

# Effects from CAP on Income, Employment and Balanced Territorial Development in EU Member States

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## **Abstract.**

The CAP is a policy that is better adapted to the old member states, which can be explained by the historical approach of development. This policy is not enough flexible to meet the structural, economic and productive differences in the Community of 28 independent countries. In recent years, European agriculture has been losing growth rates compared to fast-growing countries. The added value generated over the last 10 years in the EU -28 is about 4 euros against every 1 euro distributed as direct payments. The share of subsidies in factor income from agriculture is about 30% in the EU, which reveals dependence and puts at risk the viability and sustainability of the sector without subsequent reforms. The cost of each created and maintained workplace is quite high and it is not certain whether these jobs will continue to exist if a change occurs.

**Keywords:** CAP, effects, income, employment, balanced territorial development, EU.

## **1. Introduction**

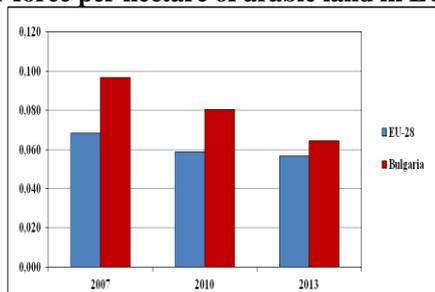
CAP subsidies in EU Member States are expected to contribute and to maintain employment and incomes in the agricultural sector. The main question that is increasingly being asked in the EU is about the sustainability of this policy. It turns out that the price of each created and maintained workplace is quite high and it is not certain whether these jobs will continue to exist in the event of a change. The results show that, despite the agricultural and rural employment support policy for 2007-2013, labor input in European agriculture declines about 19% to about 0.06 g / ha. This means that labor productivity is rising and the number of people employed in agriculture is constantly decreasing as a result of the modernization and mechanization of the sector. These are natural processes with a view to modernize and seeking of producers to increase productivity and efficiency, as well as responding to the ever decreasing tendency of the free labor force to engage in farming.

## **2. Effects of CAP on Income and Employment in EU Member States**

The CAP employment policy provides results, unemployment in the predominantly rural EU regions is at roughly the same level as urban unemployment. In 2015, unemployment rates in predominantly rural areas in the EU countries are around 9.6%, while in predominantly urban areas - 8.4%, and in the so-called intermediate - 9.5%. Even in previous years, unemployment in rural areas is lower than in areas identified as intermediate, which shows the positive effects of a balanced development policy.

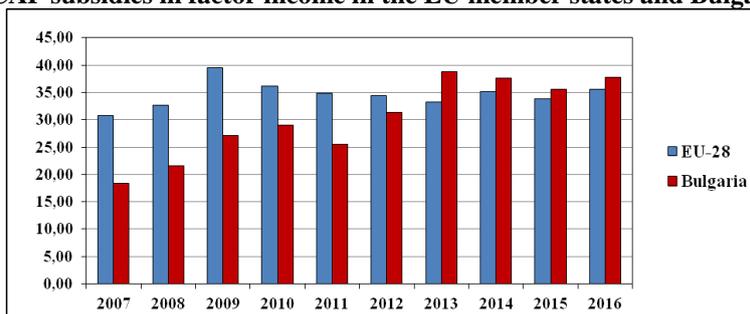
Unlike the EU Member States, in Bulgaria, the AWU/ha has a higher value of 0.097 AWU/ha in 2007, decreasing to 0.064 AWU/ha in 2013, which means that labor productivity in agriculture is rising and the rate of this improvement is higher than the average level in EU. At the same time, convergence in unemployment between rural and urban areas in Bulgaria shows lower performance than in the EU, and it is significantly higher in rural areas than in urban areas. In predominantly rural areas, the unemployment index has risen from 7.4% to 12.5% over the past 10 years, while in urban areas it has dropped from 9.4% to 4.3%. The risk of poverty in large and smaller cities declined from 58% in 2007 to 39% in 2016, while in rural areas it decreased from 64% to 54% and thus the differences between the two types of regions are growing. The reasons for this are very and different, but the main point is that the approach to rural areas is still quite formal and is more financial instruments than a comprehensive policy.

**Figure 1. Distribution of the labor force per hectare of arable land in EU Member States, AWU/ha.**



Source: Eurostat, Economic Accounts for Agriculture; Updated: January 2016.

**Figure 2. Share of CAP subsidies in factor income in the EU member states and Bulgaria, %.**



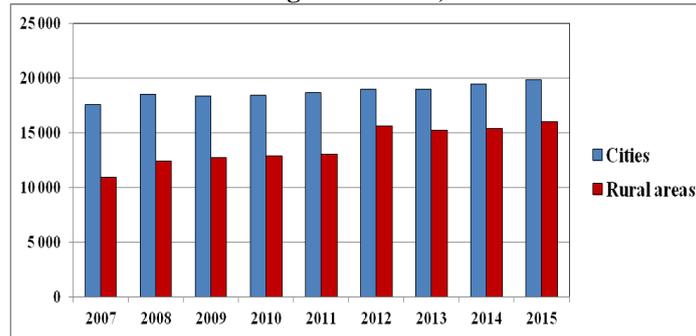
Source: Eurostat, Economic Accounts for Agriculture; Updated: January 2016.

Regarding the share of subsidies in factor income from agriculture in the EU, it is seen that it is moving at level around 35%, and has even increased in recent years. Direct payments contribute for increasing farmers' incomes in the EU. For the EU, they have the most important role in the structure of livestock farms (cattle, sheep and goats), crops, mixed farms and dairy farms. They help to reduce the difference between the average farm income per unit of labor in small and large farms. With regard to ensure a fair standard of living for the agricultural community, direct payments help to reduce the difference between the average income of farmers and those employed in other economic sectors, which explains their essential role in the EU.

### 3. Balanced territorial development

Relevance and potential effectiveness for achieving balanced territorial development in the EU are a major challenge for the Union. One of the most acute problems in rural areas in the EU is related to a lag in economic development between urban and rural areas, population aging, deterioration of the demographic structure and migration from village to town. For EU-28, rural areas make around 52% of the territory and only 22% of the population. They make 16% of GDP and 21% of the workforce. Typically, urban areas make 53% of GDP, with 43% of the population, 10% of the territory and 45% of workers, which reveals both higher urban productivity per occupation and higher employment and profitability. In general, the problems between the different countries of the EU's rural areas are roughly the same as the roots of these problems are the essence of these areas, which, despite the growing diversification and reduction of the share of agriculture, can not attract high return investments and hence create jobs for qualified professionals, which sucks human resources. Many of the trade and service activities are also not enough effective when the population and purchasing power are low, which is also an obstacle for modern European rural development.

In terms of income between typical urban and rural areas in the EU, although there are differences, it is clear that in recent years this difference has fallen. If, in 2007, the income difference was around 65%, in 2015 it is approximately 25% and this is a result of the growing average net income in cities around 13% compared to 2007, and in the villages around 47% compared to 2007. This is largely due to the support provided under the CAP and the Balanced Territorial Development Policies.

**Figure 3. Average net income in cities and villages in the EU, euro.**

**Source:** Eurostat, Economic Accounts for Agriculture; Updated: January 2016.

In Bulgaria, unlike the EU Member States, the income in the villages is about 50% lower than the income in the cities. However, after 2007, the average net income in rural areas increased around 94% compared to 2007, which determines the importance of agriculture for rural employment. Unemployment in rural areas is a more complex concept of explanation, its changes can not be explained only by labor remuneration, educational level, and the number of the active population. In this way, the increase in labor remuneration in agriculture can solve somewhat the problems of rural unemployment and the demand for labor in the sector, and hence have a positive impact on the others related to the levels of poverty, the standard of living and labor migration.

#### 4. Conclusion

Both in the EU and in Bulgaria it is evident that agriculture has a solid place both for achieving higher employment and higher incomes for the rural population and for enhancing the viability of rural areas. With weak agriculture, the EU would not only threaten its food security but also weaken the socio-economic development of rural areas. Achieving a sustainable and profitable farming activity will be relevant to employment, growth and poverty needs as uncompetitive and inefficient holdings can not generate growth and provide employment and adequate income in the medium and long term.

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