

Employment and Human Resources Development in the Rural Areas¹

A research and debate paper by Dr. Catalin Ghinararu, senior researcher and Scientific Secretary of the National Labour Research Institute of Romania

Content of the Paper

1. Introduction – scope of the paper and issues under debate
2. Rural Demography – 200 years of evolution of the Rural population in Romania;
3. The Fundamentals of Agricultural Employment and Human Resources (H.R.) Development in the Rural Areas-Riccardo revisited;
4. Evolutions of Agricultural Employment and H. R. Development Processes in the Rural Areas throughout Transition and Pre-Accession period (1990-2004)-structures and distributions;
5. The Road Ahead – Projections of Agricultural Employment for the coming decade and challenges for Rural H.R. Development in view of Romania's EU membership;

Bibliographical note

1. Introduction – scope of the paper and issues under debate

This paper aims to deal with one of the problems at the core of labour market, social and human resources development as well as general economic development debate in Romania. The share of agriculture, as a fundamental sector of Romania's economy, in total employment, as well as the means and ways through which almost half of the country's population, inhabiting its communes and villages will start being more deeply involved in the development processes fuelled by the country's completion of Plan to Market Transition while in the meantime prepare for its incoming EU membership, are a widely shared concern both among policy makers as well as the academic community and civil society. Increasingly, the business sector, until now overwhelmingly concentrated in the urban areas, starts looking with more

¹ This paper has been elaborated at the request of the D.G. Employment and Social Affairs of the EU Commission (Desk Officer Romania) as a part of an ad-hoc assignment undertaken under the umbrella of the European Employment Observatory, for which the author serves as national correspondent.

concern towards this large untapped reservoir of both natural resources and labour, which combined could easily turn Romania into a “power-house” of Europe, as labour force gradually released from subsistence agriculture would allow for a higher outputs at costs that will be still a fraction of the ones in the West, taking into account both the current as well as foreseeable level of salaries.

Thereby, while looking at issues that are already into the spotlight for some time, the paper will also embark upon a less traditional vision, especially when shedding light upon the “dimension” of agricultural employment as expressed by its share in total employment, thereby arguing for a more-nuanced and deeper going measure, aimed at revealing the strong ties that this particular type of employment develops with the natural factor as well as its strong dependence on historical developments both recent and more distant ones.

In the meantime the paper will attempt at examining the effects of policies pursued throughout the transition period from Plan to Market and their effects on the short-term evolutions of agricultural employment as well as on wider scale on human resources development in the rural areas. As such, while re-asserting the traditional view and giving an analysis of traditional measures and structures the paper will in the meantime innovate by looking at those underlying factor that determine the current “behaviour” (i.e.: evolution)/ It will thereby introduce the concept of “behavioural equilibrium” for the share of agriculture in total employment and thus will assess both current as well projected evolutions of this employment aggregate against this newly devised theoretical threshold, which will again shed a new and more clear light upon the tricky issue of Romania’s alleged over-employment in agriculture.

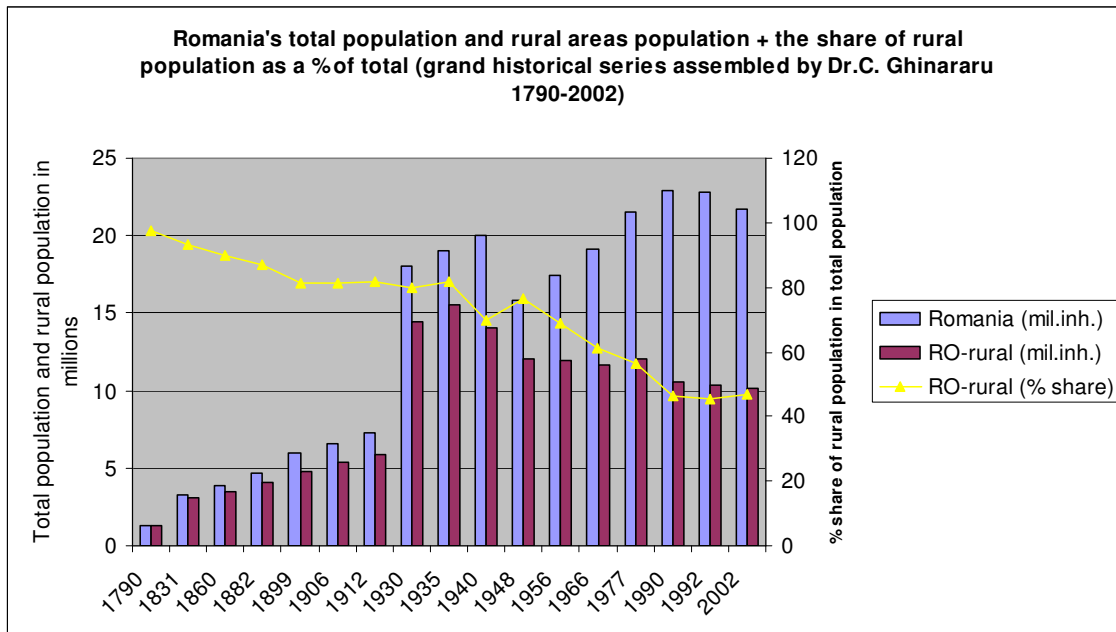
Finally and most important we will try to provide our readers with a glimpse of the “things to be”, thereby looking into the future and projecting the share of agriculture in total employment for the next decade and thus well ahead into the period when Romania will be a full member of the European Union.

We will of course shy away from the belief that even by employing a combination of both “orthodox” and “less-orthodox” methods of investigation we would have exhausted the topic or would have finally provided the decision-makers and other stakeholders with a panacea, even when it comes to the mere way of looking at the phenomenon itself. Nevertheless, what we firmly believe is that by this paper we would have shaken some of the so-called “conventional wisdom” on the subject which, by employing excessively crude and un-appropriate measures has induced a vision that failed to capitalize upon one of Romania’s foremost comparative advantage in order to turn it into a first-hand competitive advantage.

2. Rural Demography – 200 years of evolution of the Rural population in Romania

Currently Romania has a population of 21.7 million inhabitants according to data released by the last Census, undertaken in 2002. Out of these, an astounding 47%, or 10.4 million inhabit its villages and communes, most of them spread through the hills and valleys that form 67% of the country's territory, leaving thereby the relatively vast plains that border the Danube, still sparsely populated almost 200 years since the Peace of Adrianopole (1829) when the two Danube Principalities of Walachia and Moldavia (the areas outside the Carpathian range) embarked on a capitalist path of development which led to the formation of modern Romania in mid-nineteenth century. This movement also sparked a general development of agriculture as the country started to tap, on a market basis, its natural resources, opening itself to commerce and igniting a rise in total population. This jumped from a mere 1.3 million at the end of the 18th century to 3.8 million by mid-nineteenth century, sky-rocketing to 7.2 million at the beginning of the 20th, courtesy to a marked growth in crude birth rate, which mostly originated also in the rural areas as well as to growing economic prosperity and the socio-political stability that accompanied it, both of which had their roots in the capitalist development of the country's agriculture. While the share of rural population in total population declined sharply in between 1882 and 1899, from almost 88% to somewhere around 81%, it subsequently hovered around the threshold of 80%, albeit constantly declining, for the first three decades of the 20th century. This development owes both to a constantly above the European average birth rate, with Romania boasting Europe's highest birth rate in the mid-thirties, as well as to the fact that in the aftermath of WWI, while reuniting Romanian majority inhabited territories previously under Habsburg or Tsarist rule, has enacted the most comprehensive land reform in Central and Eastern Europe. This has radically transformed the property structure, tilting the balance overwhelmingly in favour of the small, ultra-labour intensive family farms. Such particular development, which has no match in the rest of the region, has brought the country the much desired social peace in a period of extreme turbulence throughout Europe but in the meantime has dented its capacity of turning its agriculture into a highly productive, export-oriented one and thus artificially kept a large share of the population in the rural areas, trapped into rather low-yielding subsistence farming. However, one can presume that, without the communist onslaught that ensued in the aftermath of WW-II, the country would have most probably evolved alongside the path followed by France, itself also a country still vastly rural at the end of the forties, but which transformed its agricultural and rural landscape, without entirely losing its specificity, into a highly productive, high-value added oriented one (both with respect to the products as well as to the production processes involved).

Chart-1



(Source: Historic statistical population data processed by Dr. Catalin Ghinararu)

However, as history is not constructed on “what would it be if.....” the communist takeover, which forcibly overthrew the country’s constitutional monarchy at the end of 1947, embarked on a massive and brutal process of Stalinist industrialization, which simply aimed at erasing the traditional rural environment and wiping out private property in agriculture, by the confiscation of lands and their amassing into Soviet-style collective farms. The final goal was to turn a nation of owners into a nation of proletarians, which would be easily manoeuvred by communist apparatchiks. As such, rural population entered a sharp decline, coming down from around 75% in 1948 at the onset of the so-called “collectivization of agriculture” as the communist propaganda called an operation which was an outright confiscation of people’s properties, to 60% in 1966, when the operation was already over for three years and thereby all private property structures, except for marginal cases in remote mountain areas, have been simply wiped out. This reduction in rural population which continued apace during the 1970’s, with its proportions in total population further dropping towards 56% and finally stopping approx. 5 percentage points above the 40% threshold in 1989-90, has not been accompanied by any significant improvement in agricultural productivity. On the contrary the country simply slumped into chronic alimentary shortages that peaked in the near-famine of the 1980’s when for the first time ever, in a period of peace, rationing of food products became quasi-general. Moreover, while engineering a disastrous industrialization policy that starved agriculture of much needed labour, which the regime was unable to sufficiently substitute with a capital that its policies were un-capable of generating, it also deprived rural areas of the benefits of modern developed. As a result, Romanian villages in the late 1980’s were

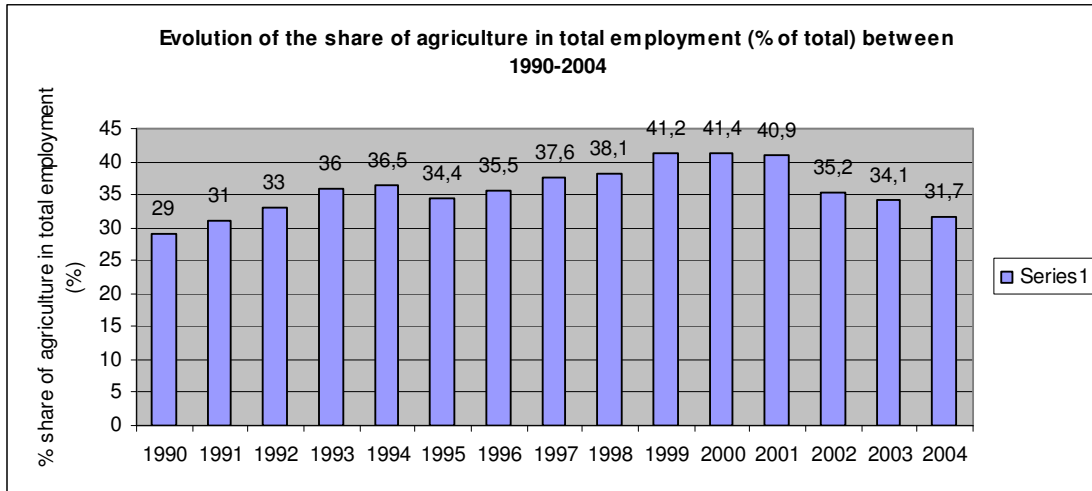
displaying not much change as against their state in the late 1950's. Apart from electricity, which was anyway subject to a more-severe rationing in the rural areas, they had no running water, no canal and gas. Telephone was "*rara avis*". Population was ageing fast in these places, which were by no means capable of luring in the youngsters that preferred cramming into clumsy block-neighbourhoods, where at least they had the perspective of a job. One can easily say that at the end of the eighties, while urban population was nearing starvation, rural areas were nearing total annihilation.

The Dec.1989 Revolution that ended 40 years of communist regime saw the beginning of the reform process that finally brought the country back into the family of liberal democracies that base their economies on market mechanisms. That squarely meant that most of the un-efficient enterprises that have been built without any economic rationale during the communist era, had necessarily to go as they were not able to compete on the free market. As the reforms kick-started these companies started to shed labour massively, with entire communities seeing how their workplaces were simply vanishing. As such, unemployment which quickly went up to almost 10% in the first years of transition would have simply swallowed the economy and drained whatever limited resources the state had at that time. As such, there was a simple and rather obvious option: Rapid privatization of agriculture by the restitution of properties on a massive scale thus reverting to pre-communist property structures. These were labour-intensive and thus fully capable to absorb the excess labour from the restructured or closed state enterprises. This would have also solved the alimentary crisis that haunted Romania all throughout the eighties and ensured at least some kind of alimentary self-sufficiency, in a country was once one of the main grain exporters of Europe, but which has been brought to its knees by four decades of Central Planning. The enactment of the first law aiming at the restitution of properties, which massively favoured small farmers resulted in the complete dissolution of communist collective farms (1991) and thus in a complete reshaping of the property structures in Romania's agriculture, with 60% of the agricultural surface going back to its former private owners or to their heirs. This has triggered the start of an outflow of people from the urban areas which were offering no other perspective than unemployment to rural areas where at least there was some subsistence employment and the perspective of gaining some monetary income from the sale of whatever surplus of products a small family farm can produce. While this outflow has been slow during the early nineties, with the centre-left Government that ruled the country from 1992 to 1996 trying to revive the economy's old stock of assets thereby practically interrupting the reform process, beginning with 1996-97, this outflow accelerated massively, as the centre-right coalition that swept into power in 1996, embarked on a path of decisive, essential reforms aimed at turning Romania into a market economy and thus reaching the so-called "critical mass of progress in transition", so as to make reform capable of yielding benefits to

the large mass of households and enterprises. This new path of “encouragement and discipline” has forced mass restructuring and privatization of the state enterprises and thereby generated a second wave of mass unemployment (1997-99). But while administratively calculated unemployment rate peaked at all-transition high of 12%, with some “judets” even reporting for brief periods of time in 1998-99, therefore at the height of the massive restructuring and privatization process, rates of 16%, 18% and even 20%, the LFS/ILO calculated rate never went above 7%-8%, which means a fairly acceptable rate of unemployment even by the standards of far more advanced economies. The sole explanation for this is the massive inflow into the rural areas and into agricultural employment that reached its peak during the same period, topping at 40% of total employment in 2000, which means only one year after conventionally the economy attained the so-called “critical mass of progress on transition”. Rural population also went up again during this same period, reaching almost 50% of the total, as recorded by the 2002 Census. This mostly has to do with a total inversion of the domestic migration flows from 1996 onwards, which have since then favoured rural areas. Practically dislocated workers fled the cities and moved back into ancestral rural background thus shielding the economy from massive unemployment and facilitating further reform while in the meantime reinvigorating an environment which until the mid-nineties was characterized by extreme ageing (by 1995, there were mostly rural “judets” in the South of the country where population above 65 years of age, was reaching an astonishing 18-20% of the total, which by demographic standards means severe ageing!!!). The explanation to these processes which by size are unique in the region lies not only in the richness of Romania’s natural factor, which is highly favourable to agriculture and agriculture-related activities but also in a particular choice of reform (massive restitution of properties) and in a particular property structure in the pre-communist period, which overwhelmingly favoured small farms, thus being labour intensive. This actually turned Romania’s agriculture and more generally its rural areas, into a “buffer area” that absorbed the shock of transition without generating the sort of massive unemployment that still plagues other countries in the region. Further reforms in the late 90’s (1998 and 2000) enacted by the same centre-right coalition that governed the country between 1996 and 2000, widened the scope of property restitution by dissolving the loss-making state farms (these were exempted from the restitution of properties in 1991, a half-reform measure which only generated tensions in rural areas and cost the state dire in terms of bail-outs for the massively indebted state farms) and returning their land to the former owners. Forests were also returned to their former owners on a far much larger scale than in 1991.

A new set of laws adopted this summer (2005) has finalised the process.

Chart - 2



(Source: National Institute of Statistics of Romania, processed by Dr. C. Ghinararu)

While of course the “new blood” instilled by urban to rural migration did not mean a radical change in the demographic patterns of the rural areas (i.e.: birth rates did not register any significant increase due to that, though the rural areas are still faring better at this indicator than the urban ones) still it created a vast reservoir of cheap labour, that now fuels into the domestic growth by providing cheap labour for the booming construction sector, for the textile and leather one but mostly by pumping into migration for employment abroad, which generates an increasing flow of remittances that also help the domestic growth, albeit not necessarily in a sound manner.

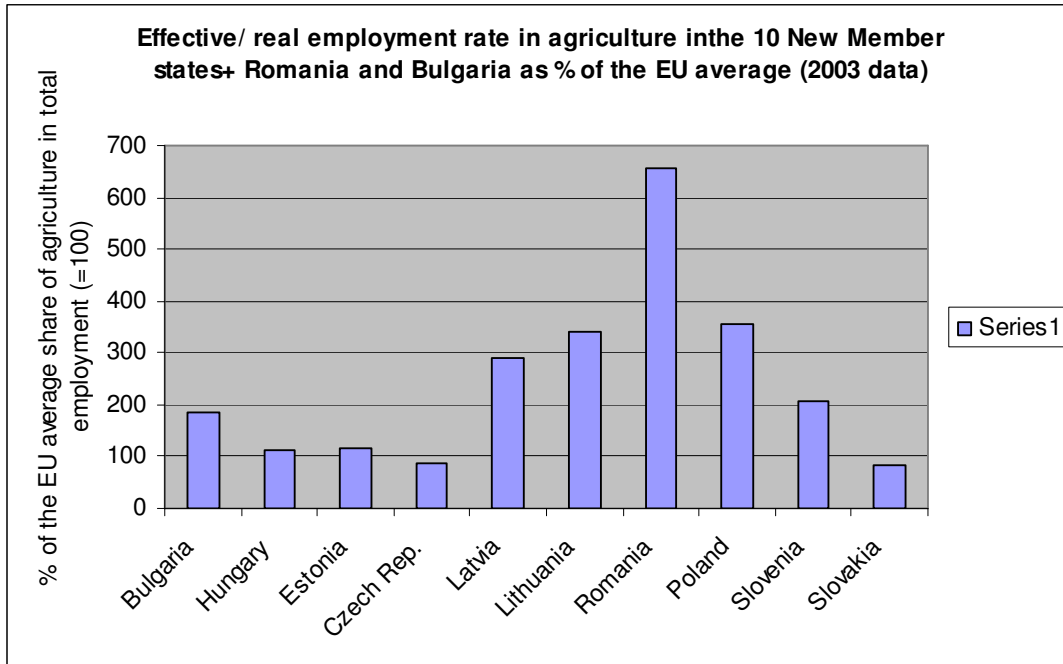
As such, this potential has to be harnessed for the domestic growth rather than being left wasting itself into the shadow economy or into migration for employment abroad, which in itself is nothing else than another “face” of shadow economy. This massive reservoir of cheap labour can generate huge increases in productivity and thus in output, without increasing the cost of labour or in other words without increasing salaries by much, “playing” as such on the abundance of the labour supply. Although Romania has entered a period of abundant working age population as the large generations born in the late sixties and the eighties are either on the labour market and there to stay for the next 20-25 years or just entered it (the case of the generations born in the eighties), still for the already over-stretched and only half-reformed public social security systems this is a short period (i.e.: it covers only one generation!!!). If the human resources potential of the rural areas is not harnessed for the domestic economy and it is not developed so as to become not only economically active but also “fiscally and social-security active” then, this window of opportunity which has been inadvertently offered by the brutal pro-birth policies of the communist regime, will soon close and Romania will face a serious crisis. Its victims will be exactly those large generations that now provide the bulk of its

workforce. And this will be unfair, as these were the generations that made actually the “great change” possible.

3. The Fundamentals of Agricultural Employment and Human Resources (H.R.) Development in the Rural Areas – Riccardo revisited

Natural factor is a key one for the development of agriculture and thereby should also hold the key to the dimensions of agricultural employment and the importance of rural areas in a country’s economy. As such, countries better endowed with natural factor, in itself a “classic” comparative advantage, should display a higher share of agriculture and agriculture related activities in total employment as well as a higher share of agriculture in GDP formation. Although technology can compensate quite a lot, still the sheer amount of “sinking investment” that is needed to turn poorly endowed natural factor into an at least “moderately endowed one”, might as well act as a very powerful deterrent and therefore “leaves” the natural factor, as an economic variable, with sufficient enough explanatory strength, both with regard to the share of agriculture in total employment as well as with regard to its contribution to GDP formation. If in a “closed economy” a country might, even rather poorly endowed with natural factor might be tempted into the so-called “alimentary self sufficiency”, thereby throwing dollops of tax-money into an un-efficient agriculture, in an “open” “global” economy, such a policy becomes a drag on country’s overall development and thus, surprisingly, globalisation as a process renders “natural factor” even stronger as a determinant of agriculture and rural development policies, than ever before, thus doing justice to the old Riccardian theory. Consequently, countries that fare worse at natural factor endowment should reduce their agricultural economies, with their associated employment to an absolute minimum, leaving thus room for the better-faring ones and enabling them to capitalize on this comparative advantage and turning it into a competitive one. It would be just a “win-win” case, with the opposite actually being a “lose-lose” case.

Chart - 3



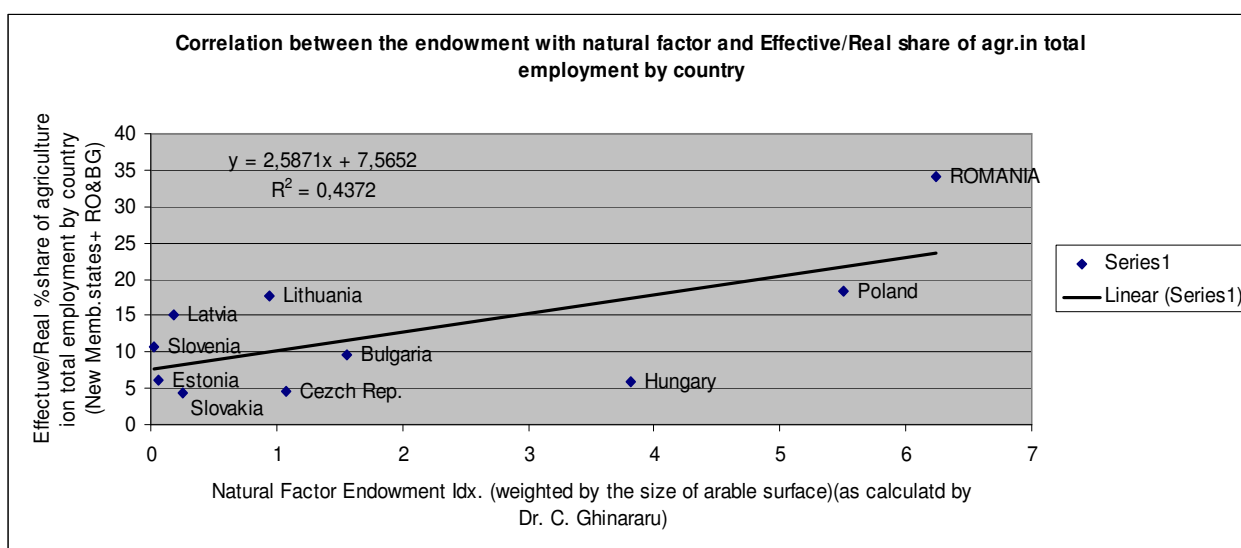
(Source: EUROSTAT data, plus own calculations of Dr. C. Ghinararu)

If we were to bundle the natural factor, in itself a combination of many elements (climate, soil, landscape territorial disposition and variety, share of arable surface out of total agricultural surface) all of them weighted by the size of the surface as so to equalize differences on the same principles as for the PPP, we would obtain a synthetic index, ranging on a scale from 0 to 1, which as we will see is capable of explaining much of the differences in the share of agriculture in total employment, on the one hand and on the other hand, gives us a totally different picture, on how actually a country has fared in adjusting its agricultural employment to effective market demands. Applying such an index on sample consisting of the countries in Central Europe that have recently entered the EU plus Romania and Bulgaria and performing a regression of the share of agriculture in total employment on the values of this index for the countries in the sample, will result in the natural factor as commensurate by our synthetic index, explaining a sheer 43%, which means practically almost HALF, of the cross-countries variations in the share of agriculture in total employment. Practically, for this group of countries, the natural factor as an exogenous variable encapsulated in the form of the calculated “Natural Factor Index”²,

² The Natural Factor Index is calculated by Dr. C. Ghinararu, by weighting, using different weights, various elements of the natural factor that are considered as influencing to a fairly large degree, the agricultural production process. These elements are: climate, soil, landscape territorial disposition and variety, the share of arable surface as % of total surface, all of them weighted by the size of the arable surface of each country in the sample, as a % share of the total arable surface of the region. The index takes values from 0 to 1. Conventionally the value 1, both for the overall index as well as for the “component indexes” (soil, climate, landscape) is given assigned to France, considered as the country in Europe with the best natural conditions for agriculture.

becomes a “fundamental determinant” of the share of agriculture in total employment. As such, one can determine an “equilibrium share of agriculture in total employment” that is consistent with a country’s endowment with natural factor. Moreover, performing the same regression we referred earlier in this paragraph will yield us a positive, linear and direct correlation which squarely suggests that the better an economy in our sample fares at natural factor endowment, the higher the share of agriculture in total employment it will display. One has to mention that data for the share of agriculture in total employment for each of these countries were simple averages for the period 1990-2003. This is the sole linear relation that establishes itself between the share of agriculture in total employment as an endogenous variable and various exogenous variables, on which regressions have been performed, a fact which only strengthens our argument.

Chart - 4



(Source: Calculations performed by Dr. C. Ghinararu, using EUROSTAT data)

Trying to go further with explaining the share of agriculture in total employment and thus determine a level of “equilibrium”, be it “fundamental” or “behavioural” and as such consistent with stability of the variables that significantly explain both its long and short term variation, we have turned our attention to property structures in agriculture. As they display a far more intricate link with the natural factor than property structures in other sectors of the economy and as such more prone to “sinking investment” they tend to show a rather higher resilience over time and thereby, theoretically at least, have a strong influence upon the share of agriculture in total employment as well as upon its structures. Consequently, dramatic shifts in such a structure, which occurred throughout the region both at the beginning of the communist period as well as during the transition years, are bound to strengthen the influence of the property structure on both the size as well as on the structure of agricultural and

agriculture-related employment. Performing again a regression, using the same sample of countries, of the share of agriculture in total employment on the “Historic evolution of property structures during the second half of the 20th century”, encapsulated again in an “Index of Historic Conditions”³, ranging from 0 to 1, will not yield of course another linear correlation as in the case of the natural factor but will nevertheless manage to explain a further 17% of the share of agriculture in total employment for these countries (i.e.: the New Member states coming from Central Europe + Romania and Bulgaria). Moreover, what the correlation tells, is that countries that had more fragmented property structures and endured a harsher Soviet-style collectivization of the agriculture will tend to display a higher share of agriculture in total employment, after the collapse of communism, than countries which had less-fragmented property structures and/or experienced a rather lenient approach towards private property in agriculture while under Central Planning. As such another fundamental determinant appears, courtesy to the fact that transition policies that followed in the aftermath of the collapse of communism tried to revert as much as possible to the property structures that predated this era and thus re-created property structures which will be hard to dislodge, irrespective sometimes of their economic efficiency or inefficiency in the 21st century global economy.

Going even further, transition policies and especially the path of transition or rather the speed with which reforms have been implemented has also powerfully impacted upon the share of agriculture in total employment and upon the structure of agriculture and agriculture-related employment. Thus, the number of years that took a country (i.e.: a national economy) to reach to so-called “critical mass of progress in transition threshold” as a proxy for the speed with which essential market-oriented reforms have been implemented, more than sufficiently explains the actual share of agriculture in total employment. Performing again a regression of the share of employment in agriculture for the same sample of countries on the “number of years it took an economy to attain the critical mass of progress in transition” will again no yield a linear relation but will result in a degree of explanation of more than 70%. This of course qualifies the speed of transition or the nature of its policy line (i.e.: there are two

³ The Index of Historic Conditions with regard to the historic development of property structures in agriculture, has been calculated by Dr. Catalin Ghinamaru, by weighting, using different weights, the degree of fragmentation of properties before the communist take-over in Central and Eastern Europe as well as the degree of concentration of property during the communist period, as a result of Soviet-style collectivization of agriculture and confiscation of properties. Countries that experienced high fragmentation of properties in the pre-communist period and therefore had structures that heavily tilted towards small farming are receiving higher ratings on a scale ranging from 0 to 1, with 1 representing an agriculture almost wholly dominated by small farming. Also, countries that have experienced almost collectivization of agriculture during the communist period receive also higher values on a scale that also ranges from 0 to 1, with 1 being associated to countries that were an integral part of the former USSR (e.g.: the Baltic States). The two component index (i.e.: the index of the degree of fragmentation of properties and the index of collectivization) are then assembled together and thus the aggregate index results. As such, countries that went from very fragmented pre-communist structures to very concentrated one during the communist period experienced the highest distortion and as such are bound to have their share of agriculture in total employment as well as the structure of agricultural employment heavily affected.

such main lines that have been followed, according to the experts of the World Bank: “encourage and discipline” also known as the radical/shock path and the “discourage and protect” or the “stop and go”, gradualist path) as a fundamental determinant of the share of agriculture in total employment as well as of its structure. Still, this does not dethrone the natural factor, still the only one to establish a direct, linear and positive correlation with the share of agriculture in total employment, moreover as with the passing of time and with the transition period from Plan to Market getting farther away in the past, its impact upon the economy and as such on the labour market will start to fade, though for a foreseeable period of time it will still remain significant.

Assembling all these three determinants in one equation will show that while natural all of the three factors add to the share of agriculture in total employment, thus resulting that a country that cumulates, both a relative richness of natural factor, as well as a property structure that is more fragmented and a history of brutal communist collectivization, which, *inter-alia*, adds the most to the share of agriculture in total employment, thereby pointing to the importance of property structures in agriculture and in the end a rather lengthy transition, is bound to have a high share of agriculture in total employment. As such, performing a regression of the share of agriculture in total employment on all these three factors will result in a staggering 69% of the current share of agriculture in total employment in the countries included in our sample being explained. Taking out the number of years to the attainment of critical mass of transition which can somehow be considered as less of a fundamental determinant, only brings down the level of explanation to around 68%.

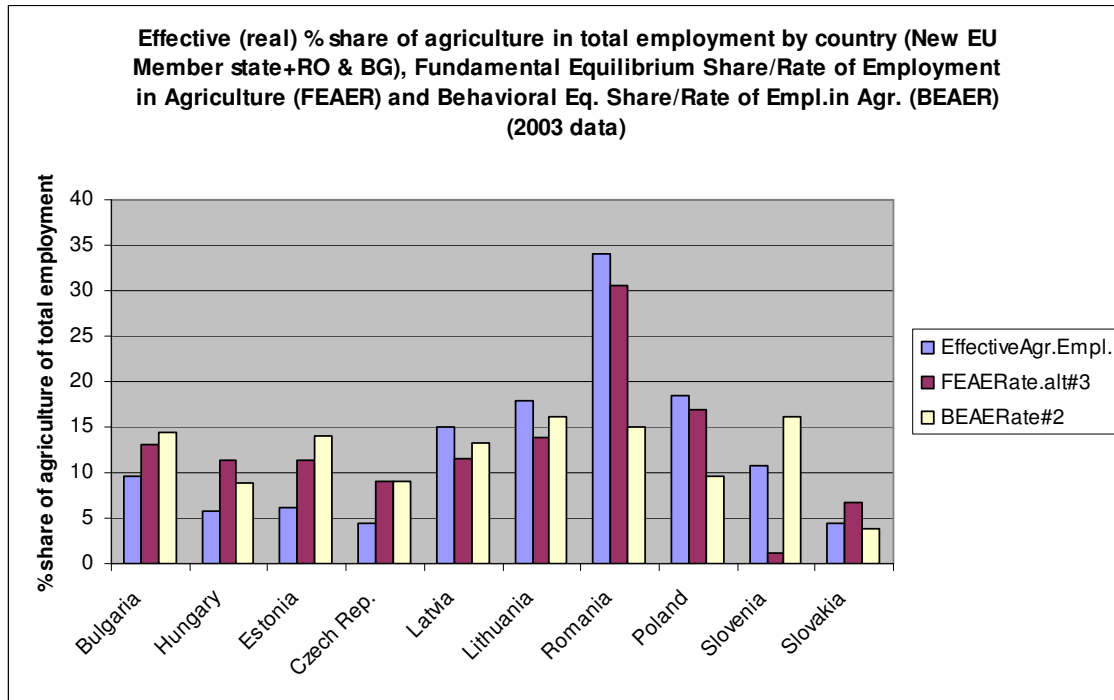
Table 1 – The Fundamental Equilibrium Share of Agriculture in Total Employment – Regression of the Share of Agriculture in Total Employment on the constructed “Natural Factor Index” (1), the constructed “Index of Historic Conditions” (2) and the “Number of Years to the attainment of the critical mass of progress in transition”(3), as explanatory variables:

Explanatory variable	(1)	(2)	(3)
Natural Factor Index	2,58	3,11	2,8
Index of Historic Conditions	-	19,2	8,04
Number of Years to the attainment of the critical mass of progress in transition	-	-	2,72
R ²	0,43	0,67	0,69

(Source: Calculations performed by Dr. C. Ghinararu)

Thereby, employing such a model one can determine a “fundamental equilibrium share of agriculture in total employment” that is consistent with a national economy endowment with natural factor as well as with historically-developed property structure plus to a certain extent, to its path of transition.

Chart – 5



(Source: Calculations performed by Dr. C. Ghinararu)

Looking now from this particular point of view to the effective or real shares of agriculture in total employment displayed by the countries in the region Romania is part of, will of course reveal us the familiar picture of Romania topping with a share of agriculture in total employment that exceeds the EU average by more than 600%, followed by Poland and Lithuania that exceed the same average by more than 300%, still half of Romania’s excess of the average, Latvia with a notch below 300%, Slovenia and Bulgaria are around 200% of the average and finally countries like Hungary, Estonia, the Czech Republic and Slovakia that either somewhere around or even below that average. As such, Romania has the most to work, as it would be completely out of the line. But such a comparison is too crude and inaccurate as it does not take into account the “fundamental equilibrium share” and does not compare the effective/real level with this “theoretical” threshold, which nonetheless shows actually how much a country really diverges not from a crude average, but from a level that is consistent with its endowment with natural factor and its property structure not to say about its won path of transition. Looking to the picture in this way makes Romania appear in a far better position, as its share of agriculture in total employment calculated for 2003 (the last year for which coherent data for all the countries in the sample were available when this paper has been elaborated), stood only 12% above the fundamental equilibrium level. If we would plot 2004 data, then the effective level would be only 5% over the fundamental equilibrium level, thus pointing to the tremendous progress made by the country since its attainment of the critical mass of progress in transition (1999) and the

consequent resumption of economic growth (2000), a time when the share of agriculture in total employment was 36% over the fundamental equilibrium level. Poland also scores better, being only 8% above this threshold, while Lithuania and Latvia which scored better in the first and most widely, albeit crude, comparison, now score worse, being 28-29% over the equilibrium level. But, Slovenia, which in the first comparison also appears only 200% over the average scores the worst, thanks to the protectionist policies applied by Slovenian authorities for more than a decade since their secession from former Yugoslavia, being with its current share of agriculture in total employment ten (10 !!!) times over the fundamental equilibrium level. Countries that either lack natural factor and do not try to pretend having it or which have implemented far-reaching liberal policies (e.g.: Estonia) have a position that is consistent and convergent with the one shown by the first comparison or in other words below or somewhere around the EU average and below their fundamental equilibrium, sometimes by as much as 50%, thereby confirming the theoretical assumption made, that in a global economy, countries that do not have much of an endowment with natural factor should simply shy away from agriculture.

But the fundamental equilibrium share can be considered mostly as a maximal threshold of effectiveness and efficiency for the share of agriculture in total employment, above which a country should try not to get, as it would hinder its general and especially labour market development. Therefore, the factors that underpin such a threshold are usually the ones that determine long-term evolutions of the share of agriculture in total employment and as such hard to influence by current, short term or even medium term economic and employment/labour market policies. Consequently, one should also aim at determining those factors that explain the short and medium term evolutions of the share of agriculture in total employment or its behaviour and as such a behaviour that would be consistent with sustainable growth in a climate of non-accelerated/low inflation and low unemployment. As such, a new threshold will emerge, one that we will call the “Behavioural Equilibrium Share of Agriculture in total Employment”.

Chart - 6

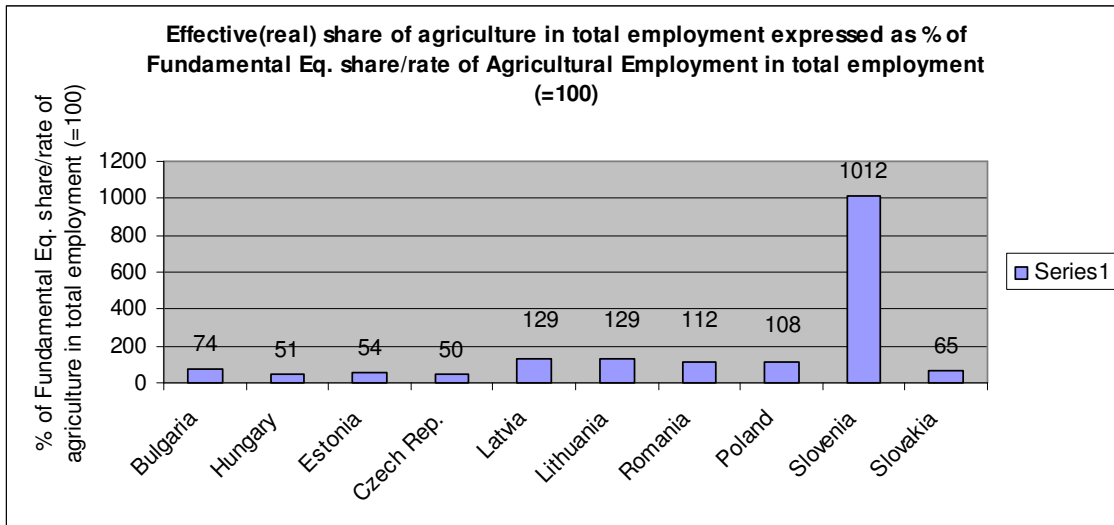
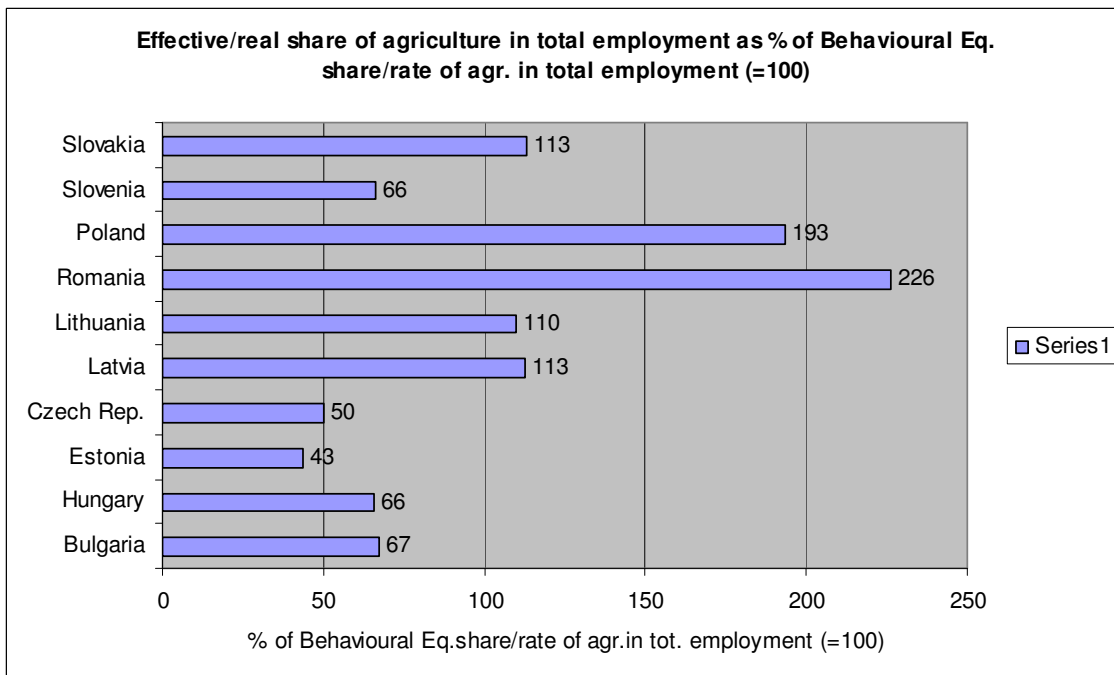


Chart 7



(Source: Calculations performed by Dr. C. Ghinararu)

Performing a regression of the share of agriculture in total employment for the same sample of countries of the average of economic growth (G.D.P. %) for the period 1990-2003, will not result in much of an explanation, which once again proves that the share of agriculture in total employment is a rather resilient aggregate, which cannot easily be dislodged by short term moves in economic growth. Therefore, the accumulation of a rather long period of negative or even stagnant growth, as in the case of Romania, can make it even harder to dislodge. When one would then perform a regression of the same share of agriculture in total employment on the % variation of the CPI or in other words on the

inflation rate, taken as an average for the period 1990-2003 and for the same sample of national economies, the degree of explanation would increase a bit, to an approx. 17%. This shows that as most of the employment and especially as most of the population demographics and the share of agriculture in total employment can be considered as a much an employment as a demographic aggregate, they display a heavy dependence on “predictability” as expressed by stability in prices (i.e.: in their variation as expressed, however imperfect, by the CPI). As such the higher the predictability of an economic environment, as measured by its variation in prices, the smaller the rises in the share of agriculture in total employment. Actually, at low inflation rates, the inflows into agricultural employment become incremental. This further confirms the role of the agriculture as “economic and employment buffer” in times of hardships. Consequently, countries that are rich in natural factor are more likely to make use of this buffer when encountering economic difficulties and the difficulties of transition have been of an unprecedented nature in economic history and thereby avoid unemployment while the opposite holds for those less endowed with natural factor.

Table 2 – The Behavioural Equilibrium share of Agriculture in Total Employment – Regression of the share of Agriculture in total employment on various macro-economic aggregates, as explanatory variables:

Explanatory variable	(1)	(2)	(3)
GDP% (1)	-1,62	0,26	0,89
CPI% (2)	-	0,08	0,10
Unemployment rate (LFS/ILO calculated) (3)	-	-	-0,70
R ²	0,05	0,16	0,23

(Source: Calculations performed by Dr. C. Ghinararu)

Still, combining GDP% and CPI% as averages for the period 1990-2003, we have barely explained 17% of the variations in the share of agriculture in total employment across the countries in the sample. As such, we will add another important variable, which will be none other than the Unemployment rate (LFS/ILO rate and not the administrative one which is not comparable). Performing a regression of the share of agriculture in total employment on the three macro-aggregates we have talked about in the last paragraphs will result in explaining the cross-countries variations of our endogenous variable up to an approx. 23%. Mechanically adding the determination coefficients obtained from the regression of our endogenous variable (i.e.: the share of agriculture in total employment) on the measures that underpin the so-called “fundamental equilibrium share” with the coefficient of determination obtained from the regression of the same endogenous variable on the macro-aggregates that seem to underpin the “behavioural equilibrium share”, will yield a 92% explanation of the variations in the share of agriculture in total employment in these countries.

Thus, we are left with only 8% of the variations unexplained and therefore we can consider that we have successfully explained the variations of this particular employment/labour market aggregate to a more than large extent. As such, it appears crystal clear that the share of agriculture in total employment is more a function of natural and historical (i.e.: development of property structures in agriculture) than a function of short and medium term economic developments. Out of the latter, only the dynamics of transition, which for the time being has to be included amongst the fundamental rather than the behavioural determinants, can claim a higher explanatory strength. The main macro-aggregates can only to a limited extent influence the behaviour of this aggregate, which is thereby expected to show a great degree of resilience to change. Consequently, once entrenched at a certain level, it will take a long time and adequate, long-term policies, to dislodge it.

Going back to the regression performed using as exogenous variables GDP%, CPI% and LFS/ILO unemployment rate, one will notice that while both economic growth as well as CPI% have a certain tendency of marginally feeding this type of employment as they generally have the tendency to feed into any type employment (i.e.: higher growth in conditions of stable, non-accelerated inflation is generally supposed to encourage job generation and thus a rise in employment in general; as such agricultural should be no exception from this supposed rule of thumb) but higher unemployment rates tend have tendency of trimming it. This shows hat although an “employment of refuge” it cannot escape on the long-term to the general conditions in the overall economy. As such, when economic hardships prolong themselves for a long period of time or when they are of extreme severity, even subsistence agriculture cannot indefinitely shield against high unemployment as eventually, high unemployment in the other sectors will lead to a contraction of domestic demand, the very segment of the market that is targeted by this type of agriculture. Declining monetary incomes will then force even family workers and self employed farmers into unemployment in the simple hope that the public purse will provide them with a minimum of monetary income.

Looking from this perspective at current share of agriculture in total employment in the countries taken in the sample, Romania among them, will show a picture which is again different from the on obtained just by employing a crude comparison as against the EU average, but also one that points more to the necessity of continuing the pursuit for stronger and sustainable growth in a climate of low inflation and with an unemployment rate reflecting the true state of the economy (i.e.: as such the state should refrain from “cherry-picking” between sectors or worse between companies, in a futile attempt to promote so-called “national champions” as this highly distorts unemployment rate, which at it turns distorts the share of agriculture in total employment, a aggregate that is easy to “upset” but difficult to “upbeat”). Romania will thus be a staggering 226% above its behavioural equilibrium rate, pointing to the fact that the current

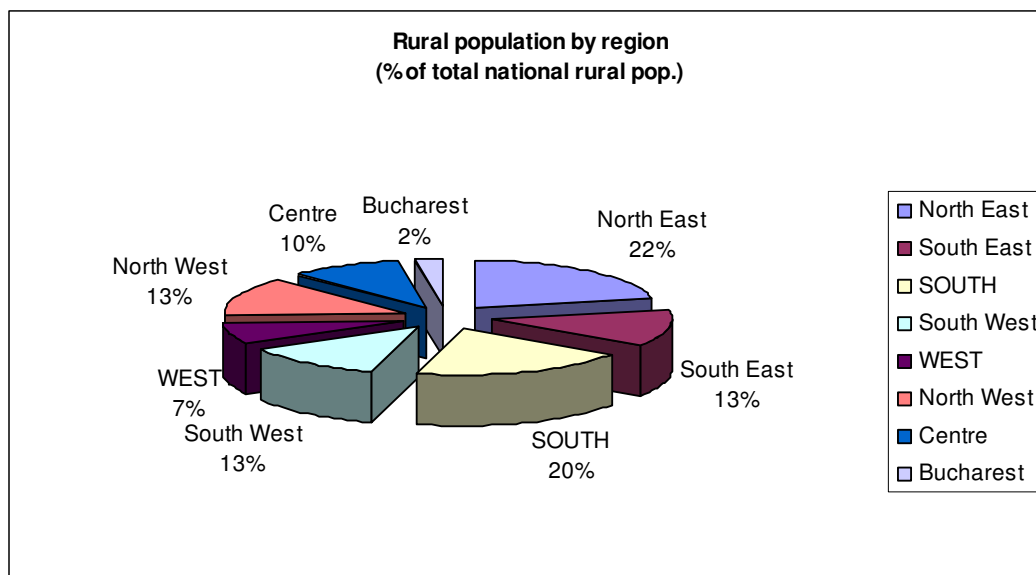
period of economic growth has yet to continue and the real economy has yet some re-adjustments to do. The road ahead is therefore long and as we will see from the projections in the last chapter, “the stop and go transition” has extracted a heavy toll, as after coming down surreally fast from 40% to around 30% in less than five years, the share of agriculture in total employment will only lose a few more percentage points after which it will remain stuck for a long period of time. The fundamentals will thus have the last say at least for the foreseeable future. As for the other countries in the region, so as to be consistent with our overall approach, Poland hovers at around 190% above its behavioural equilibrium threshold, thereby being not so far away from Romania, or at least not as much as suggested by the commonly used comparison. As for the rest of the bunch, Latvia and Lithuania are also above their behavioural equilibrium share as they were also above their fundamental equilibrium share. The same countries that were below their fundamental equilibrium share are also below their behavioural equilibrium share, thus suggesting that both measures are accurate as they yielded largely the same results.

This quasi-econometric exercise which painted another picture with regard to the size of Romania’s agricultural employment was not necessarily designed so as to prove the conventional wisdom wrong, but to show that rather than being a simple issue, that can be treated lightly, by employing mere clichés, this peculiar aggregate of the labour market has a complex story to tell, both to economists as well as to decision makers and relevant stakeholders. It is highly dependent on factors that usually change only over long periods of time and thereby can show extreme resilience to short and medium term developments. As transition from Plan to Market has been unique in economic history, its dynamic will have a long-lasting effect which only strengthens the resilience of this particular employment/labour market aggregate. Therefore, instead of embarking on discretionary policies trying necessarily to dislodge it, one should direct the efforts and public money, which are always going to count as scarce resources, towards the development of a significant amount of the country’s human resources which are likely to stay there (i.e.: in agricultural employment) for a while or rather quite a long while, onwards.

4. Evolutions of Agricultural Employment and H. R. Development Processes in the Rural Areas throughout Transition and Pre-Accession period (1990-2004)-structures and distributions

Romania's rural population is basically concentrated in two of its eight development regions. The North East which covers much of the historic province of Moldavia and the South which covers the eastern half of the historic province of Walachia, together count for 42% of the total rural population. They are followed by the South East (which overlaps over the "judets" bordering the Lower Danube and the Black Sea Coast), the North West (part of the Transylvanian judets, nearby the borders of Ukraine and Hungary) and the South West (the judets of Western Walachia or Little Walachia-Oltenia) all of them with 13% each, then Centre region covering the judets of inner Transylvania with 10%, the West (the judets bordering both Hungary and Serbia-Montenegro, historically the Crisana and Banat regions) with 7% of the total and at the bottom of the list, Bucharest with its surrounding judets of Ilfov, with only 2% of the total.

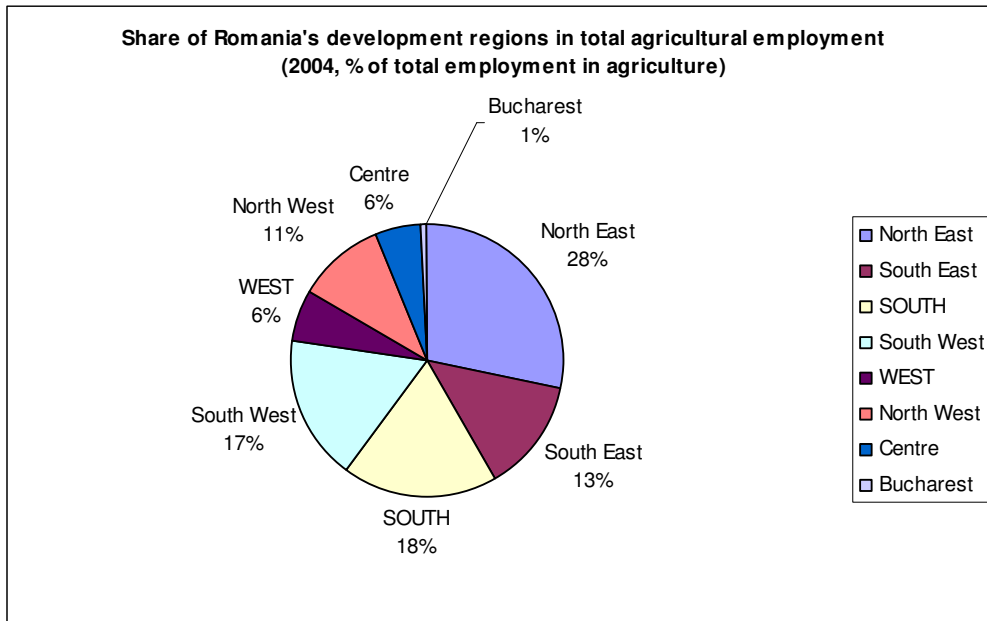
Chart - 8



(Source: National Statistics Institute data, processed by Dr. C. Ghinararu)

The two regions first mentioned are concentrating a rural population well above the national average and as such they can be considered predominantly rural in character.

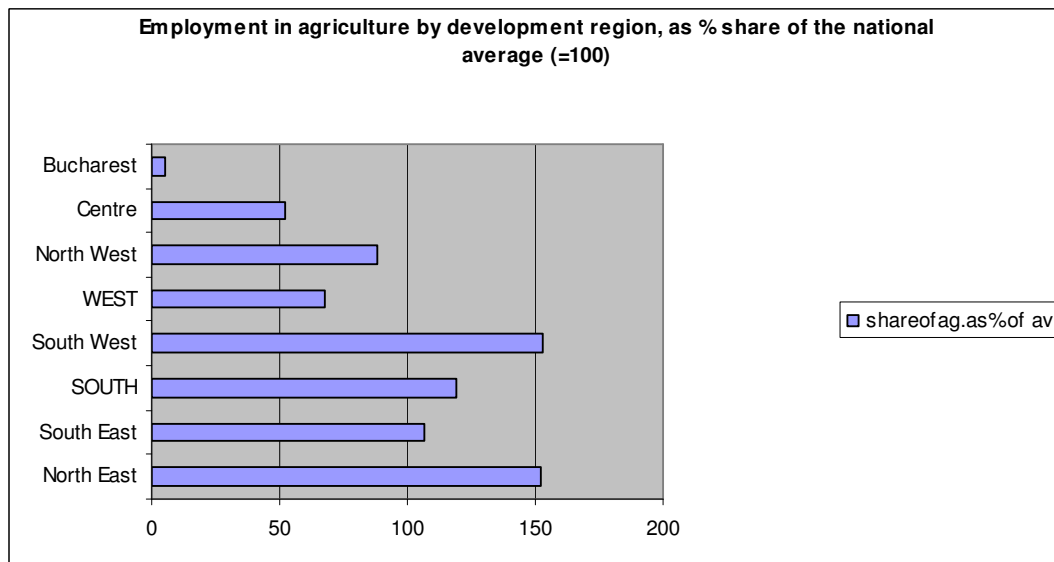
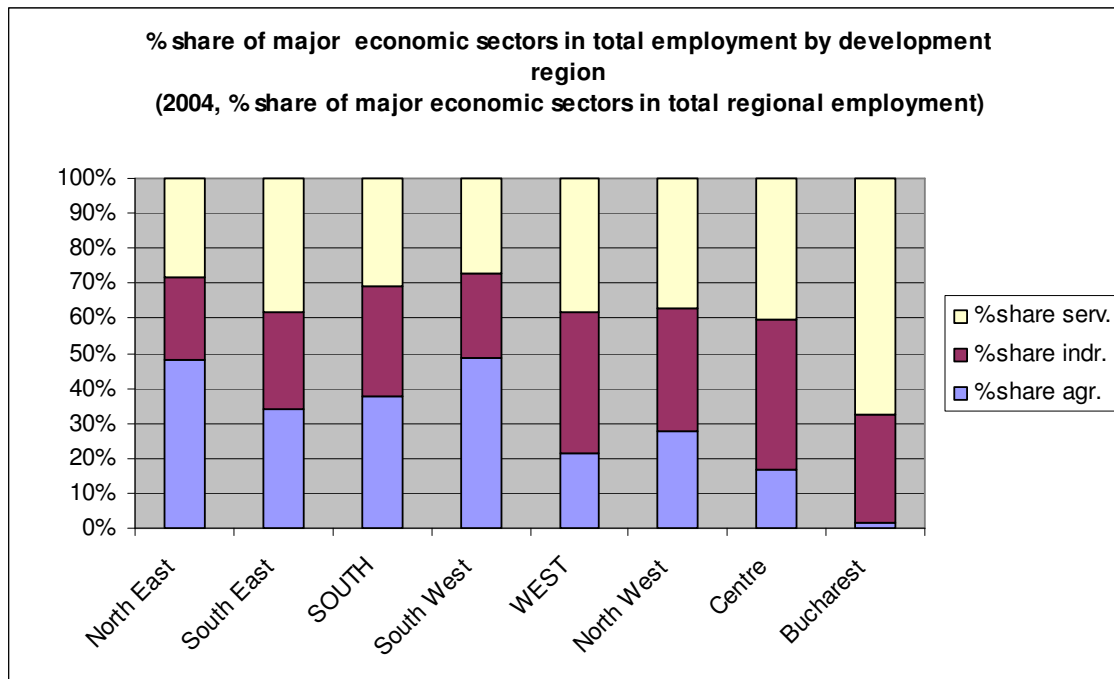
Chart -9



(Source: National Statistics Institute data, processed by Dr. C. Ghinararu)

In terms of total employment in agriculture, one can notice that the same two regions count for the bulk of total employment in agriculture, concentrating almost half of the total employment in agriculture. Thereby they can be also as predominantly agriculture dominated regional labour markets. In terms of their position as against the national average the North East is a staggering 40% above the average, but the South West, which as we have seen holds a smaller share of the rural population is also at the same level as against the national average. The South region is 20% above the national average, while the South East, the county's most sparsely populated region, is also around 10% above the average. As one can see out of the eight development regions, four, half of them squarely, are above the national average, while in terms of rural population, as we have witnessed in the previous paragraph only two regions top the national average. This is telling for the fact that even urban areas, especially small and medium ones still retain strong links with agriculture an indication of the country's only one century old urbanization process.

Chart-10 & 11



(Source: National Institute of Statistics data, processed by Dr. C. Ghiunaru)

Taking each region apart and looking to the distribution of total employment, by major sectors of economic activity, we will witness agriculture as the dominant employer in the North East and the South West, where it accounts for almost 50% of total employment and holding a relatively important position in the South and South East regions where it accounts for in between 30 and 40% of total regional employment. In the other four remaining regions,

agriculture is surpassed by industry and services and in Bucharest by services alone, which count as the major employer of Romania's capital city.

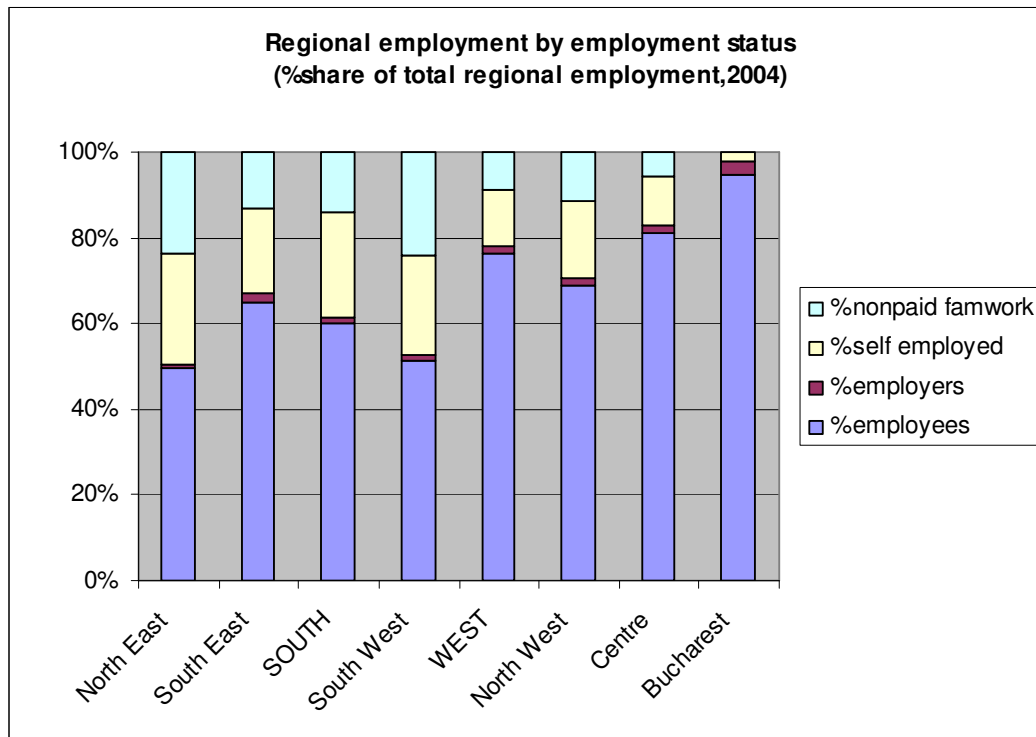
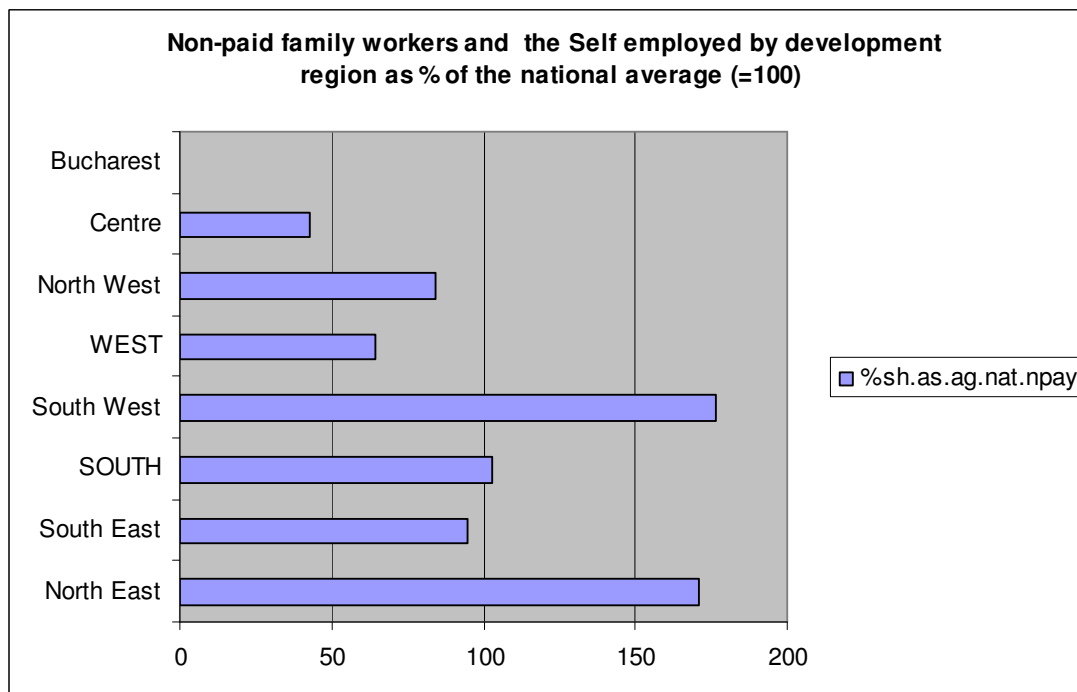


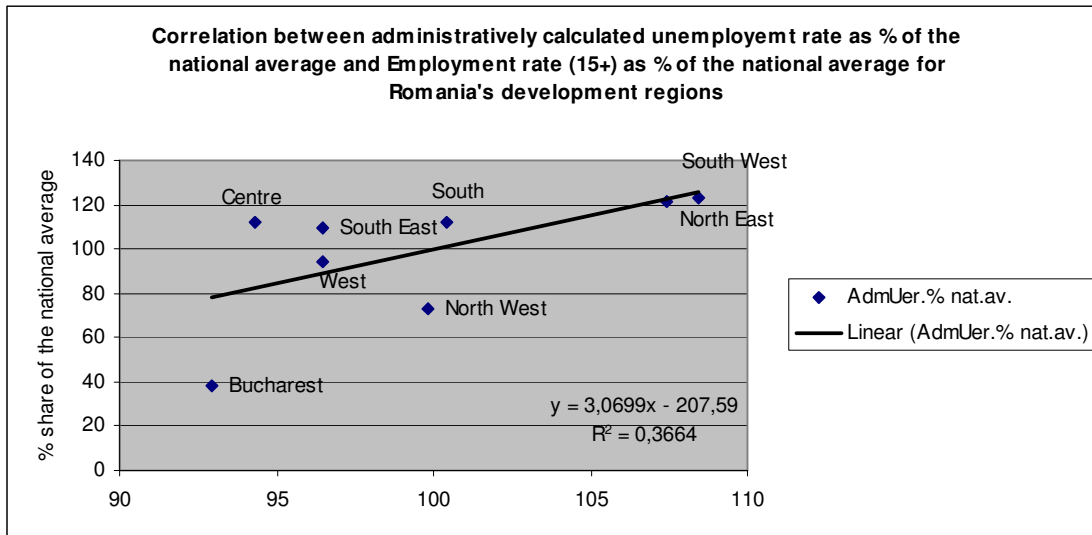
Chart 12 & 13 (Source: National Institute of Statistics data, processed by Dr. C. Ghinararu)



In terms of the occupational status, agriculture concentrates the bulk of the self-employed or in other words peasants/farmers owners of family farms and

also non-paid family workers. This last category, which counts for a significant share of Romania's total employment is overwhelmingly concentrating in agriculture, in the labour-hungry sector of the family farms and mostly consists of family members (i.e.: women) of the farmers/owners. Regions that display a large share of agriculture in total employment also display a higher than the national average share of non-paid family workers in total employment and consequently a lower share of salaried employees. As employment in such a type of agriculture which falls under the definition of the "household production for its final consumption" sector of the non-observed economy, counts practically as "informal employment" (no to be confused with underground or illegal employment!!!) it is thereby highly insecure and usually incapable of producing much monetary income. As such it swamps domestic demand in these regions which as a result fail to attract investors with the sole exception of the ones that want to capitalize on the large pool of cheap labour. Therefore, a vicious circle might sometimes develop in these regions. Anyhow, such subsistence type employment is positively correlated with higher administratively calculated unemployment rate but also surprisingly, with a higher than the national average employment rate. This squarely points to the fact that subsistence type employment in the household production for its own consumption agriculture, in essence a sub-sector of the informal sector inside the non-observed/non-registered economy, is non-conducive for monetary incomes but tends to absorb large pool of labour. Low monetary incomes practically deter investment by small farmers and therefore maintain them into a subsistence type agriculture that absorbs labour in excess, thereby not allowing members of the households to diversify their activities and as such bring the much wanted monetary incomes. Therefore, paradoxically or maybe not, higher than the average administratively unemployment rates are positively correlated with higher than the average employment rates. In the meantime, it is easy to notice that higher than the average LFS unemployment rates are usually correlated with lower than the average employment rates and with very low agriculture, subsistence type employment. The striking case in point is that of the capital city of Bucharest, where the lowest administratively calculated unemployment rate, coexists with a higher than the national average LFS/ILO unemployment rate. This puts a further emphasis of an earlier made statement which made a direct association between unemployment, monetary incomes and the share of agriculture in total employment. Therefore, the relation goes like that: a higher share of employment in agriculture generates less monetary income, especially if employment is undertaken in the household production for its own final consumption sector and thus it feeds into administrative unemployment, which serves as a source of monetary income, albeit a complementary one.

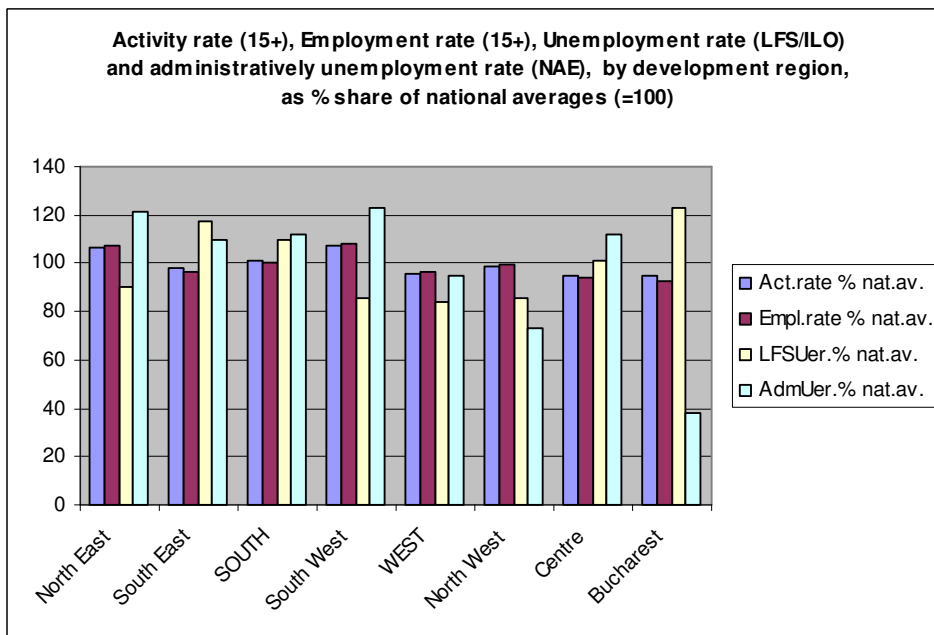
Chart 14



(Source: Calculations performed by Dr. C. Ghinararu)

Therefore, higher employment rates, if underpinned by subsistence agriculture are likely to coexist with a higher administratively calculated unemployment rate.

Chart-15



(Source: National Statistics Institute data, processed by Dr. C. Ghinararu)

At the other end, a higher share of employment in services might as well be associated with lower than the average employment rates, as higher productivity sectors are less labour hungry but in turn generate more monetary income. In the meantime service economies are more diverse in scope and thus

able to generate more employment opportunities including in the underground and sometimes, although in this case for the worse, in the illegal sector. Consequently, while individuals tend to declare themselves as unemployed they seldom register with the PES, as they do not see the need to cash the monetary incomes deriving from unemployment benefits, simply because they can generate higher ones even by entering the labour market just on a temporary basis and in the informal rather than in the formal sector. As such, even though common wisdom would count less developed region as the most plagued by shadow economy employment (a concept which should include only the underground and the illegal sector and only to a limited extent the informal one with the exclusion of the household production of its own final consumption sub-sector!!!) it is actually the rather more developed ones that tend to develop shadow economies simply because there is “something to shadow” (i.e.: there is scope for the development of shadow economies due to a better development of the formal economy itself). Same goes for migration for employment abroad, although this aggregate, which has yet to acquire an accurate measure in Romania, seems to have different determinants.

The impact of an employment structure that is dominated by subsistence type employment in agriculture on the development of human resources is vast and by no means negligible. It is more than clear that a higher share of agriculture in total employment is negatively correlated with the share of individuals in the workforce having higher education but positively and unfortunately correlated with a higher than the average share of individuals having a low level of education. In this respect, the North East as Romania region boasting the highest share of agriculture in its total employment also displays a close to 40% above the national average share occupied population having a low level of education.

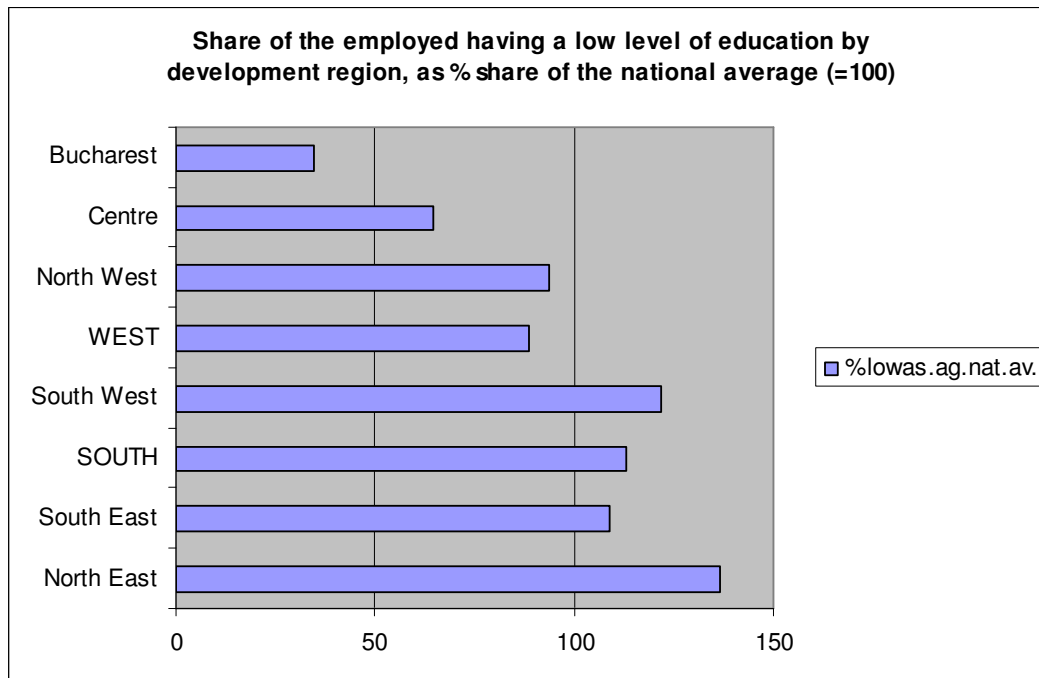
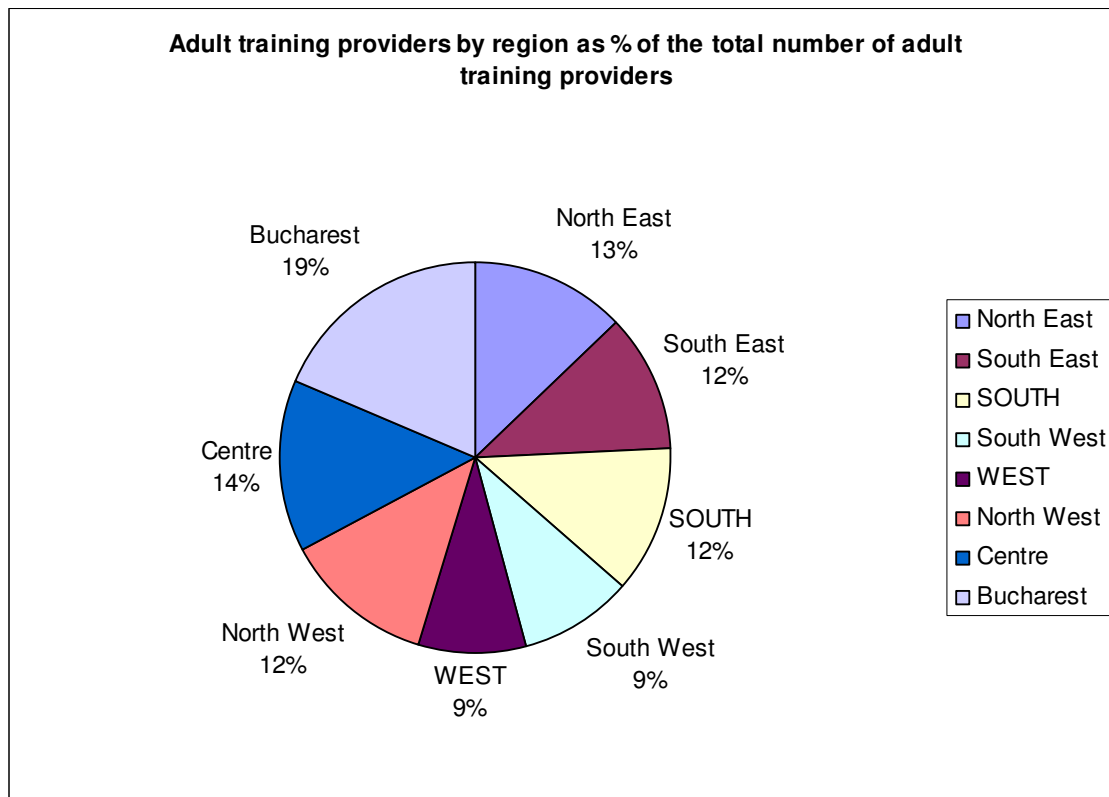


CHART – 16 (Source: National Institute of Statistics data, processed by Dr. C. Ghinararu)

The lack of monetary income in such regions also deters the development of the adult training industry, especially if the economy as a whole is still dominated by low-value added sectors and thereby the training industry can hardly develop “economies of scale” or “scope”. As such, most of the training providers tend to over-concentrate in the capital city, where they can tap upon a more affluent if still atomized clientele. They therefore shy away from remote, mostly rural regions, where their business will for surely not prosper. The regional distribution of Romania’s adult training industry provides a case in point. Bucharest concentrates 19% of the total number of accredited training providers, according to statistics provided by the National Adult Training Board (NATB), while the mainly agricultural regions of North East and South together count for 25% of the total, which is only 6 percentage more than Bucharest alone. The also rural and impoverished South-West only counts for 9% of the total.

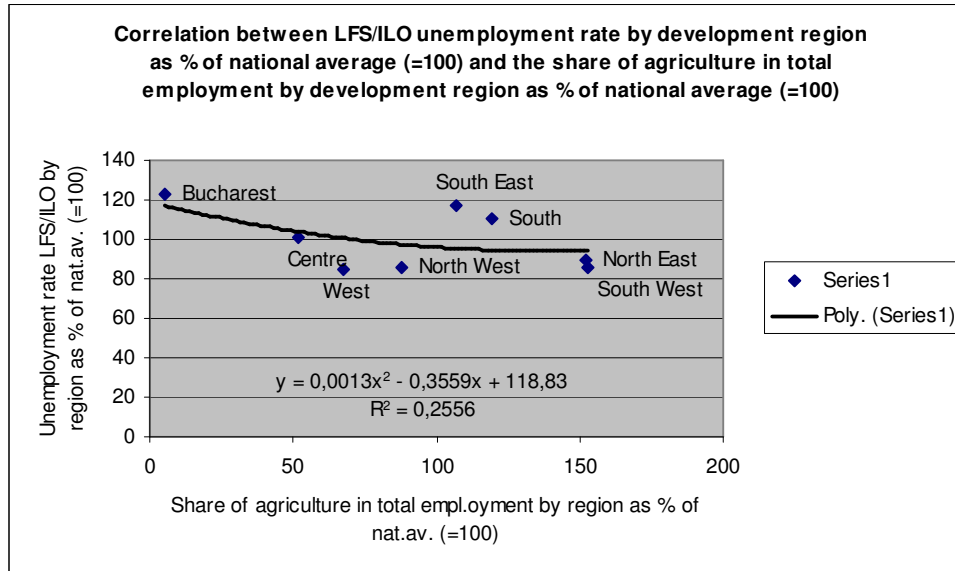
Chart - 17



(Source: National Institute of Statistics data, processed by Dr. C. Ghinararu)

Nevertheless one would be rather confused to find out that no direct correlation establishes in the share of agriculture in total employment, expressed as % of the national average and the average wage at regional level, also expressed as % of the national average. Regions displaying a higher than the average share of agriculture in total employment, do not necessarily display an average salary lower than the national one. The explanation for such a puzzling relation lies in Romania's "stop and go" prolonged transition which has swamped salary revenues and has pushed a disproportionate share of the country's population into subsistence employment, which at times, as we have seen in earlier chapters of this paper, has surpassed the Fundamental Equilibrium share of agriculture in total employment even by 10 to 11 percentage points.

Chart - 18

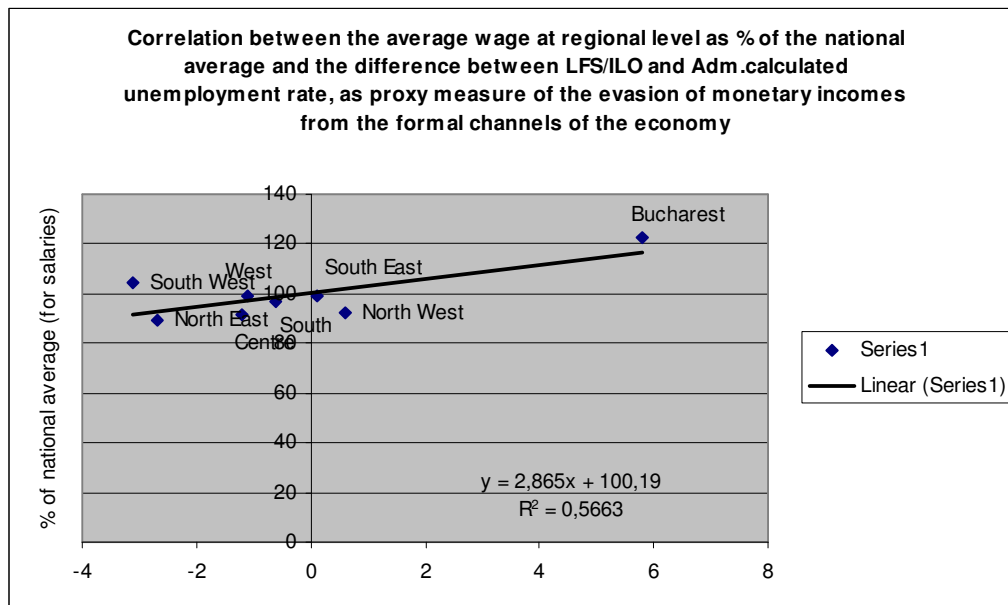


(Source: Calculations performed by Dr. C. Ghinararu)

As such, industry and the service sector have shied away from investment in an environment that was for far too long characterized by low levels of predictability and unsustainable growth and sought refuge into low-value added activities. Although these activities can fuel growth and even at a high pace they still fail to generate as much revenues as to sustain an elaborate social security and public administration system such as Romania formally boasts. Therefore, employers, even in economies that are service dominated, such as Bucharest, prefer to resort to the practise of “envelope payments” simply because their businesses fail to generate the necessary income to pay or the whole lot of taxes and contributions. As such “practices of the shadow economy” pervade the formal sector, “swamping” the “visible” salaries and thereby displaying a distorted image. In order to get a more accurate picture, one would have to correlate the reported level of salaries as % of the national average with the administratively calculated unemployment rate as well as with the LFS/ILO unemployment rate. The larger the difference in between the differently calculated unemployment rates, the more it means that monetary income is evading formal economy. The opposite might also go, as the closer these two measures are, the more it means that, meagre as they are, monetary incomes largely stay in the formal sector, simply because there is not much left to evade it. Performing thereby a regression of the average regional wags as % of the national average on the difference, in percentage points, between the LSF/ILO calculated unemployment rate and the administratively calculated unemployment rate, will yield a linear positive correlation, that explains as much as 53% of the divergence of regional average wages from the national one, simply by taking into account that percentage points difference in between the

two measures of unemployment. This means that, regions displaying a positive difference in percentage points in between the two alternative measures of the unemployment rate and thus having a higher LFS/ILO than administrative unemployment rate also have, generally speaking of course, an average wage that exceeds the national average, sometimes even significantly. The opposite also goes, with regions displaying a negative difference in between the alternative measures of the unemployment rate, usually having an average wage that is significantly below the national average one.

Chart - 19



(Source: Calculations performed by Dr. C. Ghinararu)

These are generally the same regions where agricultural subsistence employment is prevalent. Therefore, it is now proven fact that predominantly rural economies deprive their members of a host of employment opportunities, including the ones that might appear in the shadow economy or simply at the blurred border in between the “formal” and the “informal” sectors of the economy.

4. The Road Ahead – Projections of Agricultural Employment for the coming decade and challenges for Rural H.R. Development in view of Romania’s EU membership

Until now this paper has occupied itself with what has been in the nearer or the more distant past or with what actually happens in the present. Now in its last chapter, we will finally embark upon the most daunting task of all, that of shedding light into the future, or at least in the near future (i.e.: the decade 2005-2014).

Forecasting is one of the economists’ favourite while in the meantime most daring job. Performing it entails a lot of guesswork and even gambling even if operating in a so-called stable environment. Operating in an environment that just got out of the “thick and treacherous jungle of transition” might prove even sometimes perilous.

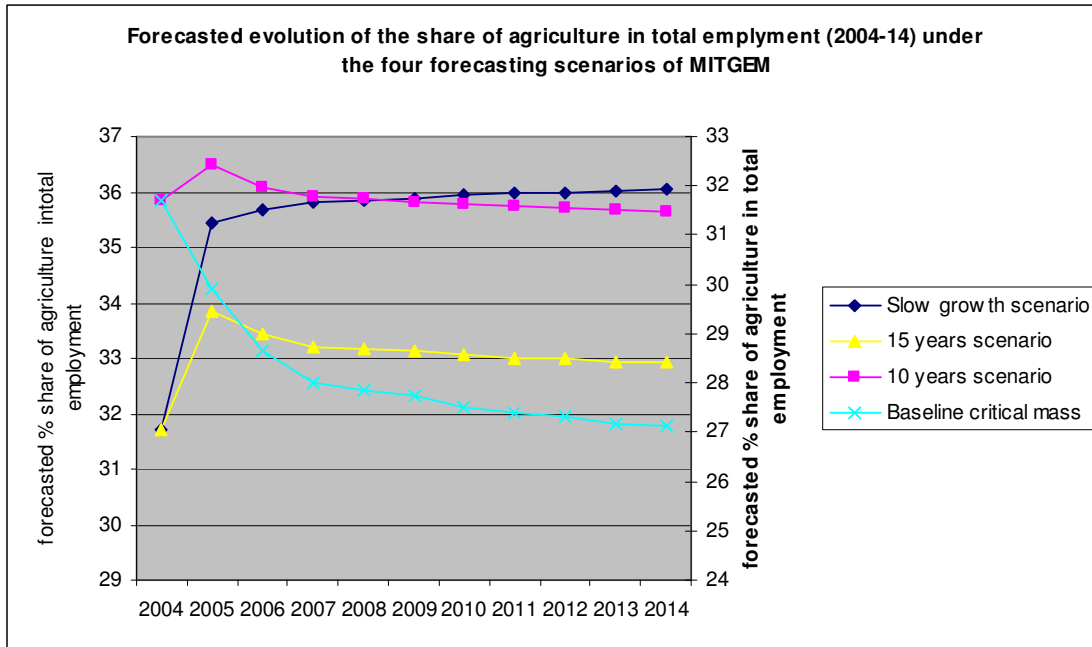
Nevertheless we will embark upon the task and we will use the outputs of a model of called MITGEM, developed by the author of this paper and which forecasts for a period of ten years ahead, benefiting also from the current inputs of a quarterly sub-module, the evolutions of a number of 81 variables (one of them being the share of agriculture in total employment) of the Romanian economy, using a number of 162 equations, or the average two equations for each variable that it predicts. The model operates with four scenarios:

- one that forecast future evolutions using starting from the evolutions registered by the Romanian economy since it attained its “critical mass of progress in transition threshold” assuming that only economic developments that occurred after this moment have a chance of replication in the future, as they developments that are more specific to a market economy, albeit emergent, than to a transition economy;
- another scenario, known under the label of “slow-growth” scenario, starts from the assumption that due to abundant labour supply, salaries will grow slowly during the decade to come, more in connection with inflation and less in connection with productivity, actually benefiting very little from productivity gains;
- the third scenario uses for its projection in the future, the evolutions recorded in the last ten years by the Romanian economy, thereby since 1995, or since the peak of the last period of economic growth, irrespective of short-lived and unsustainable this proved to be;
- Finally, the fourth scenario uses for its projections the evolutions registered during the whole of the transition period since its onset in 1990.

According to the first scenario which, might seem as the most risky due to the shortness of the series used for predictions but which nevertheless in the case of our endogenous variable yield the most credible result. This scenario uses as

main predictor the yearly variations of the CPI, thereby tying the future evolutions of the share of agriculture in total employment to the forecasted variations in prices. As such, the share of employment in agriculture and its short and medium term evolutions become a function of predictability. Projecting the inflation rate normatively for the ten years to come and assuming a continuation of the low inflation climate generated by stronger competition in a global economy as well as a gradual disinflation of the Romanian economy as it prepares and eventually joins the EU, then, we would expect the share of agriculture in total employment to follow an incrementally descending path. As such after losing fast ten percentage points in the last five years from its all time high in 2000, the share of agriculture in total employment will start to react to its main short-determinant, the CPI%. Thus as predictability of the economic environment will gradually improve the predictability of evolutions of the employment/labour market aggregate, “share of agriculture in total employment”, will also become more predictable and will predictably come slowly down from around 32% currently to around 27% in 2013-24. The most impressive reductions will take place at the beginning of the interval, while getting incremental towards its end. This squarely proves that while reacting to a short and medium term economic stimulus the aggregate only reacts in its own way, which means with resilience as its main determinants are practically outside the action of short and medium term economic and labour market policies. As such, while going slightly below its so-called “fundamental equilibrium share” it becomes then rather hard to dislodge”. With these values being confirmed also by outputs from other models, we can duly say now Q.E.D. with regard to our theoretic assumption outlined in chapter 2.

Chart - 20



(Source: the MITGEM – Mid-Term Growth and Employment Model, developed by Dr. C. Ghinararu)

Under the scenario that takes as departing point the economy’s evolutions during the last ten years, the share of agriculture in total employment simply gets stuck at the current level. This might be as well the case if salaries fail to grow by much and thereby a significant number of individuals choose to remain in a kind of “dual employment”, supplementing their salary income with the income derived from subsistence farming. This also might be a case in which migration for employment abroad stays at its current level, as domestic employment opportunities fail to increase their attractiveness and thereby, lax “agricultural employment” serves as “base-camp” for migrants. Still such a scenario is far less plausible than the first one as salaries are bound to grow, due simply to a general increase in nominal prices that is triggered by EU Accession and future membership in itself. Salaries, themselves “a price” will have to keep up, at least to a certain extent. Therefore, the share of agriculture will simply have to slide as more attractive opportunities will appear, albeit gradually, for the vast supply of labour now in the rural areas and in subsistence farming.

Finally the 15 years scenario and the slow-growth scenario are producing practically implausible results, serving only to substantiate our theory that evolutions that took place before the attainment of the critical mass are not replicable (e.g.: one does not expect to see inflation at 156% or 200% on a year-on year basis). As such, a share of agriculture in total employment that is solely driven by GDP%, which acts as the main exogenous variable for the share of agriculture in total employment in this scenario simply sends it higher and higher. This is simply because as we have demonstrated in chapter 2, economic growth

cannot sufficiently explain variations in the share of agriculture in total employment. Moreover, economic growth during the transition period has been driven by the reform process. As the reform process is over and some of its results are there to stay for a long time (e.g.: the structure of property created by the land restitution acts passed between 1991 and 2005) it is more than clear that the evolutions of the economic growth over such a turbulent period cannot serve as a valid predictor for the future. Simply because growth in itself has been driven by processes which, once completed will hardly be replicated in the foreseeable future, if ever.

As such one can conclude that the only plausible one is the one that acts with the CPI annual % variations as predictor and which shows both that the share of agriculture in total employment is responsive, in a positive way (i.e.: by reducing its size) to increased predictability in the economy while in the meantime keeping its intrinsic resilience as shown by the slow pace of its decline for the decade to follow, courtesy to its long-term determinants which are outside the scope of short and medium term policies.

Concluding the entire paper, one might say that the challenges that lie ahead can be summarized as such:

- Strive to keep economic stability and predictability by encouraging productive investments and discouraging speculative ones, which tend to artificially appreciate the national currency and thus undermine the competitiveness of Romanian products with a negative impact on employment;
- Maintain economic growth on a as long period as possible, as measured by the number of successive years of economic growth. Gradually this will also improve the perception of predictability and will encourage investors to generate more jobs and as such they will slowly but surely dislodge the mass of agricultural employment and shift it towards higher value added services, provided of course that these newly generated jobs will be prove attractive;
- Investing in the infrastructure of rural areas. These communities need more roads and more phone lines as well as better equipped schools. This will determine investors to go also to more remote areas so as to capitalize on the resources of Romania's agriculture, which are indeed wide-ranging and develop agriculture related activities, that will add value to the raw products that are delivered today;
- More investors in rural and rurally prevalent areas and regions will attract and strengthen the training industry as this will find scope to grow, thereby augmenting the stock of skills of rural workforce.
- On the front of employment policies, more should be done with respect to targeted training, which squarely means training that is oriented towards harnessing the potential of small farm as they are today and increase the

value added of their products. It is thereby useless for example to invest necessarily in training for services if there is no scope for services in the area. It is better to invest in training for poultry or dairy farming or vegetable farming if this is the main activity of the locals. Training should not aim at creating new comparative advantages by itself as it cannot. It should rather be directed towards turning comparative advantages into competitive ones.

It is as such our firm belief that this is the Road Ahead.

=====
Bibliographical Note:

1. Dr. Sabin Manuila – “Structure et evolution de la population rurale” – Central Statistical Institute of Romania, Bucharest, 1940;
2. Ministry of Industry and Commerce of Romania - “Romania’s population Census – 1912”, Bucharest, 1923;
3. Central Statistical Institute of Romania – General Census of Romania’s Population”, Bucharest, 1930;
4. National Institute of Statistics of Romania – “Population and Housing Census-2002, General Results, Households, Dwellings”, Bucharest, 2004;
5. National Statistics Institute of Romania – “Territorial Statistics”, Bucharest, 2005;
6. European Commission, D.G. Employment & Social Affairs – “Employment in Europe – 2004”, European Communities 2004;
7. European Employment Observatory, Review: Autumn 2004 – “Thematic Overview: Fighting the immeasurable? Addressing the phenomenon of undeclared work in the European Union – ROMANIA, by Dr. Catalin Ghinararu, European Communities, 2005;
8. Dr. Catalin Ghinararu & team – “ Best practices for the combat of undeclared labour”, RO-MEDIA publishing house, Bucharest, 2004;
9. The World Bank – “Transition; The first ten years; Analysis and lessons for Eastern Europe and the former Soviet Union, The World Bank, Washington D.C., 2002;
10. The World Bank – “Making Transition work for everyone; Poverty and inequality in Europe and Central Asia, Washington D.C., 2000;

=====
Bucharest, Sep.4.2005

@Dr.Catalin Ghinararu