortunately contain too few tools for the implementation of this objective. In order to achieve a positive change in this respect in the future, local society should be strengthened. This is a long process the first results of which can be noticed once the increase of employment in rural areas is seen as the interest of the majority of society, and not as a narrow local interest.

References

- Egyéni gazdaságok (Private holdings in Agriculture) (1994), Hungarian Central Statistic Office, Budapest, 1995.
- Földhasználat Magyarországon a 2000. évben – településsoros adatok – (Land use in Hungary, 2000 – data by settlements). Hungarian Central Statistic Office, Budapest, (2000).
- Szoboszlai, Zs. (2004), Szegénység, marginalizáció, szegregáció. Adalék a társadalmi egyenlőtlenség értelmezéséhez. (Poverty, marginalisation and segregation. Further data to facilitate the interpretation of social inequalities.) *Tér és Társadalom*, XVIII. évf. 3. sz. 25–42. pp.
- Magyarország mezőgazdasága a 2000. évben – területi adatok. (Agriculture in Hungary, 2000 – regional data). Hungarian Central Statistic Office. Budapest, (2000).
- Népszámlálás 2001 (2001 census). Hungarian Central Statistic Office. Budapest, 2002.
- Területi Statisztikai Évkönyv (Regional Statistical Yearbook of Hungary). (2005), Hungarian Central Statistic Office, Budapest, 2006.