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**ASSESSMENT ON THE IMPLEMENTATION OF WOREDA  
DECENTRALIZATION IN GAMBELLA PEOPLE'S NATIONAL REGIONAL  
STATE, ETHIOPIA: THE CASE OF ABOBO AND LARE WOREDAS**

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**Abstract**

This research is concerned with the assessment on the implementation of woreda decentralization in Gambella Peoples National Regional State with particular emphasis to Abobo and Lare woredas. It attempted to explore the objectives, legal and institutional frameworks and implementation status of the recently embarked DLDP and fiscal decentralization in the Gambella region. Secondly, the study provided a modest preliminary investigation of some performance indicators of the program in terms of power and authority, local governance processes, inter-governmental relations, financial and administrative capacities, planning and budgeting processes, community participation and basic service delivery trends with particular reference to the two woredas. Finally, the study tried to illustrate some of the major inherent and encountered problems and the possible prospects of the program. To meet the above objectives, the research employed more of qualitative case study approach. Both primary and secondary data sources were used in gathering pertinent information. The technique of collecting primary data includes in-depth interviews at regional, woreda and kebele levels, focus group discussions with the community and personal observation. Secondary sources are published and unpublished materials such as books, different reports and manuals that cover federal to the woreda. Descriptive method of analysis is used to analyze the primary and secondary data. The study found out that decentralization in general and woreda decentralization in particular had not been implemented adequately due to several reasons. It is challenged by many problems such as inadequate devolution of power, limited decisions-making authority and autonomy transferred to local governments, absence of political will and commitment to devolve power in real sense, lack of legal and institutional framework, poor inter-governmental relations and weak coordination with different stakeholders, upward accountability and absence of transparency in the operation of local governments, shortage of resources (skilled human power and material), limited administrative, institutional and technical local capacities, weak budgeting and expenditure administration, poor revenue generating capacity and heavy financial dependency on federal and regional governments, and weak public sector service deliveries. Regarding participation, there is low level of community participation in different sectors at the stage of problem identification, prioritization of needs, planning and budgeting processes and decision making activities at regional and local levels. Hence, to make decentralization meaningful and benefits of woreda decentralization to be realized, recommendations are made on power and authority, political commitments, legal and institutional frameworks, capacity issues, inter-governmental relations, accountability, transparency, financial and human resources and community participation.

**Keywords:** Woreda Decentralization, Local Governance, Planning and Budgeting, Community Participation and Service Delivery.

## **Introduction**

After decades of highly centralized and unitary political system and administrative setup, Ethiopia has been following federal system of government and decentralization policy of regional and local governance and democratization process immediately after the downfall of the military regime (the Dergue) in 1991.

The decentralization drive in Ethiopia has proceeded in two phases: Mid-level and District Level Decentralization. The woreda decentralization program was initially launched in 430 woredas covering the four major regions of Amhara, Oromia, Tigray and SNNPR, but was subsequently to be implemented in the other regions as well (Meheret, 2007).

There is broad consensus that devolving power and authority to woredas is a key to local empowerment and meaningful self-government. However, the full impact of the government's woreda decentralization program and the challenges faced in instituting democratic governance structures has not been properly assessed. It requires an area specific and thorough assessment (Kumera, 2006). The value added of woreda decentralization needs to be rigorously examined in order to better understand the implications of the recent move in decentralization (Tegegne, 2007).

Decentralization in general is an emerging issue and is introduced relatively recently in Ethiopia. As a result, only few researches are available on the subject. When it is perceived as a region wise, it is inexperienced in the Gambella region. Since its establishment as a region in 1992, the GPNRS has launched different decentralization schemes with the intent to improve the overall performance of the region. One important area where decentralization hinged on is the implementation of DLDP which was started in the region in 2004/05.

An evaluation of the practical role of the hitherto schemes of woreda decentralization is worthwhile. Unfortunately, not enough has been done in this regard. Assessments made by independent institutions and researchers do not yet give sufficient insight into the practice of decentralization in the Gambella region. There is no major study that focuses on the practice of woreda decentralization in the region. The extent to which DLDP has been implemented and whether it had brought any meaningful changes in GPNRS is not yet well known.

Therefore, the study attempts to assess the implementation of woreda decentralization in GPNRS. It examines the evolution, practices, constraints and prospects of woreda decentralization by selecting two local governments: Lare and Abobo woredas. With these, it is hoped that the study will fill the gap by giving a glimpse about the role of woreda decentralization in the region since its implementation.

## **Objectives of the Study**

The general objective of the study is to assess the implementation and progress of decentralization in general and of woreda decentralization in particular in GPNRS for selected study areas by concentrating on parameters like power devolution, capacity, finance (budget and its adequacy), planning, community participation and service delivery.

The specific objectives of the study are:

- To examine the extent to which the Gambella region has devolved powers, functions and resources to lower levels of government and determine at which level that functions and responsibilities are concentrated;
- To examine the local governance process and important aspects of inter-governmental relations;
- To assess the financial and administrative capacities of woredas to carry out the tasks of local economic development and provision of socio-economic services;
- To assess the planning and budgeting process, level of community participation and trends of service delivery in selected sectors;
- To assess the major constraints and prospects related to the practical implementation of woreda decentralization;
- Based on the findings of the research, forward viable recommendations.

## **Methodology**

### ***The Research Method***

There are several types of research methods in social research to choose from. For the sake of this study, case study approach is employed. This is because the aim of the study is to provide and collect more information and get a deeper understanding and multiple interpretations of the dynamics of decentralization process and implementation of woreda decentralization in GPNRS. This method has the strength of dealing with and a full variety of evidence from documents, interviews, and focus group discussions. Thus, the study employed more of qualitative case study approach.

### ***Sampling Design and Selection of Study Area***

In order to assess the state of decentralization, the woreda level administration and sector offices are taken as units of analysis for the study. This is because woredas are considered as closer to the grassroots population and being practical unit of government for meaningful socio-economic development at the local level. Two woredas (Abobo and Lare) are being chosen purposively as the sample of the study. The woredas were selected for reasons of convenience to the researcher in view of data collection due to its accessibility & proximity. Abobo woreda represents urban woredas in the region, while Lare woreda represents rural woredas for comparative analysis. Generally, from the viewpoint of political, economic and social activities, the two woredas are the core and better representative of their zones in particular and the region in general.

### ***Data Types and Sources***

Data were collected from both primary and secondary sources. The primary data were collected from in-depth interview, focus group discussions and field observation. Secondary data were collected from published and unpublished materials available in the form of journal articles, proclamations, government policy briefs, federal and regional constitutions, regulations, annual plans, and performance reports.

### ***Methods of Data Collection***

**In-depth interviews:** were conducted with key informants who are from different tiers (Regional, Woreda and Kebele) of government bureaus/offices. The informants were selected according to their expertise in the subject under investigation. They are only targeted those with the right information or knowledge on issues of decentralization and its implementation at the woreda level due to their experience, political position or professional capacity.

**Focus group discussions:** two FGD were held in Abobo and Lare woredas with the community members from different backgrounds of status, age and sex.

**Observation:** In contemporary field research, observation is the most important technique to collect original data. This is because sometimes the information that the researcher gather from the informants may contradict with that of the real situation. The researcher, while stayed in Gambella for over a month to collect the data, had the opportunity to watch, listen and communicate informally with the staff members of various offices at various levels at the regional and woreda levels. The researcher had also the chance to observe corresponding official letters between the woreda and regional government.

### ***Method of Data Analysis***

The researcher mainly used descriptive survey method to analyze the primary and secondary data. Since the data collected are qualitative and quantitative in nature, the research relies on both quantitative and qualitative data analyses. Different tables, percentages, simple averages and figures and thematic narrative were used to comprehend, analyze, interpret and explain the findings of the study. To achieve the maximum validity of the data, the researcher employed triangulation method.

## **Results and discussion**

### ***The Process of Decentralization in Gambella Region***

The GPNRS was established in 1992 following the promulgation of the transitional period charter, which delivered the region for the right to administer its own affairs within its own defined territory. DLDP has been implemented in GPNRS since 2004/05 with the aim of deepening the devolution of power to the lower tiers of regional governments, to institutionalize decision-making processes at the grassroots level with a view to enhance grassroots participation, to promote good governance through inspiring transparency, accountability, and to improve decentralized service delivery to the public.

However, the region was not aware of the DLDP program and its preparations at national level up until they were told to implement without prior knowledge and preparation. In relation to the awareness of the program at woreda and kebele levels, the study found out that there is limited awareness about the program in general. Apart from the FDRE (1995) and the GPNRS revised (2002) constitutions, there are no other legal or specific policy frameworks or even manual to direct the implementation of DLDP in the region. The program has been implemented without detailed legal base indicating the mandates, responsibilities and authority of local governments, the relationship (supervision, reporting, monitoring and evaluation, etc) between local and regional governments, and relationship among the local governments. The institutions implementing DLDP in the Gambella region at regional and local levels are not clearly defined and their legal bases are almost non-existent. There is no working group which is established for implementing the program.



### ***Powers and Functions***

The GPNRS has established a four tier administrative structure: the region, nationality zones, administrative woredas and kebeles. The structures, powers and functions of various organs (council, cabinet and courts) of the different tiers of governments are clearly stated in the revised 2002 constitution of the GPNRS. But the constitution has not mentioned clearly the functional responsibilities between the regional and *woreda* levels. This implies that there is no clear demarcation of responsibilities among the tiers of the regional administrative units.

The FDRE constitution determines the powers, functions and responsibilities to regions. The Regional government of GPNRS has given all powers and functions which are not provided to the federal government alone or joint to the federal and state governments. Zonal administrations considered as intermediate tiers of government between region and woreda. They do not have legally recognized tier of government with constitutionally mandated powers and structure as self-governing entity. Zones have coordinating and supervisory authorities over woreda administrations on behalf of the region. This implies that they are considered as de-concentrated administrative units of the regional government. Zonal administrations are only established for regional minority ethnic groups in Gambella region and recognized as the highest political organ of the ethnic group, which determine the working language of the zone.

The woreda administrations have the power to prepare and decide on economic development and social services, plans and implement policies and directives issued by the regional state and zone organs. The authority of the woredas to carry out their functions has been further enhanced since 2004/05 woreda decentralization initiative. But, most of the powers enshrined in the regional constitution to woredas are good only in the constitution document in the shelf except that the council members meet for approving the annual plans and budget. Some of the powers are still centralized at regional and zonal levels. Woredas enjoyed little fiscal or administrative autonomy to respond to the local needs of their constituencies.

There is also an interference of regional and zonal governments over the powers of woreda governments. Sometimes the appointment of the woreda administrative council like the Chief Administrator, Deputy Chief Administrator and heads of line sector offices can be done through letters of the regional government and even also be made by the regional president. There is a great deal of supervision and control by regional governments over woredas affairs. Most capital projects have been carried out by the regional sector bureaus. There are many problems to execute the powers and functions which the constitution provided to the woredas. There are lack of clarity about the responsibilities of zonal governments and the woredas, shortage of skilled manpower and financial capacity to carry out their roles and little capacity to raise revenues.

### ***Fiscal Decentralization at the Regional and Woreda levels***

Expenditure Assignment: Expenditure assignment for the DLDP of Gambella region lacks clarity and formality. The regional revised constitution fails to clearly define the expenditure responsibilities of the lower level governments. As a result, when we see the share of expenditures by levels of government, the regional level sector bureaus play a dominant role in the decision of expenditures. Particularly, almost all decisions on capital expenditures are under the domain of regional level sector bureaus.

E.g. both zones and woredas spend 62.59 percent of total recurrent expenditure and 7.25 percent of total capital expenditure. The regional sector bureaus and offices spend 92.75 percent of

capital expenditure. When we see the public expenditure trend (2005/06-2009/10), on average recurrent and capital expenditures were 88.3% and 11.7% respectively. The share of recurrent expenditure is extremely higher than capital expenditure which is largely due to an increase in the salary and other allowance of civil servants. And the newly started government structure has increased the volume and scale of civil servants and their salary, particularly at the *woreda* level. Regarding with sectoral allocation of expenditure, on average the administrative and general sector is (44.1%), the economic sector (17.32%) and social sector (38.41%). This shows that the region gave emphasis on building construction for key regional sector bureaus and fulfilling the necessary office accommodation. This leads to reducing the share of economic and social sectors but in recent years priority has given for economic and social services.

Revenue Assignment: The GPNRS revised constitution has defined the revenue sources of the region. But it fails to identify revenue sources that are further decentralized to lower level governments. The power to decide on the revenue sources of the region is assigned to the Regional Government. It is only the authority of the regional government to decide on rates and bases in the region. The *woredas* cannot decide to raise revenue according to the development needs of the community by changing the tax rate and base. The *woreda* government can only collect revenue for selected areas such as personal income from *woreda* employees and small traders, rural land use fee and agricultural income tax. Thus, the proportion of own revenue to the total regional budgetary revenue is very small. During the last five years, the regional government has covered on average less than 13% of its expenditure from its own revenue collections. That is, the overall envelop of the region's budgetary revenue indicates high dependence on federal subsidy which covers 87.2%.

Intergovernmental Transfer is a major source of revenue. The dependency of *woredas* on regional transfer/subsidy is more or less the same as that of the region to the federal. The share of own revenue to the total *woredas* budget is 14.83% while the share of regional transfers to *woredas* budget is 85.17%. This indicates the vulnerability of local governments to the manipulation of the regional government. The main reasons for weak fiscal position of *woredas* is scarcity of revenue sources or their narrow tax base as a result, they covered only smaller portion of their expenditure. The Gambella region allocated unconditional block grant transfer to *woredas* on the basis of grant formula.

Specific to the study *woredas* (Abobo and Lare), related to composition of the budget the proportion of the capital budget is insignificant while the recurrent budget, particularly the salary and other administrative expenditures contribute the largest portion (more than 95%) of the total annual budget of *woredas*. There is low budget for capital/development projects and expansion of public services. There is lacks equity in terms of fairness in sectoral allocation of the budget. There are great variations in the allocation of budget for different economic and social sectors of the economy. Revenue generating capacity is poor due to low powers and tax bases. In terms of intergovernmental transfers, *woredas* are highly dependent on regional transfers for their annual budgets.

### ***Local Governance Process***

Accountability: There is an upward accountability of the woreda governments to regional level organs and officials. This is because of the existing political structure at lower levels of government that has become personalized rather than being institutional. There is also lack of awareness/orientation and indifference of the community over the operations of woreda governments. In general, traditional instruments used for ensuring accountability such as opposition parties, transparent and free regular elections, a wide ranging and accessible Medias are inadequate in the region.

Transparency: There is lack of transparency in the activities of lower level governments. The community is unsatisfied about the transparency of planning process in both woredas. The people neither participate in the budgeting process nor have awareness about the allocation and execution of the budget. In terms of transparency in decision making, it is problematic in that the decisions are made secretly by the woreda cabinet members. It is not open to the public and even the implementation of those decisions is not always transparent. There are no established controls and procedures for financial information, accountability and audits in relation to the other sector offices. The possibility to have access to relevant information such as budgets, accounts and plans is also limited.

Capacity Issues: The decentralization process in the region have been challenged by serious capacity problems in terms of administrative, technical as well as resources (financial, manpower and material) to plan and implement their responsibilities to the satisfaction of the community. The region as a whole does not have adequate skilled manpower. The sector bureaus are persistently constrained by shortage of skilled manpower. At the woreda level there is shortage of manpower, high turnover of experienced and skilled staffs and inappropriate placement of manpower. There is also lack of qualification among the executive (cabinet) members of the woredas to plan, implement and manage appropriate social and economic development projects and basic public services in their locality.

### ***Intergovernmental Relations***

The revised GPNRS Constitution indicates four administrative tiers of government in the region. Although the constitutions and law stated the accountability of each tiers on paper, the actual practice in inter-governmental relation is not clear. The lines of authority and accountability between woreda, zone and regional government is not clearly defined. There is no legal or semi-legal document guiding the relationship between the different tiers of governments. This created a confusion of accountability and lack of transparency and interference between the tiers.

Officials who are at higher political positions of regional and zonal governments interfere in the powers of woredas. This has affected the autonomy of local governments. Though the law recognizes the formal independence of each tier of government, the governmental structure is generally characterized by the top-down modes of control and supervision. The existing relationship between local and regional governments includes periodic transfer of block grants to woredas, budget preparation supports, training programs, periodic reporting and ad-hoc supervisory inspections. To conclude, the woreda-regional relationship in general and among the different woredas in particular (in terms of administration, political, technical and fiscal dimensions) is not smooth.

### ***Planning and Budgeting Process***

The institutions involved in the planning and budgeting process are BoFED at regional level and OFED and sector offices at *woreda* level. The planning and budgeting process of most *woredas* has so far been done in a semi top-down approach in three grounds. First, form of indicative plans setting out priority areas from the region to be dealt with by *woredas*. Secondly, the block grant transferred to *woredas* are divided in three major parts of salary, petty cash and capital at regional level and thirdly, planning and budgeting experts are sent from the region to help the *woredas* in the technicalities of planning and budgeting process within the priority area.

The *woreda* executive (cabinet) committee and *woreda* council play the approving role of the budgets. Local governments however participated in providing input into the budget formulation and transfer process and in proposing project ideas in the planning process. They are not consulted in the budgetary decision making process and resource allocation that was done at the regional level. The lower levels of governments participate only in input delivery (information provision) and were not actively involved in allocation of decision making and budget execution, and have limited 'voice' in public expenditure decisions. There is passive participation of stakeholders in identifying problems and prioritizing needs in planning and budgeting process in *woredas*. Civil society organizations (NGOs, CBOs, etc), donors, women, kebele leaders and the public in *woreda* planning and budgeting, monitoring and evaluation processes of local development is virtually absent.

### ***Community Participation***

Respondents in both *woredas* indicated that the level of involvement of the larger community in identifying and setting priorities was too weak or almost nil. During the discussion, discussants revealed that there was no trend of involving the community to participate in planning and prioritizing their needs and deciding on different public sector delivery activities. Community participation at kebele levels is perceived as a contribution of materials and labor to development projects. There are no clear and established modalities of involving the community in the process of local development. The community has very low awareness in participating in different development and service activities. The role of people in the *woredas* in the process of decision making and provision of public services thereof is minimal at best.

### ***Service Delivery***

The study also found out that there are some improvements in the basic service delivery of the two study *woredas* from the perspective of quantity, coverage and beneficiary access at construction level. However, there are many problems in term of service giving and quality of the basic services constructed. *Woredas* are not giving the critically needed services to the community because of poor quality of construction that has led to the collapse of the building shortly after its completion and the absence of material and manpower required for the operation and functioning of the projects.

In general, though some improvements were witnessed in the nominal increase of basic service delivery after the implementation of *woreda* decentralization, it is difficult to conclude that this has brought significant changes in the major sectors of public service delivery.

This is because the real contribution of the *woreda* administration and the community for the improvements is very limited.

Most of the basic service facilities constructed in the study woredas are built by different organizations such as Pact Ethiopia, ERDP which is supported by UNDP, UNICEF, World Bank, etc. When the overall performance is measured by including the inputs of the regional, zonal and other actors such as NGOs, some improvements have been witnessed. However, when the inputs of actors outside the woreda institutions and other contributing factors or variables are disregarded, performance in the post-decentralization years in the woredas has not been impressive. Financial and skilled human power constraints and problems of coordination and participation of the people have contributed to the low performance of the woredas.

### ***Constraints and Prospects of Woreda Decentralization***

The major critical problems and challenges facing the implementation of woreda decentralization in the Gambella region are as follows.

- Inadequate devolution of power, limited decision-making authority and autonomy transferred to local governments,
- Absence of political will and commitment to devolve power in real sense,
- Lack of legal and institutional framework,
- Poor inter-governmental relations and weak coordination with different stakeholders,
- Upward accountability and absence of transparency in the operation of local governments,
- Shortage of basic resources (skilled human power and material), limited administrative, institutional and technical local capacities,
- Financial constraints such as weak budgeting and expenditure administration, poor revenue generating capacity and heavy dependence of woredas on regional government transfers,
- Weak public sector service deliveries,
- Low level of community participation at the regional and local levels,
- Infrastructural problems,
- Unfavorable weather condition and
- Political instability and ethnic conflicts in the region.

It is not easy to judge and project at this early stage, the prospects of success or failure of woreda decentralization in the region. However, based on its current status and implementation trends, the program is not properly contributing to its predetermined goals because of the above constraints. Though the program has brought some positive contributions, the prospect of the implementation of woreda decentralization would seem to depend primarily on the will to address and implement such concerns by different stakeholders at various levels.

### **Conclusion and recommendations**

It is important to note here that generalizing about a given region from specific findings of two woredas is difficult. There is limited decision-making power transferred to lower level local governments. Woredas enjoyed little administrative autonomy to respond to the local needs of their constituencies.

Sufficient decision-making authority, responsibilities and resources were not given for woreda level administrations to empower them to live up to the expectations of the people for more and improved services. Woreda governments are heavily dependent on the regional government for budgets, which come in the form of block grants using a set of criteria. Community participatory development activities (in both financial and non-financial contributions) are at its infant stage

in the woredas under consideration. The practice of involving the larger community in identifying problems and overall planning activities is almost nonexistent. There is no significant effort in adjusting priorities according to local needs. The basic service delivery has relatively increased nominally after the DLDP implementation in the region. However, it is difficult to conclude that this has brought significant changes in the major sectors of public service delivery. In real terms the contribution of the woreda administration and the community for the improvements is very limited.

Based on the above discussions and findings of the study, the following recommendations are forwarded to have policy implications need to be considered.

- Woredas should have sufficient decision-making power and serve as autonomous units and manage the service provisions in their areas so as to maximize their benefits. The local government should be given full autonomy in the planning and budgeting activities according to their needs. Moreover, woreda governments should have the authority and autonomy to recruit, hire, appoint, transfer or dismiss local manpower which should be governed by local laws.
- For successful implementation of decentralization, the regional government in collaboration with local governments should formulate a strong legal framework setting out the powers, rights and duties of different government tiers in the region. There should be strong political commitment, leadership and dedication from the government and other concerned bodies both politically and in the allocation of the necessary human, material and financial resources. In addition, the regional government in collaboration with MCB should have to establish institutions at woreda levels that are responsible for the implementation of DLDP.
- For making the regional and local governments accountable and transparent to the people, citizens should elect those who rule them and have the possibility to assess their performance. This requires transparency of government actions and the possibility to have access to relevant information such as budgets, accounts and plans.
- The decentralization effort should first capacitate the region and local *woredas* with resources (human and material), administrative and technical capacities to help them evolve as viable and autonomous units of self ruled administrations. In addition, in order to minimize high staff turnover, the regional government should introduce positive and staff motivating incentive mechanisms so that the employees should be dedicated to the job for which they are assigned.
- Effective decentralization requires adequate financial strength. But the GPNRS is financially constrained due to its low revenue generating activities and low administrative capacities. The region cannot generate sufficient revenues from its own sources. Measures to increase the revenue base should be seriously emphasized by the regional government.
- The regional and local governments should consider community participation in all levels of decision making process. The political stability of the region is also something that bothers the development process. It is vital to resolve conflicts among the various ethnics that ensure peace and stability for the development process, and accelerating the decentralization process for creation of good governance at woreda level.
- Finally, the author recommends further complementary studies be conducted in the region on the subject matter in order to provide more conclusive findings over the direction and impact of the program using the findings of this study as an input.

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## **RADIO PROGRAMMING FOR YOUTH UPTAKE IN AGRICULTURE IN NYANZA REGION, KENYA**

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### **Abstract**

Youths participation in agriculture is at a lower level yet still decreasing worldwide (Proctor and Lucchesi 2012); this trend is the same for Nyanza region of Kenya. this study interrogate youths in this region to understand how radio can be used to encourage their participation in agriculture. Radio is a vital tool in information dissemination as it reach a large number of people including those in rural areas (Akugizibwe *et al*, 2011). This study was done in four Counties of Nyanza region namely Siaya, Kisumu, Homabay and Kisii. The specific objectives of this study are i) To investigate reasons why most youths do not participate in agricultural production in Nyanza region. ii) To assess why current agricultural radio-programmes do not influence youths' participation in agriculture and, iii) To suggest better ways which radio can disseminate agricultural information to influence youths' participation in agriculture. In summary, the study found out that; i) the major reasons why most youths do not participate in agricultural production in the region is that they consider it to be high labor intensive, low income generation activity and also agriculture to them is seen as belongs to failures in life among others. ii) In assessing why current agricultural radio-programmes do not influence youths' participation in agriculture, the study found out that there were challenges in the radio listenership of agricultural programs majorly caused by the inconvenient time of airing agricultural programmes on radio, other competing programmes in radio which were of more interesting to youths than agricultural programmes, high cost of buying batteries especially those in the rural areas among others which are explained in this paper. iii) In suggesting ways through which radio can disseminate agricultural information better to influence youths' participation in agriculture, the study found out that repeat of agriculture programmes at different times of the day would be the best way to solve the challenge followed by involvement of the youths in content making which would enable the programmes to be friendly to the youths, the third solution to the listenership challenge was the use of agritips between other radio programme which are interesting to the youths as this would draw their attention and make them be interested in the full programmes on agriculture. There are also other ways proposed to improve listenership of the youths to agriculture radio programmes covered within this study.

### **Introduction**

Agriculture is the backbone of the Kenyan economy. It is the single most important sector in the economy, contributing approximately 25% of the GDP, and employing 75% of the national labor force (Republic of Kenya 2005). Over 80% of the Kenyan population live in the rural areas and derive their livelihoods, directly or indirectly from agriculture. Given its importance, the performance of the sector is therefore reflected in the performance of the whole economy. The development of agriculture is also important for poverty reduction since most of the vulnerable groups like pastoralists, the landless, and subsistence farmers, also depend on agriculture as their main source of livelihoods. Growth in the sector is therefore expected to have a greater impact on a larger section of the population than any other sector.



The development of the sector is therefore important for the development of the economy as a whole (Patrick and Rosemary, 2006). Youth unemployment is a serious development issue in Kenya. It is estimated that 64% of unemployed persons in the Country are youth. Interestingly only 1.5% of the unemployed youth have formal education beyond secondary school level and the remaining over 92% have no vocational or professional skills training and the majorities are found in the rural areas of Kenya. Due to inadequate opportunities in rural areas the tendency is the migration to urban centers to look for opportunities.

As mentioned above, Kenyan economy heavily depends on Agriculture, which is basically rural-oriented sector. Surprisingly, Kenyan agriculture is still labor-intensive thus the out-migration of young and productive labor force from rural to urban centers has a direct negative impact on agricultural production hence job creation in other sectors which are directly or indirectly linked to the agriculture sector are definitely reduced. A strategy of rolling back rural –urban migration by creating opportunities for employment and access of livelihoods would have a positive spiral effect on Kenya economy.

Every country of the world is certainly striving to be food secured. Nyanza, a region in Kenya situated in the Western part, is a net importer of food despite having relatively good agricultural land and favorable weather conditions. This is mainly because only women and children are left to undertake agricultural activities in the region. Men and youths are mostly involved in leisure activities which do not add value to the families economically (GoK, 2009). This has contributed to incidences of hunger in this region as food produced by women and their young children is not enough for the whole family.

There are several channels available for use to dispatch agriculture information to farmers. These include extension agents, individuals, farmers-to-farmers contact, print media and electronics media. Examples of print media are newspapers, magazines, newsletter, pamphlet and posters, while on the other hand, examples of electronic media includes Radio, television, and film schedules and films trips. Among all those channels, radio is found to be the most important means of communicating agricultural information to the rural farmers. It is one of the broadcast medium which the rural populations are very familiar with and which almost all experts identified to be the most appropriate for rural emancipation programme. This is because radio beats distance and has immediate effect on farmers. Furthermore, radio is favored as a medium of communication in rural communities because of the advantages ascribed to it, inform of transcending the barrier of illiteracy and demanding less intellectual exertion than the print media messages (Akugizibwe *et al*, 2011).

This study paper explains how radio programming can sensitize youths to participate in farming business hence more development in rural areas.

The goal of this study is to enhance rural development by influencing youths' participation in agricultural production through better collection, packaging and dissemination of timely agricultural extension messages to youths through radio.

The specific objectives of this study are;

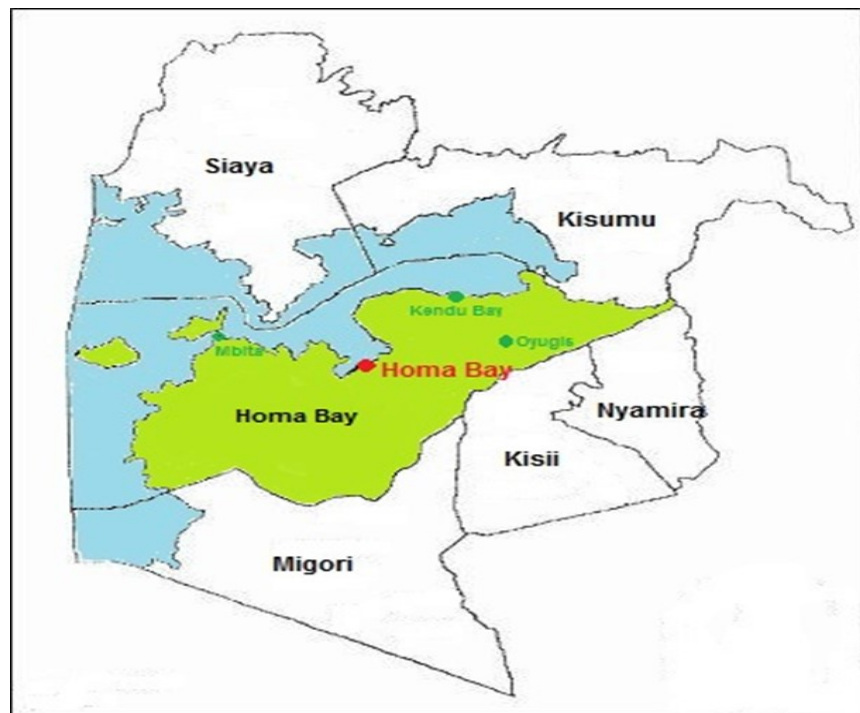
1. To investigate reasons to why most youths do not participate in agriculture within Nyanza region of Kenya.
2. To assess why current agricultural radio-programmes do not influence youths to take up agriculture as an economic activity.

3. To suggest better ways through which radio as a communication media can be used to disseminate agricultural information to influence youths' participation in agriculture.

### Material and methods

This study was done in Nyanza region of Kenya. This region was chosen because it has relatively good agricultural land and favorable weather conditions yet the region still face periodic hunger due to over reliance on women to produce food for the family while youths in most cases do not engaged in agriculture as they consider anybody practicing agriculture to be a failure in life (UNDP–Kenya Report, 2009). The research employed the use of both primary and secondary data. The secondary data was sourced from desktop research, on the other side a survey by use of structured questionnaire was conducted to farmers in Nyanza region of Kenya in order to get the primary data needed for this study. This study used an ex-post facto research design via a cross sectional survey as the study used naturally occurring treatments on subjects having a self-selected level of the independent variables. The manifestations of the effect of the independent variables on the dependent variable had already occurred and the researcher, therefore, did not manipulate them. Cross sectional survey was used instead of longitudinal survey because of limited time and finance for carrying out the study. In addition, the study sought to investigate the relationship between the dependent variable and the independent variables (Kathuri and Pals, 1993).

Nyanza region has 6 counties. It is located 385 kilometers north of Nairobi. It has a total area of about 32912 km out of which 15979 km is under water majorly Lake Victoria. It is bordered by Western Province to the North, Rift valley province to the East, Republic of Tanzania to the South and Republic of Uganda to the West. The data for this study were collected in four Counties namely Siaya, Kisumu, Homabay and Kisii. A total of 20 questionnaires were administered to youths in each county hence giving a total of 80 questionnaires administered. The study considered youths to be people of age between 18 year to 35 years old as per the Kenya census report (GoK, 2009).



**Map 1: The map of Nyanza region showing its six Counties**

Source: <http://wikimedia.org/wiki/File:Nyanza>

**Results and discussion**

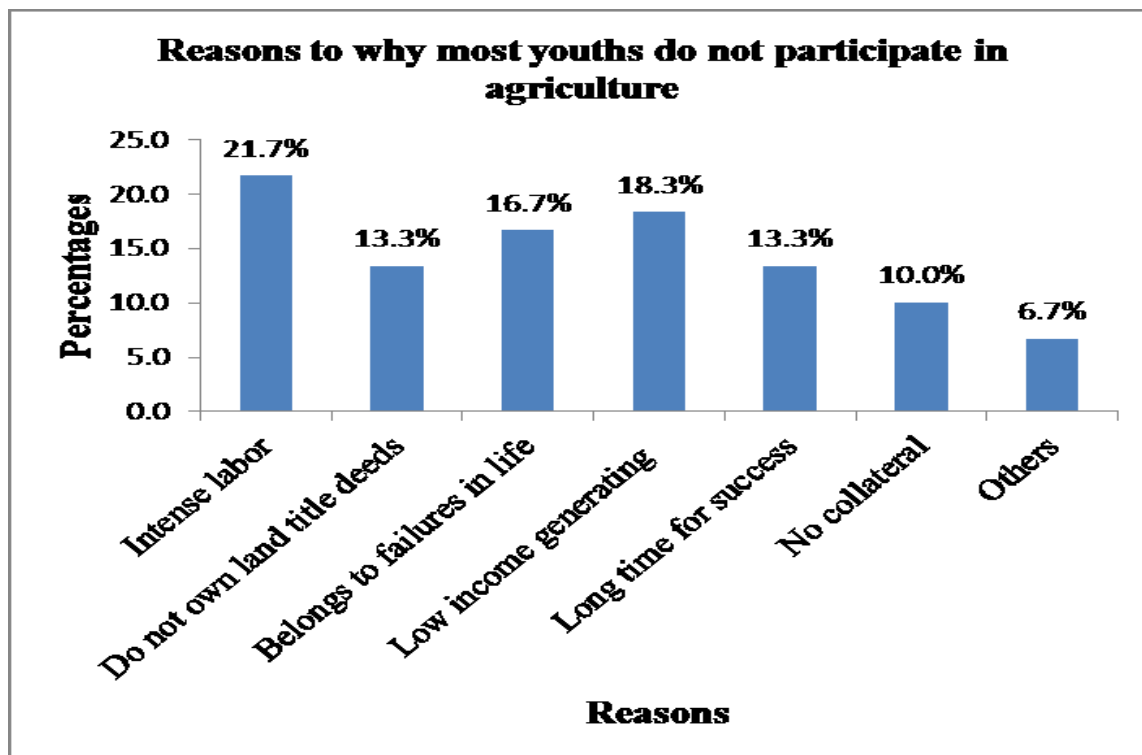
The data used for this study was collected from a study sample of 80 respondent distributed in four Counties of Nyanza region. The sex of the respondents was 40 Male and 40 female as shown in *Table 1* beside. The Counties used for the study were; Siaya, Kisumu, Kisii and Homabay. These Counties; Siaya, Kisumu and Homabay lies along Lake Victoria, Kisii is in the highlands which receives high rainfall and is also very potential for agriculture production.

**Table 1: Sex of respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	40	50.0	50.0	50.0
Female	40	50.0	50.0	100.0
Total	80	100.0	100.0	

***Reasons to why most youths do not participate in agricultural production***

This study revealed that there are several reasons to why youths in Nyanza region of Kenya do not take up agriculture as an economic activity; this is as shown in *Figure 1* below.



**Figure 1. Reasons to why most youths do not participate in agriculture**

Source: own editing, 2013.

Among the reasons stated, high labor intensity in agricultural production formed the major reason to why youths do not engage in agriculture, with 21.7% of the respondents saying the same. Low income generation from agricultural activities followed up at second most reason, while at third position with a percentage of 16.7, the study revealed that youths consider agriculture to be an activity of failures in life.

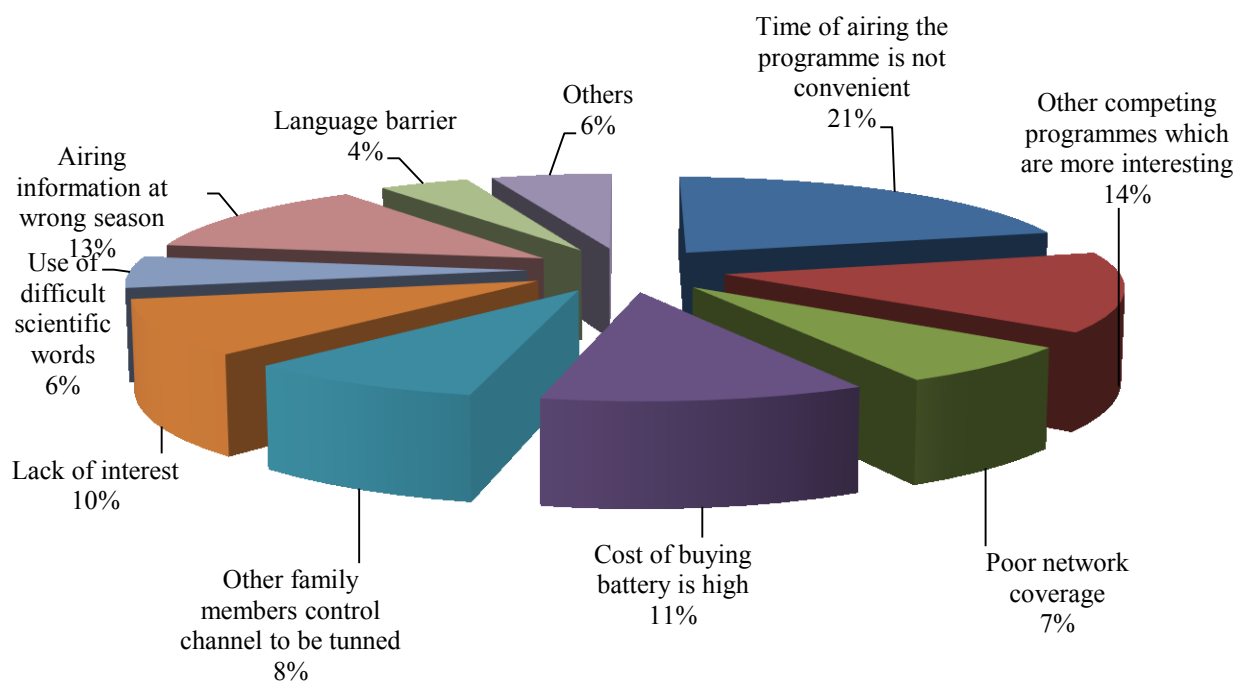
Talking to youths in this region on the same they added that in primary and secondary schools, agricultural activities for example slashing ploughing, and even weeding are used as punishment when students do mistake hence they grow up hating agriculture and seeing it as a punishment. At 13% there is a tie of youths do not own land title deeds and agricultural production takes long time for its returns to be realized. For not having the land title deeds it means that the youths are not able to make long-term investment on the pieces of land that they are using, this discourage youths engagement to meaningful agricultural production. Youths proved to be more interested in those activities that their payback period is short as opposed to agriculture where they need to invest then take longtime before they harvest or sale their livestock. At 10%, the study revealed that youths do not participate in agriculture effectively as they do not have collateral to use for bank loans. From many literature, this should be one of the major reasons for youths not participating in agriculture but for the case of Nyanza region as it came up during the study, it was not a major issue because many people in this region seemed to be scared of taking bank loans to make capital developments, This is a major area that need sensitization if this community is to develop. The other issue was that most of production is manual and people use hoe to undertake most of the ploughing, to the youths, they would prefer to participate in a mechanized system of production.

### ***Reasons why current agricultural radio-programmes do not influence youths to take up agriculture as an economic activity***

The effectiveness of a radio programme is the listenership of the programme. If people listen to programmes, they will be informed hence, they will most likely implementing what they have learnt (Woodard, 2012). With this background, it was revealed during this study that reasons why the current agricultural radio programmes do not influence youths' participation in agriculture were majorly issues which hinders youths from listening to the agricultural programmes on radio. *Figure 2* above shows some of these challenges. The first major hindrance of current agricultural radio program to influence youths' participation to agriculture is the inconvenient time of airing agricultural programmes on radio, most of the youths said that they are only able to listen to radio at night while most of the agricultural programmes are aired in the morning hours or during the day when they are not next to radio or they are busy doing other things. The inconvenient time of airing agricultural programme constituted 21% of the responses and is also the highest most reason for youths not able to participate in agriculture as a result of radio programme. The second most challenge at 14% was other competing programmes in radio which are more interesting to youths than agricultural programmes. It was followed at 13% by airing information at wrong seasons, the study found out that in most cases the programmes aired during the agricultural session are not the information needed at that time of the season, an example given was information on how to harvest when everyone is ploughing, this means that as much as people will listen to the information on radio, when it come to the time of harvesting everyone would have forgotten about what was taught thus becomes ineffective.

The study also revealed that most of the youths especially those that live in rural areas where there is no power felt that the cost of buying batteries was high for them thus they could not listen to agricultural radio programmes most often. Lack of interest of the youths in agricultural production also formed a big reason to why youths do not listen to agricultural programmes on radio. By not listening to them therefore, the youths could not gain from them. It was also found at 8% that some youths do not listen to agricultural programmes as other family members control the channel that the family has to listen to especially in cases where the household own only one radio.

In these cases, the respondents said elder members of the family decides on channels to be listen to thus deny youths chance to listen to agriculture programme. Poor network coverage was also raised as a challenge to listening to radio programs as there are areas where transmission of some of the radio channels does not reach. As shown in *Figure 2* above, the other impediments to listening to agricultural radio programmes is use of difficult scientific words that most of the youths cannot comprehend, then finally the language barrier also impede some youths from following agricultural programmes on radio well, they said that it is better if it is aired in the local radio stations where they will hear the programme in the local language, this was at 4% of responses.



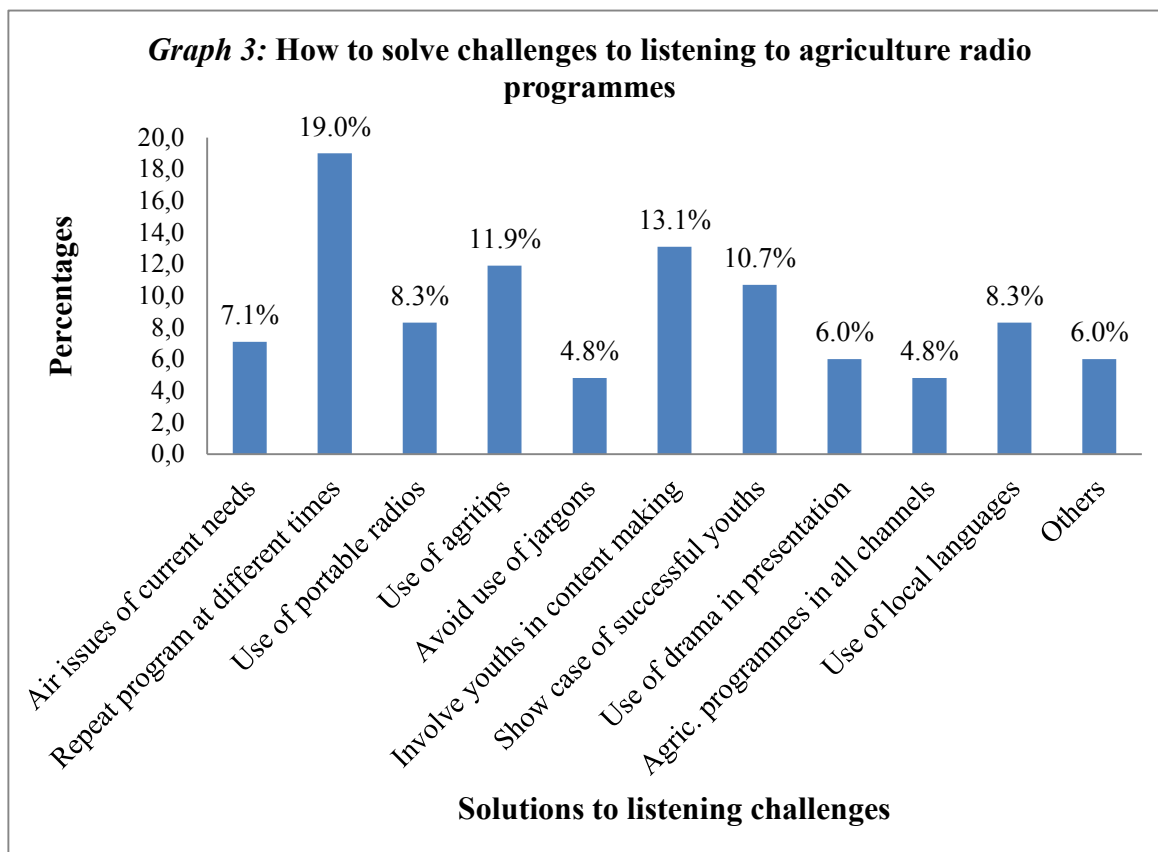
**Figure 2. Challenges to listening to agriculture radio programmes**

Source: own editing, 2013.

### ***Effective means of disseminating agricultural information to the youths through radio.***

The study seeks to find ways by which agricultural programmes can vastly be listened to by youths thus broaden their knowledge in agriculture hence their participation. *Figure 3* below show the solutions that were captured from the youths for the challenges mentioned above. The major challenge mentioned was wrong timing of the agricultural programmes as most of the programmes are aired at time when youths were not able to listen to radio, as a solution to this the youths suggested repeat of agriculture programmes at different times of the day, this came up at 19%. At 13.1% of the responses the youths felt that by involving them in content making, the programmes will be friendly to the youths as the issues of their concern will be captured well, at the same time by the fact that the youths will be getting information from their fellow youths through radio, this will make them gain interest on the discussion.

At 11.9%, the study revealed that use of agritips between other programme which are interesting to the youths can also make them gain interest to whatever message being passed thus will influence them to asking more questions about what has been said in brief through the agritip, this will make the youths much knowledgeable and will be able to implement what they have listen to. Show case of successful youths is also one of the ways by which youths can be influenced to take up farming as they will be able to hear about other youths who have



**Figure 3. Solution to challenges to listening to agriculture radio programmes**  
 Source: own editing, 2013.

succeeded through agriculture; this gives them motivation to go into farming. The other two reasons which tie in the order of importance as in the graph above is use of portable radio and use of local languages; use of portable radio allows the youths to move with their radio to wherever they are going, hence increase their chances of listening to the agricultural programmes in a consistent manner, while use of local languages was supported as the youths felt that most of them listen to channels which advertise in their local languages thus if such programmes can be aired in such kind of community radio stations then it will be easy for them to listen to them. At 7.1%, it is suggested that the agricultural messages in radio should be what farmers need at that time of the season for example if farmers are weeding then the messages should be those related to the period of weeding, this way it will make farmers to be able to implement what they are taught at the right time before they forget. At 6%, it was found that youths get interest when the programme is presented in an interesting way like in drama form, thus to catch the interest of the youths, some of the agricultural programs should be presented in a drama form. Finally at 4.8%, there is a tie on avoiding use of unfamiliar scientific languages “jargons” which youths cannot understand, and a suggestion that agricultural programmes should be aired in all radio channels.

This will allow youths even those in areas where some of the channels could not reach to be able to benefit from those that they are able to tune. It also avail choices on which one to listen to which is the pride of the youths.

### **Conclusions**

Effective radio programming is key in ensuring that the perception of youths is changed for them to take up agriculture as a meaningful economic activity. In the past as much as there has been radio programmes in the radio channels, to a major extent there has been many impedements to the youths listenership to such programmes. Through this study, we have realised that a major solution to this problem is airing agricultural programmes at a time when the youths are able to listen to the radio which in most case was at night but the study recommends repeat of the agricultural programme at different times of the day and use of agritips to ensure that the youths are able to have chance to listen to them. Many other ways have also been proposed under this study which are as described above.

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## ISSUES OF TRADE INTEGRATION BETWEEN EU, CIS AND RUSSIA: INFLUENCES OF MULTILATERAL TRADE IN AGRICULTURAL COMMODITIES

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### Abstract

Trade with agricultural products in last decades becomes more and more internationalized and globalized. A global trading system is now both freer and fairer than ever before and this will boost global prosperity and can make a significant contribution to the global economic development. Favorable conditions for development of international trade with agricultural products are caused by the trade liberalization, development of trade unions and free trade areas all over the world. The paper includes the overview of the WTO threats and opportunities for the Russian agriculture and trade with agricultural products in CIS and EU. This is also related to state support of agricultural production in Russia and CIS and its influence on volumes, directions, structure and effectiveness of bilateral CIS-EU trade with agricultural products.

**Keywords:** trade, agricultural commodities, integration, export

**JEL classification:** F13, F15

### Introduction

WTO is currently the leading organization regulating the issues of international trade. In 2012 the process of Russia-WTO negotiations had been completed, but many questions related to the accession remain critical. The majority of Russian agricultural industries cannot equally compete with foreign producers. The dependence on import deliveries is critically high. Local agricultural and food products cannot find their customer neither on foreign nor even on local Russian markets. At another point, trade integration can bring not only damages, but also advantages. Along with a wide range of disadvantages given by the WTO system to the Russian agriculture, many experts reasonably observe series of opportunities, especially in the sphere of agricultural export. Russia is a traditional exporter of agricultural products to CIS and EU, and WTO membership can provide easier access to foreign markets for Russian agricultural producers. Trade integration is also a process actively developed nowadays among Russia, Belarus and Kazakhstan (agreement on custom union) and among Russia and Ukraine – the second biggest CIS agricultural producer. These processes supported by the Russia's membership in WTO will influence significantly the character of international trade with agricultural products in the region.

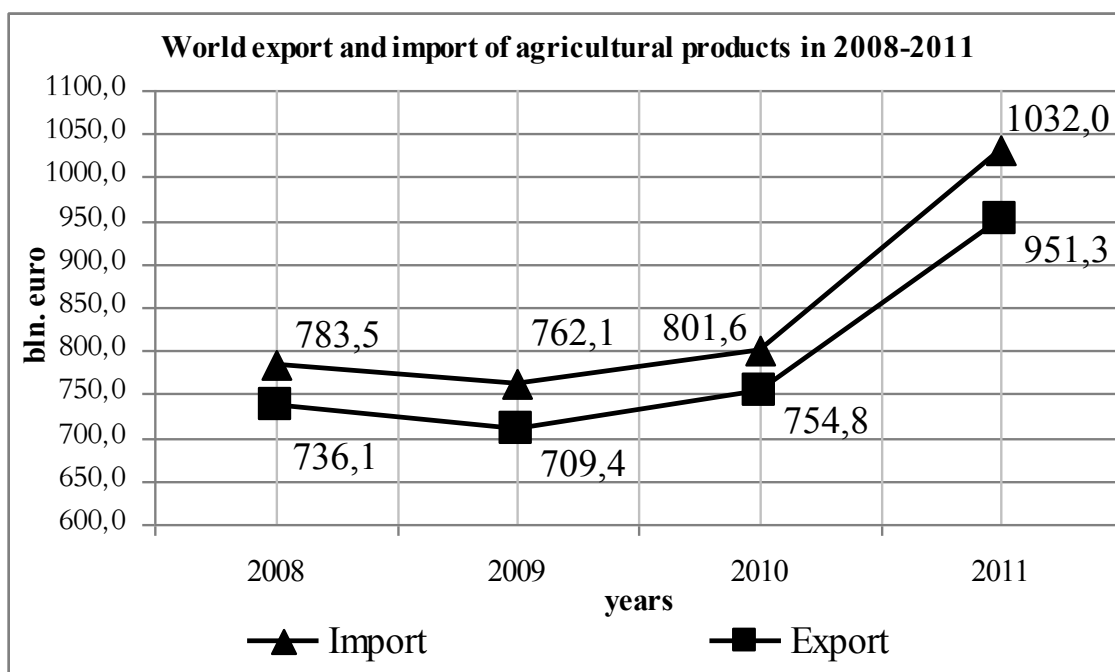


## Material and methods

The current state of EU-CIS-Russia trade is analyzed on the example of main goods having the biggest ratio in the structure of bilateral trade turnover. Special attention is paid to agricultural products, since agriculture is one of the most “sensitive” spheres influenced by trade integration, including trade agreements within CIS and membership of some of CIS countries in WTO. The period of analysis was 2001-2011. The analysis involved main exporting and importing countries for all analyzed goods. Methods of quantitative and comparative analysis were implemented. The data summarized for 4 CIS countries were compared to EU-27 data. Trade data for this research are from Final Report “International trade and international cargo flows in 2011” by VLANT consulting company. An alternative source is the “Commodity trade between EU-27 and CIS countries, 2000-2010” by Eurostat.

## Results and discussion

World trade in agricultural products in 2010 increased 12% compared to 2008 and reached record highs. Increased trade in agriculture was due increased product demand from major emerging economies compared to previous years. World agricultural trade reached an all-time high, at least 12% (expressed in Euros) above the previous record set in 2008. The impact of the economic crisis led to a contraction of 6% in global agricultural exports in 2009 but they rebounded by 20% in 2010. World main exporters of agricultural products in 2011 are EU-27, USA and Brazil. These 3 countries increased their export volumes in 2011 in comparison with 2008. China took the 4th place in 2011, while exports from Canada and Argentina grew in much lower rates, comparing to exports from China. China, having the world’s biggest population, is able to provide sufficient internal requirements of agricultural products and food and, moreover, to increase export volumes. (Erokhin – Ivolga, 2012)

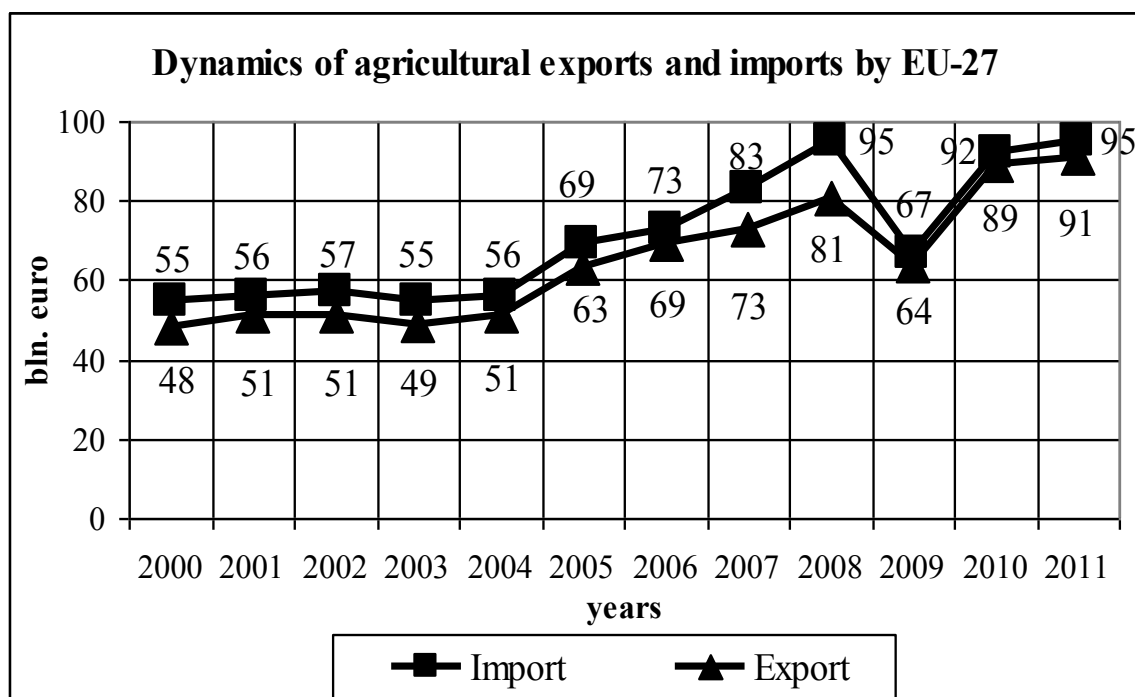


**Figure 1: World export and import of agricultural products in 2008-2011, bln. €**  
*Source: own editing, 2013.*

The indicative trend of the post-crisis international economic development is the advanced growth of interregional trade, observed in 2006-2011, even despite the economic recession.

This shows the strengthening differentiation of labor at the macroeconomic level. The highest increase of exports was observed for the regions specialized in raw goods supplies. The best import dynamics were in the developing countries (as a result of global imports appreciation) and again the same “raw” regions – as a result of growth of their revenues on the global market, and enlargement of their effective demand.

The EU as well as the other top exporters all benefited from buoyant markets. Following the slump in 2009, the EU, the US and Brazil bounced back with over 20% growth in exports, to reach record levels in 2010-2011. The EU’s trade balance improved to the extent that it emerged from recession as a net exporter in 2011, for the first time since 2006. The €6 billion agricultural trade surplus is largely due to expansion in the value of exports, driven by stronger demand for final products, as the EU’s key trading partners come out of recession and higher prices for commodities and intermediate goods.

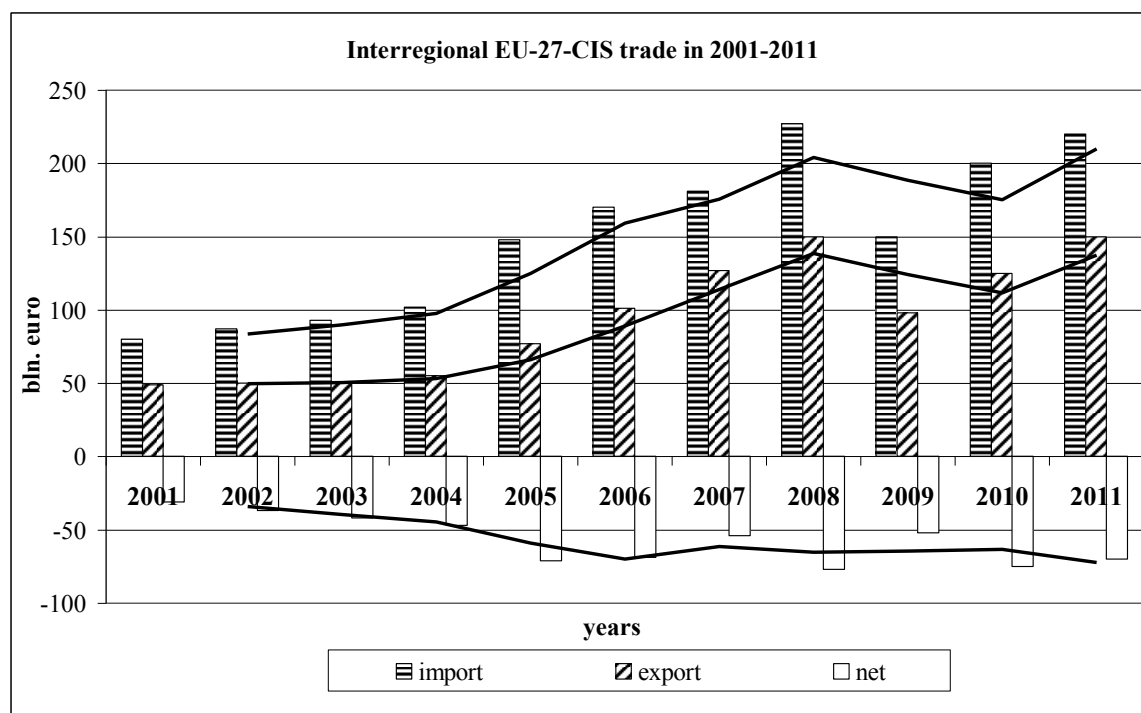


**Figure 2: Dynamics of agricultural exports and imports by EU-27, bln. €**

Source: own editing, 2013.

The EU remains by far the world’s biggest importer with imports worth €83 billion in 2008-2011, well ahead of the US. EU imports grew by 9% in 2011 though they remain 5% below the peak of 2008, when they reached €88 billion. This is a result of the sharp drop of over 12% in 2009 after two years of very strong growth of over 13% per year. The EU’s share of global imports was over 19% in 2009. US imports grew strongly by 17% in 2011, having suffered a less severe decline (just 5%) than the EU in 2009.

The EU’s trade balance continued to improve in 2011 to the extent that it switched from being a net importer with a trade deficit of €2.5 billion in 2009 to a net exporter, for the first time since 2006, with an agricultural trade surplus of over €6 billion. The surplus is largely due to growth in the value of exports after the contraction of trade in 2009 linked to economic crisis and the drop in commodity prices. The EU and the other top exporters all benefited from buoyant export sales. The EU’s export profile has changed little in recent years. Final products and other products together account for 69% of the value of EU exports in 2008-2011, while intermediate products and commodities represent 20% and 9% respectively.

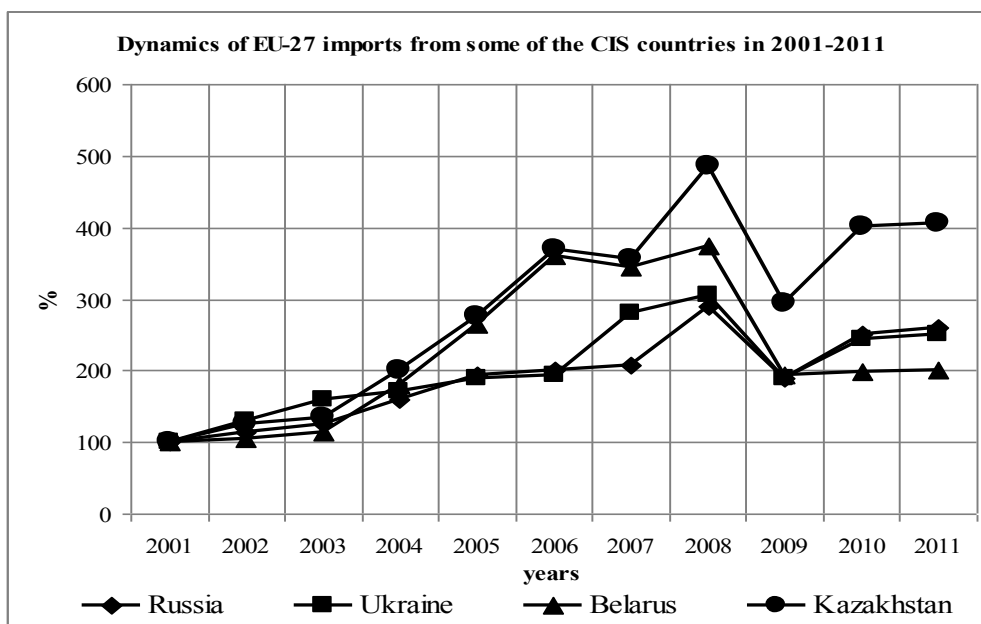


**Figure 3: Interregional EU-27-CIS trade in 2001-2011 (in bln. €)**

Source: own editing, 2013.

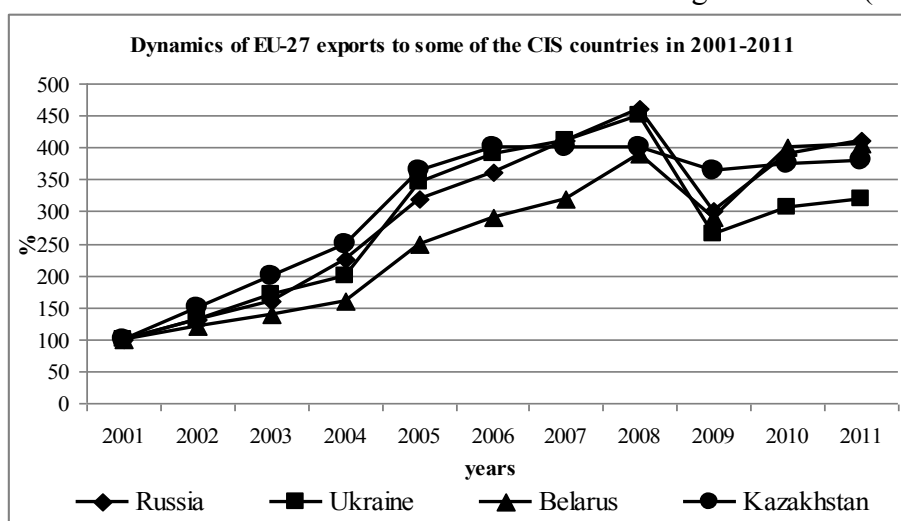
EU-CIS trade flow remained one of the world's biggest from 2009-2011, although South-East Asia – East Asia trade flow, the most dynamic one in last decade, was progressively reaching similar levels. CIS is the relevant EU-27 trade partner. The annual volume of interregional trade almost tripled – from €109.7 bln. in 2000 to €330.0 bln. in 2011. However, a significant drop of exports and imports in 2009 was recorded as a result of global economic recession. Following rapid (up to 30% annually) growth of interregional trade volumes in 2009-2011, let us forecast the recovery of export and import volumes at 2008 levels even in 2012, as well as the achievement of a horizon of €250 bln. imports and €170 bln. exports in 2013 (Erokhin – Ivolga, 2011).

In 2001-2011 (except «crisis» 2008-2009), the annual increase of EU-27 imports from CIS countries was 10.1%. Such a high level can be explained primarily by the growth of imports volume from Russia as well as imports increase from Kazakhstan, Azerbaijan and Ukraine. Russia's share in the structure of foreign trade turnover between EU-27 and CIS countries remains significant, including the period of global economic recession and considering the non-membership WTO status of Russia until 2012. Russia's share is 79% of EU-27 imports from CIS countries and 71% of EU-27 exports to CIS countries. The structure of Russian exports to the EU is homogenous during the last decades – over 78% of Russian exports to EU-27 is mineral fuel (2011). EU-27 exports to Russia are much more diversified, mainly consisting of machineries, equipments and transport vehicles (44% in 2011) (Erokhin – Ivolga, 2011).



**Figure 4: Dynamics of EU-27 imports from some of the CIS countries in 2001-2011 (in %)**  
 Source: own editing, 2013.

During the same period of 2001-2011, the annual average increase of EU-27 exports to CIS countries was 13.9%. The given increase was provided primarily by the growth of exports to Russia, Ukraine, Belarus and Kazakhstan. Incomplete recovery of European demand for CIS raw goods (especially fuel), caused by the financial and economic difficulties and growth of international competition on the European market, until now prevents the recovery of “EU-27-CIS” trade flow volumes up to the pre-crisis levels. The highest growth rates can be observed for grain and coal sectors. The significant increase is noticed for non-metallic mineral raw materials and other fuels. However, despite the general increasing trend, some of the commodity groups demonstrated negative dynamics: pipeline gas, oil and iron ore. CIS countries after USSR collapse developed multi-directionally, but in general they were primarily oriented to European Union as the largest market for their products. Many partnership trade agreements between CIS and EU countries were concluded during 2001-2011 (Nilson, 2011).



**Figure 5: Dynamics of EU-27 exports to some of the CIS countries in 2001-2011 (in %)**  
 Source: own editing, 2013.

At the moment, the EU Commission actively supports its partners in trade development, for example, through partnership and collaboration agreements (Liapis, 2011). Most of the Central

Asian countries within CIS are the beneficiaries of the Global System of Preferences (trade) of EU-27 countries, as well as active participants of integration in the frameworks of WTO. Membership of some of CIS countries in WTO and recent Russian accession to this global trade system can change the structure and main tendencies of EU-CIS trade significantly. This is especially related to EU-CIS trade with agricultural products, since agriculture is supposed to be one of the most “sensitive” spheres influenced by trade agreements within CIS and Russian accession to WTO.

As we have already outlined, trade integration could bring both advantages and treats. In order to assess the probable influenced of Russia’s accession to WTO we have to analyze the principal obligations undertaken by the country and see how their introduction may affect the domestic agricultural production and Russia’s foreign trade with agricultural commodities. Member obligations in agriculture are different from the standard ones, usually undertaken by other accessing countries. According to the standard approach each accessing country “binds” the aggregate volume of support that distorts trade on the level of a three year period preceding the accession. This volume is a subject of reduction during a short period after accession. The allowed level of support for Russia is \$9 bln, which is twice as much as the level permitted according to the standard rules. The allowed level will be decreased gradually, and after 2018 it will be “bound” on the existing level. Russia confirmed that after WTO accession (as well as of today) the export agricultural subsidies would not be implemented. According to the Research Institute of Agricultural Economics of the Russian Academy of Agricultural Sciences, the average weighted rate for agricultural and food commodities in Russia will be lessened by a third (from 15.6% to 11.3% by the end of the transition period).

Membership in WTO will obviously limit the opportunities in independent regulation of the external economic activity. Particularly, bound import tariffs will limit the maneuverability and flexibility of state custom and tariff regulations. The economic conditions of agricultural production will get worsened because of the low competitiveness of Russian production caused by the lack of the production factors of high quality, as well as by the weak interaction between agriculture and the rest of industries. It will become harder and more difficult for the state to protect domestic farmers, and the access of the foreign food commodities on the Russia’s domestic market will become easier because of the lower import custom tariffs. This may lead to the decrease in the national production. However, the “secret” of foreign farmers’ success on the Russian market is not in the high quality of their products only. Agriculture is one of the most protected and “closed” industries. The main method of protection is to provide a huge volume of subsidies to domestic producers. Annual agricultural expenses of WTO member states exceeds dozens of millions US dollars. Most of this money they spend on the measures that distort trade and production. Obviously, this affects the global agricultural market negatively, leads to overproduction and landslide of prices.

Global demand for agricultural and food commodities is under-elastic. Food and agricultural products are essential commodities; that is why developed countries aim at assurance of their food security by means of domestic production (except, perhaps, Japan) and saturate domestic markets with high-quality own-produced food commodities. To entry those markets foreign producers have to have some substantial competitive advantage. This is usually not the case of developing countries, which do not have sufficient resources to support their farmers and deliver such competitive advantages to their products.

Consumers in developed countries already have all necessary food commodities of required quality; there is no reason to expect any essential growth of market capacity. Moreover, there

are high custom barriers (either tariffs or sanitary regulations) on the way of foreign agricultural commodities (Josling et al., 2010).

Principles of competition and fair self-regulation of global agricultural market, which underlie WTO activities, seem too hard for developing countries, particularly in the conditions of high state support of domestic agricultural complexes by developed countries, distorting fair competition (Liapis, 2011). However, for Russia the situation is not so unpromising. Alongside with such serious apprehensions there are quite realistic effects of agricultural trade liberalization. De jure Russia was granted with a light regime of access to foreign markets when accessing WTO and participating in trade and economic integration. But one can benefit here not so much by an expansion to the developed countries' markets as by getting more predictable operation regime on traditional markets, i.e. expansion of trade between CIS and other traditional Russia's trade partners.

### **Conclusions**

It is possible to forecast that in the mid-term, the structure of EU-27-CIS foreign trade turnover will not get changed significantly. CIS-EU trade flow will primarily consist of raw commodities. Its largest constituent will remain oil. There will be also relevant (but not comparable to oil in their sizes) shares of pipeline gas, coal, petrochemicals and iron ore. CIS deliveries would be mainly formed by Russia. Ukraine and Kazakhstan would also become big suppliers. The main CIS importer among EU-27 countries will be Germany, followed by Italy. The Netherlands and Poland will increase their shares in EU-27 imports from CIS countries.

Export of agricultural products from EU-27 to CIS countries will grow in the mid-term. The growth will be caused by a number of reasons, particularly:

1. Continuing liberalization of inter-regional trade within CIS, as well as a result of multilateral EU-CIS agreements.
2. Russia, which is the largest economy of the region, accessed to WTO.
3. Low competitiveness of CIS domestic agricultural producers comparing to EU and US farmers, supported by their governments (especially in food production and high-level food processing where added value is the largest).
4. Incomparably lower volumes of state support for domestic agricultural producers not only in CIS-countries, but even in Russia, that does not provide sufficient protection of inter-regional market and do not allow to develop effectively high-quality food processing and food production in CIS-countries (Josling et al., 2010).

WTO and trade liberalization obviously bring a set of opportunities for an accessing country. WTO is based on an equality of rights and obligations. This means that EU countries are obliged to open their domestic markets for CIS agricultural and food products. However, most of the CIS-countries, including Russia, cannot fully benefit from these opening opportunities. The state is not able to support the massive expansion of domestic farmers to European markets. Transition period can take long time. If CIS and Russia do not use new opportunities today, better times may not come at all.

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## **IMPACT OF FISHERY ASSOCIATION MANAGEMENT ON FISHERY COMMUNITY**

Case study in Vinh Giang Commune, Phu Loc District, Thua Thien Hue Province, Vietnam

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### **Abstract**

Tam Giang lagoon system has got an area size of around 22.100 ha; a length of 68 km along the coast of central Vietnam. In which, the animal system is abundant, including many kinds of shrimp, fish and crab. Vinh Giang is a commune which belongs to the Tam Giang lagoon system. It is a place, where fishing activities started long time ago and developed strong fishery culture. There are many fishery groups who use this resource, including fixed gears fishing, mobile gears fishing and aquaculture. The numbers of fishers are increasing; meanwhile the resource under harvest is limited. Accordingly, conflict becomes common among household groups in aquatic resource exploitation and use. They use many methods to increase their efficiency, like event destructive fishing. This situation led to overexploitation and depletes resources. The local government tries to take some measures in resource management, but the effectiveness was not significant. Specially, they give emphasis for administrative management mechanism and coercion to reduce approach level, exploit resource in general and fisheries management in particular. The centralized management mechanism didn't seem suitable in common pool resource (Tuyen, 2008). Thus, the most important is to renew management system in aquaculture, fishing and other resource in lagoon. The fisheries management system improvement is implemented comprehensive in fishing technology, fishing method and management regulations in order to reach a goal that is not harmful to environment and biodiversity in aquatic resource. Although, the Local Government and other organizations coordinated management in aquaculture and fishery is there, the connection has not been close enough to bring a change. The fishing and aquaculture area planning were not suitable and clearly. In addition, whereas, government organization, local government weren't enough official, time, expenditure and resource to remain management activities on large area. Fisher has not participated actively in in the protection of aquatic resource in the community yet. Because of this, the overexploitation continued growing from time to time. These reasons affect aquatic resource and fisher's livelihood.

To solve this problem, the community has to clear property right regime to reinforce aquatic resource management capacity (Tuyen, 2010). Therefore, the fishery management model base on community was establishment in many communes. In which, fishery association is subject of the model. Moreover, Vinh Giang commune, that the first commune is right allocated in water surface resource management, exploitation and using. The nature of the community based fisheries management model is decentralized in participation of fisher and local government. Fishery association is social-professional organization. The participation of fisher in the association is voluntary; they participate in activities such as: fishing, aquaculture, consuming, processing and logistic services fisheries. Fishery association establishment created the change in aquatic resource management. In which, it included the change in the number of fisher, area, fishing equipment, yield, income and fisher's awareness.



From this research, it will show the advantages and disadvantages in aquatic resource management process, the changes and improvements in the livelihood of fisher through support by fishery association.

**Keywords:** fishery association, resource management, fishery

## **Introduction**

In current years, fisheries industry in Vietnam created significant result; to contributed jobs for labor force and improved living standard of fisher. Moreover, it brought high status for Vietnam on the world market in export aspect (Hoa, 2009). But in the overall, fisheries industry has had problems in planning, overexploitation and environment pollution. In which, many species which have high economic value and rare but they are having endangered and fisher's livelihood is impacted.

Tam Giang lagoon system has area around 22.100 ha over a length of 68 km along the coast of central Vietnam. It is the largest lagoon of Southeast Asia with resource diversity. In which, the animal system is abundant including 230 fish species, 46 benthos species, 66 zooplankton species, 31 high aquatic plants species, 18 aquatic grasses species, 100 algae species, 221 planktonic species (Phuoc, 2012). This is advantage condition to develop fishery in communities which belong to the Tam Giang lagoon. Tam Giang lagoon became the main resource which contributed to create jobs and increase income for the inhabitants.

Thua Thien Hue is a province which belongs to Central Vietnam. It has a long beach and large Tam Giang lagoon. In which, water surface area on lagoon occupies 48.2% total area of Tam Giang lagoon. Moreover, the Tam Giang lagoon was a main livelihood of populations in 33 communes. They made up 1/3 total population in Thua Thien Hue province. With advantage features in fishery resource, lagoon became direct and indirect factor in the livelihood of 300.00 fishers, their life based on lagoon (Phuoc, 2012).

Tam Giang lagoon is common pool resource that is open and accessible for anyone. Therefore, the community exploits the available resource with increasing number of fisher and equipments. From this situation, the fishers always compete together to get the highest profit. This is reason leading to conflict among household groups in aquatic resource exploiting and using. They used many methods to get higher efficiency, event exterminate fishing. This situation led to overexploitation and depletes resources (Tam, 2010). Thus, under supported by Common Pool Resource Management in Central Vietnam project, the fishery association was established at many communes. By specific activities, Fishery Association created active change and improvement in aquatic resource management and improved living standard of fisher. This research contributes to demonstrate clearly about these changes. In this article, it is focused on the change in fisher's income and the improvements of community under implementation by fishery association in Vinh Giang commune.

## **Research content and methodology**

The research content concentrates to fishery association establishment process such as: The reasons are to establish fishery association; the participation of fisher; the activity co-ordination is among fishery association, province fishery association and Local Government.

The main content focuses on fishery association activities and its efficiency, including propagandize information, patrol and protect natural resources, solve conflicts, arrange fishing equipment, establish breeding ground and seaweed habitat area, open waterway. Specially, evaluate the change in resource and variance on household income in the fishery.

#### *Collect secondary information*

Secondary information is collected through available data which includes reports in the research location such as: socioeconomic reports of the Vinh Giang commune; reports about fishing and aquaculture activities at the Vinh Giang commune and Phu Loc District; reports of Giang Xuan fishery association and province fishery association in Thua Thien Hue province in the period from 2007 to 2012.

#### *Collect primary information*

*In-depth interview:* interview 10 members (2 members are official in local government; 3 members are official of fishery association and 5 members have rich experience in fisher community). Specific, chairman and vice chairman of fishery association, official managers fishery at community. Information collection includes history, structure, organization and operation in model; really situation fishery association development, planning; the role, task and regulation of association; the change in fishing and aquaculture activities including the number of household, equipment, species, yield, income;

*Group discussion:* to organize 3 times group discussion. The first one, it includes fisher in aquaculture group, the second one is fisher in fishing group and the third one is fisher between fishing and aquaculture group. Each group has 5-7 members in the community.

Content of group discussion: retest information from in-deep interview; to collect information at the community level; implementation and development process of fishery association (using timeline); fishery association role; changing of aquatic resource and livelihood; awareness of household in co-management.

*Household interview:* 60 households are selected randomly (stratified sampling) for interview based on two criterion. These include the member of fishery association and the participant in fishing or aquaculture. This tool is conducted through the questionnaire to get information about the situation of each household, the general information about household; income generating activities; the change in income; household's awareness about community based fishery management; the participation of household in association activities; general information about fishing and aquaculture activities including change in species, area, scale, equipment; fishing time; yield; the opinion and suggestion of household for model development process.

*Observation method:* This tool is used while the whole process of this research was undergoing. The major aim of this tool is to observe the general environment of villages, daily life and the fishing and aquaculture activities.

## **The results and discussion**

### *Fishing trend and associated problems in the community*

Lagoon area in Ving Giang has 1.260 ha, over 300 households inside and outside of the commune who involves lagoon with many fishing methods such as the fixed gear fishing (i.e. Stake trap and bottom nets); mobile gears fishing (i.e. grid net and Chinese Lu); and aquaculture. The number of fishing increased quickly; it created pressure on the lagoon. With conception “land is private property and fishery ground is common property”, the fisher didn’t care about sustainable development of aquatic resource. They tried to find the best way to exploit over resource on the lagoon. Many types of equipment have been becoming destructively which appeared on the lagoon. Chinese Lu (bottom trap) appeared 7 years ago but it developed quickly, the number of equipment was high, the mesh was small. Besides, some types of equipment used electricity; it was becoming destructive higher than other types of equipment. Ving Giang Commune People Committee tried to implement their responsibility in fishery management and aquatic resources protection. They were not only ineffective in the management but also arose many complex problems. Firstly, local government wasn’t enough official, time, expenditure, resource to remain management activities on large area. Secondly, fisher hasn’t participated actively in protection aquatic resource in the community yet. Thus, the resource on the lagoon in Ving Giang has been exhausted. These problems were illustrated specific during fisheries development process in Vinh Giang commune.

Before 1975: Stake trap households had to bid stake trap location through “Van” (fishing village). In 1975-1985, fishery was managed by team 10 which belonged to Giang Dong cooperative. This management method was increasing management cost and production cost of household who participated in bidding. Thus, fisher did not feel secure to invest on the production. In 1985-1993: Commune coordinated to District department of fishery to establish stake trap group and fisheries production which supported to manage fishing households in group. To implement seaweed delimiting and only pay working day money for participatory household in production. In stake trap case, the location was selected randomly but District got fee and divided 15% for stake trap group. In this time, group managed many activities but management cost was low; the rate between charge and profit wasn’t clearly between levels which led to disintegrate stake trap group

In 1994-2007: Fisheries management activity from aquaculture to fishing was delivered to Nghi Xuan village and Commune People Committee. Giang Dong fishery cooperative and Cooperative could get 50% fees from activities such as grid-net, seaweed, stake trap. Management function about productive activities was mainly which led to fishers became proactively in production based on their capacity. However, this management method has been getting difficultly; water surface area is large while manager staff had only village heads, commune’s police and two team leader of productive group. These were reason leading to efficiency management was still low. In addition, source of community was limitation. Hence, general tendency is based on fisher. They participate in fisheries management. Community based management is method that shares responsibility and interests to increase fisher and community role in aquaculture and fishing management in Ving Giang lagoon.

In 2008, Phu Loc District People Committee was empowered by Thua Thien Hue Provincial People Committee and consulted by Faculty of Extension and Rural Development in Hue University of Agriculture and Forestry to establish community based fishery management model. To implement this model, the necessary is to establish fishery association; they will participate in fisheries management process in community. After Giang Xuan association was established in 2008; until now, it included 125 members that were divided 3 sub-associations such as: mobile gears fishing sub-association, fixed gears fishing sub-association and aquaculture sub-association. It creates an improvement in management and development in the fishery. Fishery association is social- professional organization. The members are volunteers; they participate in activities such as: fishing, aquaculture, consuming, processing and logistic services fisheries. The aim establishes association: collection of individuals working in the field of fisheries production in the area, to unite to support each other in the production and development of aquatic resources, environmental protection and the legitimate interests of its members. With efficiently activities, association mobilized community's participation in management and development fisheries.

### *The change in fishing and aquaculture*

In aquaculture group case in Vinh Giang commune, aquaculture activity is main income source. It impacts large on their livelihood. In the past, they always focused on shrimp specialized farming because shrimp price and yield had high. So, fisher could get high profit in a short time. However, shrimp is disease susceptible and mass-death occurs when water environment is polluted by some sort of biological or chemical pollutants. Thus, households had lost when shrimp had mass-death. This was a reason leading to many households became more and more poor. After that, the Department of Aquatic Resource Protection and experts supported new technology in aquaculture for fisher through the management of fishery association. They replaced shrimp specialized farming by variety farming. The impact of association created advantage for the change in fishery development process in Vinh Giang commune. The main results are shown in the table 1.

**Table 1: The change in aquaculture, Vinh Giang commune**

Criteria	Unit	Before the establishment of associations		After the establishment of associations			
		2007	2008	2009	2010	2011	2012
Variety farming area	Ha	30	108.3	117.5	184.7	200.7	200.7
Shrimp specialized farming area	Ha	96.5	18.2	13	13	10	9
The number of variety farming households	HH	0	40	98	200	255	255
The number of shrimp specialized farming households	HH	191	186	122	26	5	4
Average income per variety farming households	Mil.do ng	16.7	18.34	20.37	19.84	27.82	29.42
Average income per shrimp specialized farming households	Mil.do ng	90.67	18.24	16.56	16.07	18.9	19.05

*"Source: Statistic reports of commune, 2007-2012 and household interview, 2013"* (HH: household)

From table 1, it is easy to observe that, there are some significant changes in aquaculture area following the two trends in the commune. The first one, increase variety farming area and the second one, decrease shrimp specialized farming area. In 2007, variety farming area was 30 hectare. But, in 2008, this area increased quickly up to 108.3 hectare. It continued to increase from 117.5 hectare in 2009 to 200.7 hectare in 2012. In the other hand, shrimp specialized farming area declined from 96.5 hectare in 2007 to 9 hectare in 2012. The change in aquaculture area led to the change in the number of household. The main reasons for the increase of variety farming area are; fisher was loose when applied shrimp specialized farming; variety farming had high efficiency and sustainability, moreover it contributed to reduce risks. Besides the change in the area, the fisher's income increased steady in two forms. It contributed to improve fisher livelihood.

As far as the household income concerned, fishing activity plays the major role. Thus, it has crucial role in fisheries sustainable development process. The reduction or elimination destructive fishing equipments become urgency in current context. The role of fishery association becomes more and more important in aquatic resource management process. Fishing activities were monitored and managed by the association through fishing regulations which established by all members of association and local government. Thus, it contributed to create stability and sustainability in the income of the household. The result was shown in table below

**Table 2: The change in income of household (Mil.dong/HH)**

Type of equipment	Before the establishment of associations		After the establishment of associations			
	2007	2008	2009	2010	2011	2012
Stake trap	24.48	26.31	32.99	35.29	33.56	38.7
Bottom traps	23.37	23.79	28.33	37.77	33.82	30.23
Gill-net	10.42	6.1	8.78	9.46	10.52	9.75
Fish-pens	-	5.4	10.5	12.86	14.09	14.3

“Source: household interview, 2013”

Table 2 illustrated that fishing activities created high income for fisher. The income increased significantly after establishment association. Especially, in the stake trap industry, the income went up quickly from 24, 48 mil dong in 2007 to 38.7 mil dong in 2012. In this case was explained that fishery association implemented planning to arrange stake trap and open waterway. This was reason leading to increase yield of shrimp and fish in recent years. On the other hand, there was advantage change in fishing activities. Fishery association encouraged fisher to develop fish-pen industry. It started to implement in 2008 and the income was 5,4 mil dong. It still increased in the next years and was 14.3 mil dong in 2012. From this case, we can see that the association contributed to adjust in fishing activities for increasing the income of fisher. One more thing, fishery association wanted to replace or reduce destructive fishing activities by fish-pen because fish-pen was known as environmental friendly fishing activity. In bottom trap and grid-net activities case, their income had a fluctuation from 2007 to 2012. In overall, it had increased slightness for 5 years.

*The improvement and participation in community.*

*The participation of community*

From 2008 until now, association increased to control destructive fishing activities, arrange stake trap, control number of equipment and reduce specialize shrimp feed which led to environmental resource became more advantages. Specific fishing sub-zones planning, breeding grounds, spawning grounds, seaweed protection and waterway opening are good conditions to develop animal system. To implement all these things, the participation of household had important role to decide the success of activities

More importantly, many research shown that the participation of the fisher is the main element to advance efficiency in community activities. Similarly, in Ving Giang, the fisher participated in activities with high rate. The rate of participation is described in table 3.

**Table 3: The participation of community in resource management activities**

Activities	Participatory household (N=60)	Rate (%)
Community consultation meeting	54	90
Participate in choosing and voting management board	60	100
Participate people meeting to build plan annual actions	60	100
Discussion, suggestion to build regulation and collective action	54	90
Monitor and observer association's activities	36	60
Participate periodic activities	60	100

*"Source: household interview, 2013"*

After 6 years establishment fishery association, fisher understood benefits when they participated in the association. They accepted and implemented activities of the association. It is shown in the rate of participatory member which were higher than 90% in activities. In which, only 60% member participated monitoring and built collective actions. This case illustrated the members were still passively in monitoring.

*Evaluation of management improvements*

Moreover, the establishment fishery association was a step breaking through in management. It contributed to advance solidarity of fisher in community. With bottom-up approach, Giang Xuan association got success in management improvements. These improvements were evaluated by members in the association. A group discussion was organized through participation of Executive Broad of fishery association and representative of associate in each sub-association. Participatory rural appraisal method was applied to find consensus in criterion which was prepared before. Evaluation criterion shown management improvement situation compared with wishes in the future. % consensus of evaluation result shows that workload was implemented until now. % remaining need to implement in the future. Evaluation result was shown in table 4 and 5.

**Table 4: The management improvements of model**

<b>Criteria</b>	<b>Description</b>	<b>Situation compares with desire (%)</b>
Self-management association	Self-organization operating activities of FAs, to solve the problems in the community	70
The boundary demarcation of water surface is more clear	Members in association knows the boundary demarcation of water surface of the commune, management zones of association, the exploiting sub-zones, conservation area and breeding ground	80
To divide reasonable fishing sub-zones	Based on experience and knowledge of community to divide sub-zones	100
Number of fishing household, the number of equipment in sub-zones	The sub-zones have regulations to control the number of fishing household and equipment.	50
Partition in the conservation sub-zone and resource recovery sub-zone	The conservation sub-zone and breeding ground have regulations at the time. It doesn't allow exploiting.	100
Setting regulations and pre-conditions for participation in fishing	Fishing households must register vocation with the association and the number of equipment and pay fee.	100
Reasonable regulation for mesh equipment	Dimension of stake trap, bottom trap according to regulation is $2a=18\text{mm}$ . Without any households violation	0
Appropriate regulations for resource protection patrols and handling violations	Monthly, association conduct periodic patrols to check for irregular situation of the rules.	75
The forbidden destructive fishing activities became efficient	Without fisher implements destructive fishing on the lagoon where belongs to management of the association.	80
Breeding grounds were protected better	There wasn't fishing activities on the breeding ground during the time spans of fish	75
Aquatic animal disease reduction	Aquatic animal diseases have decreased since the animal forms interspersed.	80
The result of fishery is improving	Increases profitable household, decrease loss household	80

(Source: Group discussion, 2013)

**Table 5: Awareness of community about management improvement**

<b>Management improvement</b>	<b>Implementation Year</b>	<b>Result from community awareness</b>
Establish and develop association	2008	- To protect productive right; allocated fishing right
Fishing sub-zones specific planning establishment	2008	- More advantage production; conflicts reduction. - It had specific regulations in participatory condition in fishing - Yield of fishing and aquaculture increased higher than before 2008
Association applied management regulations	2008- 2013	- Fisher knew which activities allow implementation or which activities forbidden on lagoon - To protect benefit in production and reduce destructive fishing
Implement empowerment in fishing	2009	- Fisher knew who are master on lagoon
Increase patrol and protection	2008 – 2013	- Reduced destructive fishing household who were from other communes; - No longer destructive fishing household in Vinh Giang commune from 2009 to now.

Source: Household interview, 2013

## Conclusion

The research illustrated that the community had an important role in fishing and aquaculture. It has built consensus among the community and local governments in aquaculture and fishing. The active participation of the community in the process of decision making, planning and implementation of the regulations have important implications in the management of local fisheries. Moreover, active fishery association in all activities, from planning to operations in deployment activities of associations. The Fishery Association Executive Committee has conducted a review and statistical and registration organizations fishing activities, as well as the full charge

Once more thing, fishery association contributed to create diversity livelihood for fisher in Vinh Giang community through new forms in fishing and aquaculture such as fish-pen and variety farming. It is condition to improve yield of fishery, water environment and sustainable fishery development. These were demonstrated through the change in productivity of fish and shrimp and fisher's income. In general, after establishment association, income of household increased significantly. Specially, stake trap income raise up 5.71 mil dong from 2009 to 2012 and 3.8 mil dong was fish-pen income from 2009 to 2012. Moreover, many fishers transfered aquaculture form from shrimp specialized farming to variety farming and they got success. Income from variety farming has increased 9.05 mil dong for 4 years. Also, income from variety farming is lower than income from Shrimp specialized farming but it has less risk which is necessary element to improve sustainable livelihood of fisher in the future.



Fisher determined their subject role in aquatic resource management. They accepted and implemented good regulations in resource fishing and use such as fishing sub-zones specific planning; Patrol, protection activity and destructive fishing control; environmental sanitation; industry enrolment. Other hand, through management of fishery association conflict between household groups using bottom traps, grid-net with stake traps just got 10% compared with the previous. The number of fishing household in breeding ground was reduction; only 10% household violation compared with before establishment association. Currently, in commune no longer household who exploits extermination. The association contributed to create a stable income with high sustainability.

These are evidences to demonstrate that fishery association contributed big role in fishery development and management. However, the members of association implemented well regulation in management fishery, the members outside association and community created more difficulty in management of association. This situation impacted seriously on members of the association who implemented good regulations. Need to develop specific regulations for those outside the local operators.

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## THE ANALYSIS OF MARKET CONCENTRATION IN HUNGARIAN TERTIARY EDUCATION THROUGH ENROLMENT DATA

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### Abstract

As a result of its dynamic growth, the service sector has become the dominant sector of national economies in developed countries. At the end of the 20<sup>th</sup> century people began to perceive tertiary education as a service and this has brought about a change in their attitude towards higher education considering it as a commodity that can be bought. Non-business services like higher education are increasingly shaped by market forces and marketisation trends. The study examines the market structure of Hungarian higher education sector through enrolment data in Academic Year 2010-11. The paper presents various metrics of concentration based upon the number of students. The data analysis is performed using the Lorenz curve, the Gini index (G), the concentration coefficient (C) and the Herfindahl-Hirschman index (HHI). The paper examines the market segmentation of higher education, specially focusing on the enrolment data of management and business studies of higher education.

**Keywords:** Tertiary education, Enrolment data, Marketisation trends, Market structure, Metrics of concentration

**JEL classification:** A22

### Introduction

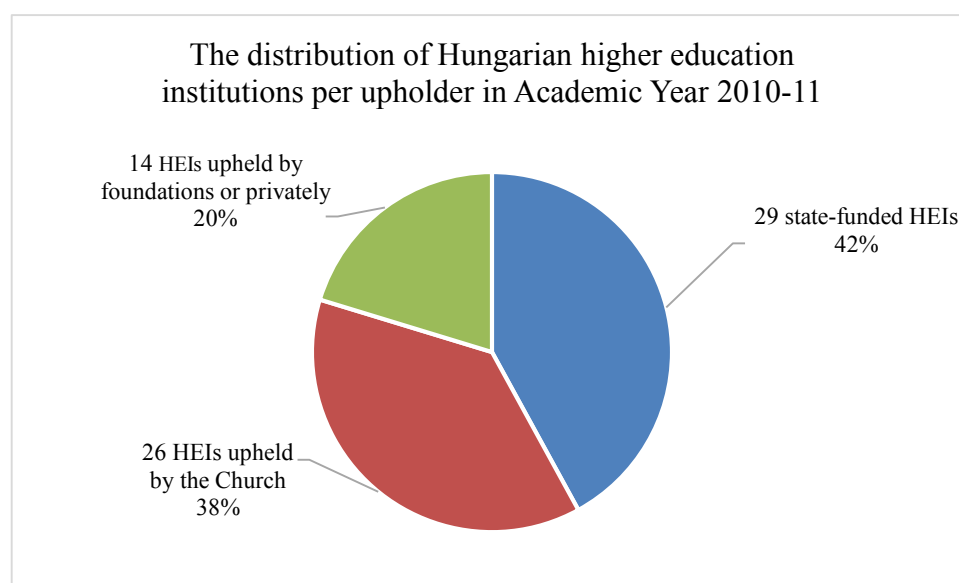
In developed countries, service sector has become the dominant sector of national economies as a result of its dynamic growth. The increased importance of the tertiary sector could be explained by its augmenting share in employment and production as a percentage of Gross Domestic Product. Service-oriented innovations are considered the drive of social and economic development in the 21st century. Services play a complex role in economy and society, however, their common defining characteristics are that of human-centred and knowledge-intensive features. (Papp, 2003)

It is worth mentioning that higher education has played an important role in facilitating the process of globalisation, particularly in the integration of developing and emerging economies to the global production networks. (Golden and Schneller, 2010) Higher educational services can be categorised in several ways. Higher education falls into the category of *service-occupations*, which includes "non-productive" activities like hospitality or health care. (Gershuny and Miles, 1983) According to the characteristics of consumption, higher education belongs to the group of *consumer services*, which are sold directly to the consumer's personal use. (Papp, 2003) Higher education is a business-to-consumer (B2C) service type that is the seller is a business organization providing service to an individual consumer. (Turban, 2000) Higher education is considered a *social service* because the community (the state) ensures the framework requisited to meet individual and community needs. (Browning and Singelmann, 1998)

The macro-level classification distinguishes market and non-market services according to their function in the national economy and their relation with market mechanisms. Higher education is considered a *non-market service* where the long-term interests of society cannot be in all respect fulfilled by the market. The majority of higher education services is organized by the state, as emerging resource allocation is inefficient through market mechanisms. Undoubtedly, economic and efficiency aspects should be taken into consideration in case of non-market services as well. According to the micro-level classification of services, higher education services are basically provided by non-profit organisations. (Papp, 2003) Higher education is a nonbusiness, not purely profit-oriented (noncommercial) class of services marketing. State-funded higher education within the scope of nonbusiness services is considered to operate for public benefit, belonging to the public budgetary service sector. (Veres, 2004, 2009) Higher education belongs to quasi-public goods, as the possibility of rivalry and exclusion from consumption can be observed among consumers. (Farkasné and Molnár, 2007) Act CCIV of 2011 on national higher education sets the fundamental goal of raising the standards of higher education and providing the conditions necessary for the competitive knowledge transfer. Higher education institutions (HEIs) are organizations established for providing education, conducting scientific research and artistic creation as their basic activity. The Basic Law states that higher education institutions are self-sufficient regarding the contents and methods of research and teaching, and their organizational structure and management is regulated by law. The state is responsible for operating the system of higher education, while the upholder is responsible for the higher education institution. On behalf of the state the rights of the upholder – if the law does not provide otherwise – are exercised by the Minister of Education. (Jogtár, 2013)

## Methodology

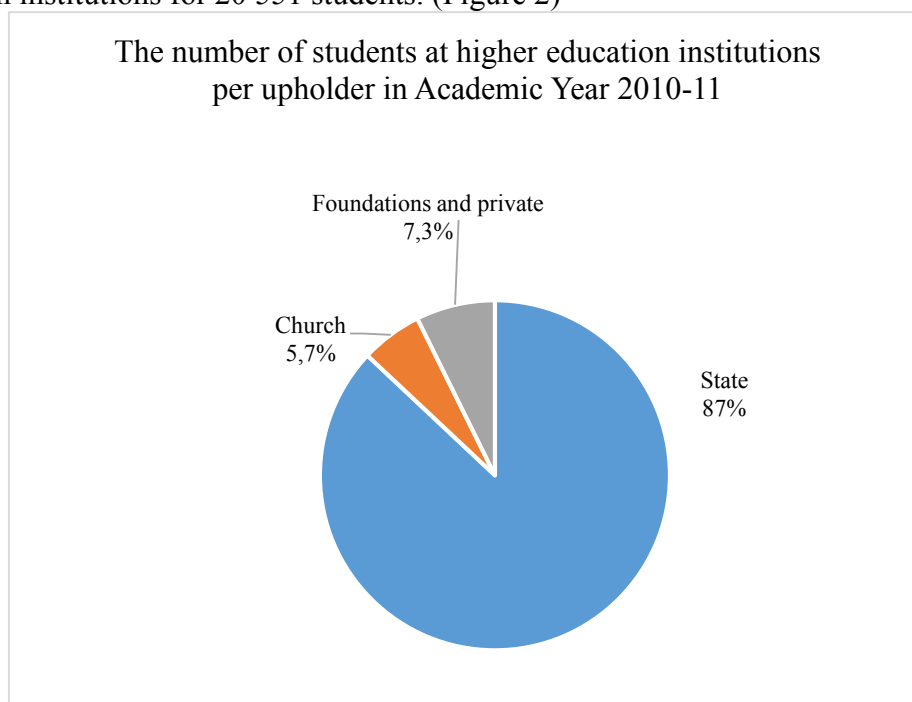
This study analyses the latest data on the number of students published by the Office of Education. In Academic Year 2010-11 there existed 69 higher education institutions (HEIs) in Hungary, among which 29 upheld by the state, 26 by the Church and 14 by foundations and private organisations. (Figure 1)



**Figure 1: The distribution of Hungarian HEIs per upholder**

Source: Office of Education, own editing, 2013.

A total of 361 347 students participated in Hungarian higher education in Academic Year 2010-11. Almost 90% of the students were educated at state-funded institutions, a total of 314 363 people. Private institutions and foundations provided education for 26 433 students, and Church-run institutions for 20 551 students. (Figure 2)

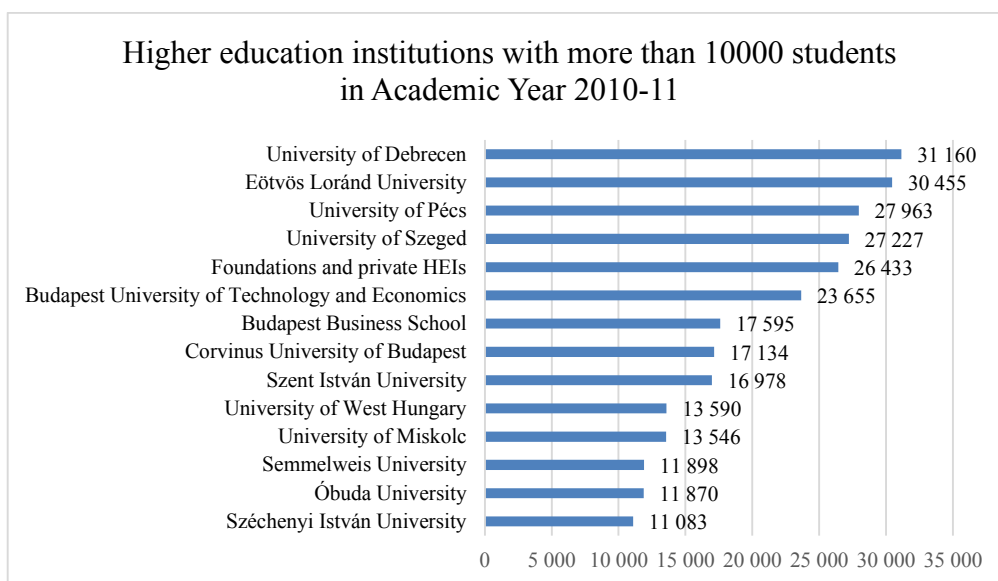


**Figure 2: The distribution of students in Academic Year 2010-11**

Source: Office of Education, own editing, 2013.

Act CXXXIX of 2005 on higher education provides that a university delivering outstanding quality of education and training, recognised for its scientific excellence in the European Research Area could receive research university status – the conditions are set by the Government of the Republic of Hungary. A research university conveys substantial national and international research, development and innovation, the results of which are implemented to education. It gives talent management priority at all levels of education and provides outstanding performance in doctoral programmes. It also promotes and supports international cooperation in education, science and research in which takes a leading role nationally or regionally. (Complex, 2013) In Academic Year 2010-11, the number of students surpassed 10 000 at 13 state-funded universities (Figure 3). It would seem that the institutions with a high number of students are generally associated with excellence, however, the title is conferred on the basis of the criteria prescribed in Act CXXXIX of 2005 on higher education. (Felvi, 2013)

Between 2010 and 2013 University of Szeged, Eötvös Loránd University, University of Debrecen, Semmelweis University and Budapest University of Technology and Economics received research university status. Between 2013 and 2016 each of the five universities from the former period and University of Pécs were honoured with research university status. Budapest Business School and Eszterházy Károly College were promoted to the rank of college of applied sciences. University of Debrecen also received university of national excellence status. Szent István University Faculty of Veterinary Science and Agriculture and Environmental Sciences Faculty, University of Pannonia Faculty of Engineering and Pázmány Péter Catholic University Faculty of Information Technology all received research faculty status. (Edupress, 2013)



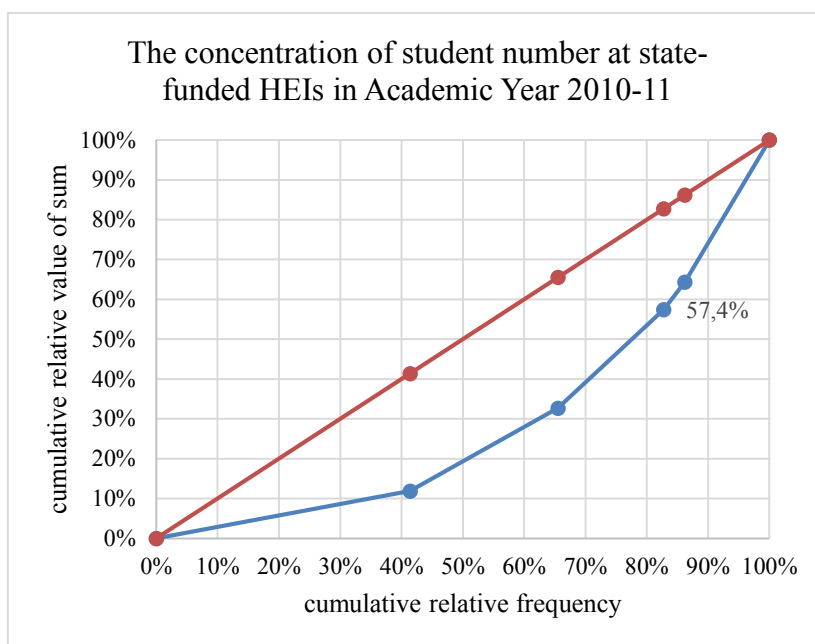
**Figure 3: High number of students at HEIs**

*Source: Office of Education, own editing, 2013.*

This study analyses the latest data on the number of students published by the Office of Education for the Academic Year 2010-11. Information can be gained about the organizational structure of higher education through concentration analysis based on the number of students from different higher education institutions. The extent of the accumulated student population in the various institutions of higher education can be statistically determined. The most common way to illustrate concentration is the Lorenz curve, which graphically represents not only the existence but also the degree of concentration. Besides the Lorenz curve, data analysis is performed using the Gini index (G), the concentration coefficient (C) and the Herfindahl-Hirschman index (HHI). (Papp, 2003)

### Results and discussion

Considering state-funded higher education in Hungary, 57.4% of students are enrolled in 82.8% of the institutions. Therefore only 18.9% of the institutions account for educating almost half of the student population (43.6%). (Figure 4) Thus, a certain degree of concentration can be observed in terms of the number of students and institutions. From the Gini's measure of dispersion (G) the concentration coefficient (C) can be calculated, which shows a slightly lower than mediocre concentration. (Figure 5) (Korpás, 1996) This result is in line with the statement of the International Centre for Higher Education Research that the institutional system of Hungarian higher education is sufficiently concentrated. (Berács et al., 2013)



**Figure 4: The concentration of student number at HEIs**

*Source: Office of Education, own editing, 2013.*

$$G = \frac{\sum_{i=1}^k \sum_{j=1}^k f_i f_j |X_i - X_j|}{N^2} = 8760,9$$

$$C = \frac{G}{2\bar{X}} = 0,42$$

**Figure 5: Gini's measure of dispersion (G) the concentration coefficient (C)**

*Source: Own editing, 2013.*

Basically, the various methods of calculating concentration are for measuring market concentration. However, in the field of higher education services reported concentrations may be important in the non-business sector as well. The Herfindahl-Hirschman index (HHI) measures the degree of concentration in two ways. First, it takes into account all state-funded higher education institutions as participants. Second, it reflects the difference in size between them, in terms of student numbers. The formula of the Herfindahl-Hirschman index is as follows:

$$HHI = \sum_{i=1}^n (S_i)^2 = 611,4$$

where

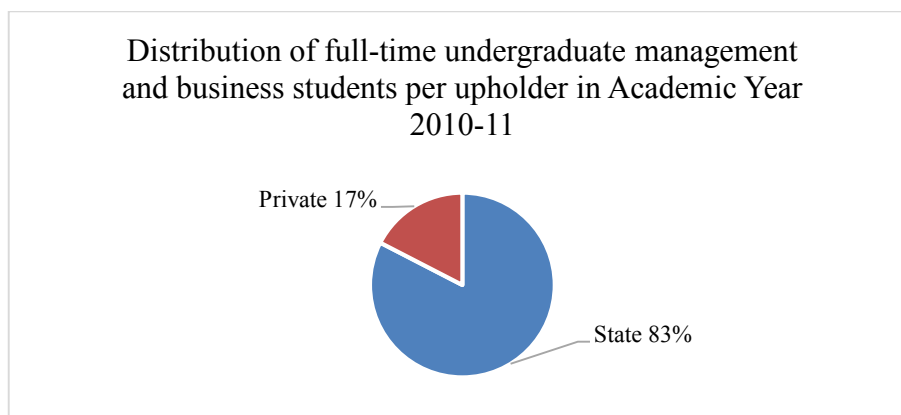
$S_i$  = the number of students at the  $i^{th}$  state-funded higher education institution

$n$  = the total number of state-funded higher education institutions

The index is considered low in this case, which can be explained by the numerous market participants, that is the number of higher education institutions. The highest value of the index is 10000, which means perfect monopoly. In the present case, under the value of 1800 the public interest is secured due to the state paying attention to proper market functioning. (Papp, 2003)

The number of full-time undergraduate students was 157 315 in Academic Year 2010-11 in Hungary. 23% of them, which means 36 293 students, participated in management and business education. It was in this particular area that most private higher education institutions offered

programmes. Regarding the Academic Year 2010-11, 17% of full-time undergraduate students attended private higher education institutions. (Diagram 1) (Office of Education, 2013)



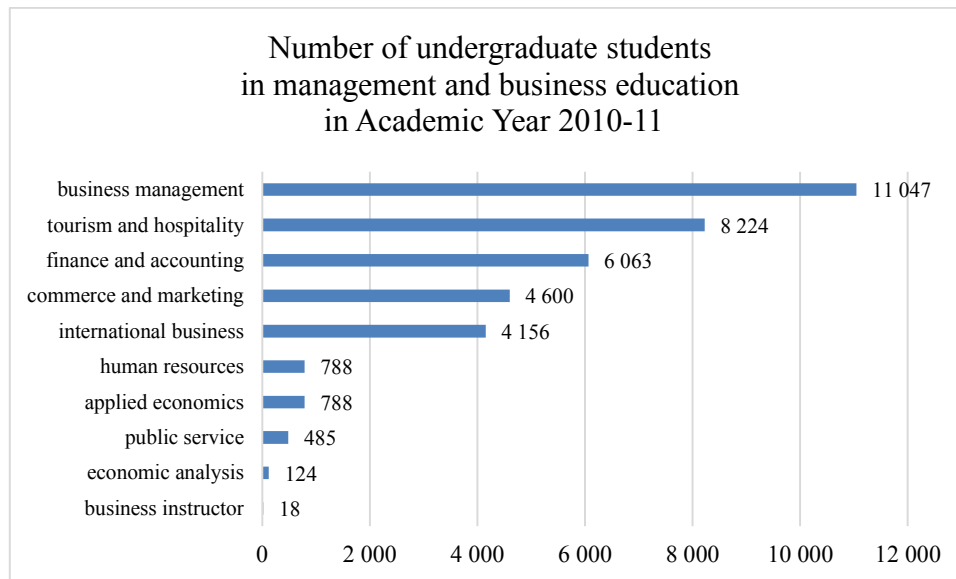
**Diagram 1: Distribution of full-time undergraduate management and business students**  
 Source: *Office of Education, own editing, 2013.*

In the field of economic science, three economics and seven business bachelor programmes were advertised on the online admissions website ([www.felvi.hu](http://www.felvi.hu)), and 14 master's degree programmes for the Academic Year 2013-14. (Table 1) The most popular undergraduate majors are business management, tourism and hospitality, and finance and accounting. (Diagram 2)

**Table 1: Economic science programmes in Hungary**

BACHELOR		MASTER'S	
ECONOMICS	BUSINESS		
1. applied economics	1. human resources	1. insurance and financial mathematics	2. international economics and management
2. economic analysis	2. business management	3. economic and mathematical analysis	4. finance
3. public administration	3. commerce and marketing	5. public management and public policy	6. regional and environmental economics
	4. international business	7. economic analysis	8. accounting
	5. finance and accounting	9. logistics management	10. tourism management
	6. tourism and hospitality	11. marketing	12. business development
	7. business instructor	13. Master of Business Administration (MBA)	14. management and leadership

Source: *Felvi, own editing, 2013.*



**Diagram 2: Number of undergraduate students in management and business education**  
Source: Office of Education, own editing, 2013.

## Conclusions

The findings of the study justify the proposition of the Berács et al. (2013) study, which states that there is no need to intervene into the current institutional composition by initiating further mergers. It seems that this is realised in higher education administration and further proposals for institutional consolidation were withdrawn. According to the International Centre for Higher Education Research, the institutional system of Hungarian higher education is sufficiently concentrated. The great majority of students learn at state-funded universities. However, there are a lot of small colleges, which are private or Church-run institutions. There are eligible government efforts to encourage regional supply from European Union funds. Due to the decline in student population, it has been a difficult situation for small, mostly rural colleges. These colleges are advised to change their profiles, take into account adult education and strengthen short-term training with various types of financial aid. Institutional diversity and efforts for uniqueness, the expansion of institutional missions are all important values to be treated. (Berács et al., 2013)

Considering state-funded universities with a great number of students, they are more likely to gain excellence status. It would seem that institutions with a high number of students are generally associated with excellence, however, the title is conferred on the basis of the criteria prescribed in Act CXXXIX of 2005 on higher education. However, there exist certain institutions promoted to an excellence rank, where student population is not so prominent. In the future, this prestigious act could attract potential applicants to the awarded institution, and lead to a higher student population. Colleges that were awarded the title of college of applied sciences have relatively high student population. This rank of colleges could motivate them towards academic excellence and also mean a prestigious title with the possibility to appeal more prospective students.

Higher education is in a special situation because the institutional framework for universities and colleges - for instance capacity sizes- is determined by the state. However, the institutions must find responses to market challenges. Due to the economic crisis, the Hungarian Government was forced to cut state funding of higher education drastically.



The number of subsidised places has decreased in the greatest extent in the field of economic sciences. Over the past five years, the financial support of the Hungarian state-funded higher education institutions has been significantly reduced, in real terms less than to its half. (Magyar Rektori Konferencia, 2013) In response to this challenge, higher education institutions may use different marketing strategies. Rapid and unpredictable changes in the socio-economic environment reinforces the need for strategic thinking, and among other things, the marketing approach in higher education. The design, renewal and cost-benefit analysis of programmes is one of the additional tasks and research directions. Labour market expectations should be taken into account, which give entirely new duties to Hungarian institutions. With the nationally coordinated Graduate Career Tracking System it is expected gain information on graduated students and their career development. There is also research potential in the development of education pricing. The institutions will probably meet a multitude of pricing functions in the future, and not only for fee-paying courses. In addition, the development and communication of an appropriate system of grants and loans is another area of the enrolment work. The state quotas are expected to decline in the future, the demographic tide can lead to a reduction in the number of students so the institutions have to look for breakout points. Further research areas may cover exploratory studies on opportunities to retain domestic students and the analysis of regional impacts. Another point is to attract international students by launching foreign language programmes at home and/or abroad. These marketing activities claim entirely new demands on the national higher education institutions. Lastly, the role of the media in informing and influencing applicants is crucial, as well as in conveying the major ratings of rankings. (Kuráth, 2007)

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## EXPERIENCES OF SHORT COURSES OFFERED FOR SMALL FARMERS

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### Abstract

Our research was made at the Regional Extensional Centre of Szent István University, which coordinates the extensional tasks of the Central-Hungarian Region and takes part in the New Hungarian Rural Development Programme (ÚMVP), as a training location. To make programmes successful registered advisors are involved, who also represent themselves as trainers in the training programmes. In this research we have rated 28 training programmes and the work of 13 registered trainers who took part in these programmes.

**Keywords:** consultancy, extension centres, training programmes

### Introduction

Nowadays agricultural professional training, research and the system of agricultural extension have the task to explore, analyse and select the latest agricultural knowledge that are worth disseminating.

Our research work was carried out in the Regional Extension Centre of Szent István University, which has been coordinating the extensional tasks in the Central Hungarian Region since 1999. 2009 it was awarded the title „Training Centre” announced by the New-Hungarian Rural Development Programme (Új Magyarország Vidékfejlesztési Program/ÚMVP). Since then the list of tasks was completed by the organisation of compulsory and recommended trainings for agricultural producers. Our research work aims to investigate the role of the advisors in the organisation and implementation of farmer training programmes.

research work shows the institutional structure of the Hungarian extension system, the conditions of getting rolled in the Hungarian Register of Advisors, professional requirements for the advisors, the implementation process of trainings and the relevant advisors’ tasks. The investigated trainings were organised in the first quarter of 2013. During the period of investigation 28 compulsory trainings were conducted with the remarkable contribution of the advisors in organisation and training. 646 farmers completed the compulsory trainings with the assistance of 13 registered advisors.

### Methods

The research work was carried out in the Regional Extension Centre of Szent István University (further as: SZIE RSZK).

The following research methods were applied:

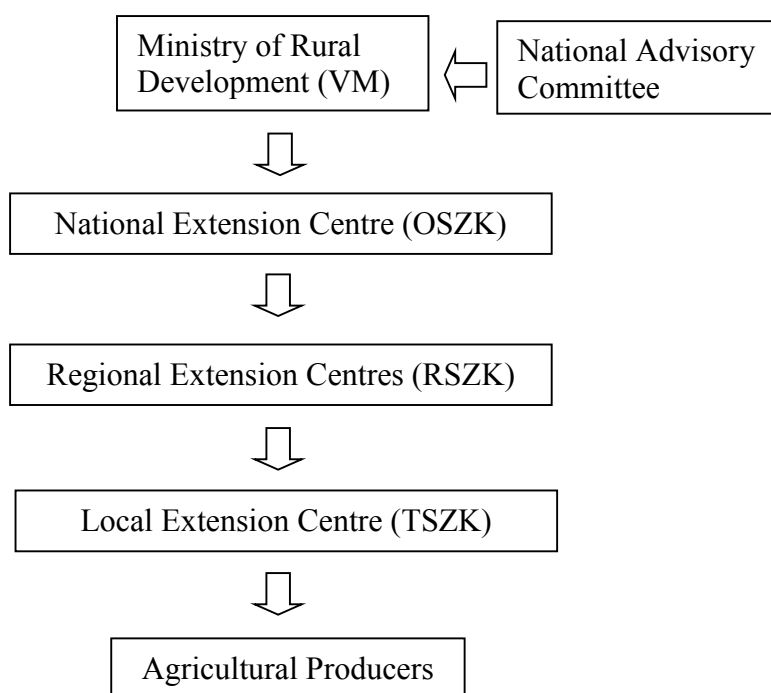
- We reviewed the relevant Hungarian literature, the existing legislation on ÚMVP trainings as well as the registry conditions for advisors.

- We interviewed the registered advisors involved into the investigation and surveyed the methods of knowledge transfer they used in their extension work.
- We participated in the compulsory trainings and collected first hand experience about the relation of the farmers to the compulsory trainings.
- We processed the data base of the AKG-trainings included into the SZIE RSZK Training Project of 2012.

## Results

### *The structure of the Hungarian Extension System*

The present structure of the Hungarian Extension System is governed by the FVM (Ministry of Agriculture and Rural Development) regulation of 73/2007 (VII. 27.). Figure 1 shows the structure of the system.



**Figure 1: Structure of the Hungarian Extension**

*Source: Own Source 2013*

### *Conditions of being enrolled and staying in the Registry of Advisors*

Enrolment in the Registration of the advisors follows after application. The registry includes the main data of advisors who have had the required degree in higher education as well as the practice and have not been involved in agricultural broking at all. Last year the National Extension Committee elaborated a recommendation about the modification of the yearly compulsory training for the registered advisors. This compulsory training happens in a credit system.

**Table 1: Credit points, 2013**

Type of the event		Credits
Conferences	national	6
	regional	4
Technical and technological demonstrations	national	6
	regional	4
Variety shows		4
Forums		3
Introduction of innovations		5
Trainings related to actual tasks (e.g. filling in GN, e-		5
Software shows		4
Vocational and special		10
Agricultural journal		3/pcs
Special exhibitions and fairs	national	6
	regional	3
Farmer days	national	6
	regional	3

Source: VKSZI, 2013

*Trainings funded by the European Agricultural and Rural Development Funds and related to the New-Hungarian Rural Development Programme*

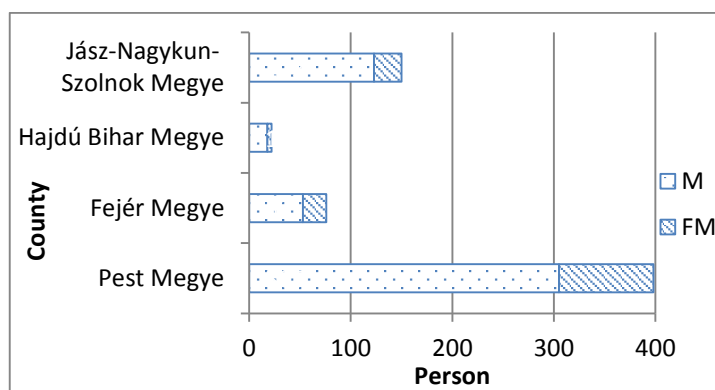
There are two types of financially supported trainings: *optional* and *compulsory*. Among the optional trainings we can find trainings offering vocational knowledge (so called recommended trainings) and those offering an OKJ certificated or official trainings. In our research work we show the experiences gained of the compulsory trainings belonging to the 2<sup>nd</sup> target area.

Eligible for financial support are agricultural producers and forest managers who have a registry number at Agricultural Rural Development Office (further on NVH) and have a farmers' card at least.

NVH handed over the list of farmers obliged to trainings to SZIE ÚMVP Centre.

*Experiences gained of the AKG compulsory trainings organised by SZIE ÚMVP Centre*

The ÚMVP Centre of Szent István University received the names and availability of 535 clients from MVH in order to organise compulsory trainings of AKG 2. As a result of informative letters about 50% of the clients applied for the trainings. In order to raise the rate of the participation registered advisors were involved into the organisation and they also informed their own clients about the trainings. As a result the numbers of participants increased up to 646. Figure 2 shows the numbers of new clients in new counties included by SZIE ÚMVP Centre. Thanking to the work of the registered advisors SZIE ÚMVP Centre was able to increase the number of clients up to 120%.



**Figure 2: AKG trainings according to gender**

Source: SZIE ÚMVP Training Centre, 2013.

When choosing the locations for the trainings we aimed to reduce the distance of clients' travelling to a minimum but also to offer the best suitable technical conditions of education that ensure the highest level of training. The training courses were organised in educational institutions, community centres or in lecture rooms of self-governments in general.

#### *Experiences of interviewing advisors*

Advisors considered important that their clients get to know them in the role of the trainer as well, and trainings also enlarged the number of their own clients in many of the cases.

Advisors can participate as trainers in financially supported trainings after they had applied at a ÚMVP Training Organisation and successfully passed the examination on the teaching material of the relevant compulsory training course. 13 out of the trainers registered by SZIE ÚMVP Centre passed the examination by AKG II compulsory training in the system of NAKVI successfully.

They generally notified their existing clients by phone and at a lower rate in e-mail about the available training courses. 100% of the clients informed by the advisors appeared at the trainings. This shows that there is a high level of professional confidence between the clients and the advisors.

#### **Conclusions**

646 farmers attended the 28 compulsory training courses that were organised by SZIE ÚMVP Centre. The high numbers of participants were due to the fact that we involved registered advisors that also brought new and their own clients to the trainings. As a result of involving the advisors Szent István University, as a Training Centre, could gain area in further two counties (Hajdú-Bihar- and Jász-Nagykun-Szolnok) and could increase their awareness and professional credit as well. We will be able to rate this latter one by the increase of the number of optional training courses. Advisors are pleased to act as trainers before their clients, especially if they are entitled by a higher educational institution. A further advantage is that they can enlarge the number of their clients through the trainings. Involving the registered advisors into the organisation and implementation of the training courses greatly increased the numbers of clients of SZIE ÚMVP Training Centre. Therefore we recommend relying on the active participation of the registered advisors in the compulsory trainings of 2<sup>nd</sup> target area in future as well.

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## THE NECESSITY OF THE REGIONAL EMPLOYMENT POLICY

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### Abstract

I assume that globalization and its regional and local impacts have an important role in nowadays' economics. Paradoxically, challenges arising from the unification of the world have made the necessity for regional and local answers stronger. The transformation of the labour market calls for the revaluation of the notion of labour; it puts the issue of employment in another perspective. The solution for globally existing lack of employment is more and more frequently sought focusing on sustainability and social inclusion at regional and local levels.

**Keywords:** labour market, Central-Eastern-Europe, regional employment policy, regional disparities

**JEL classification:** J21, R23

### Introduction

The employment policy of the European Union significantly determines and sets limits on the employment-related objectives and efforts of the nation states. There is no experience of regionally differentiated employment policy in Hungary. No examples can be found to this in Europe either, however, the existence of a regional employment policy will be reasonable. I analysed the aims and employment policy tools by the Central-European countries' employment policies and I try to give some recommendations for a regional employment policy in Hungary.

### Labour concept of the post-industrial societies

Modern societies are rightly called the "society of paid work", however the term "labour society" also appears frequently in the literature. One can read about the crisis of paid work since the 1960s, its heyday was the first quarter century up until the first oil crisis. The crisis was not only about the change and transformation of the world of work, it was also about the atypical forms of employment becoming increasingly popular. Part of the society was excluded from the world of paid work after the period of industrialization, it can be regarded as nowadays' period as well. The beginning of the crisis of labour paradigm started with Arendt's (2002) statement: "*what is ahead of us is a labour society that is running out of work that is from the only activity it is good at. What could be more terrible than that?*" He likens paid work to slave work and not to a voluntarily undertaken activity of free man. Gorz suggested that the socially useful activity should be placed at the centre of the society instead of paid work. Beck spoke of civic work done in favour of the community (Csoba 2010).

It can be seen that the concept of paid work is gradually losing that of labour, which is a considerable problem. The re-definition of paid work is necessary because a significant part of the society has been excluded from the classical paid work.



A smaller proportion of people of working age works in one of the traditional forms of employment, atypical forms of employment can be regarded as typical in the developed European countries, since they dominate.

### **The new solutions on the labour market**

Before the regime change by the Central-European countries, almost 90% of the employee had “traditional” fix-term labour contract, which legal regulation was involved in the Labour Code. Besides, contracts of agency and of work fallen under the Civil Code were also present in business. Moreover, there were atypical forms of employment as well, that differed from typical, but the rate of these was negligible in view of the employment ratios of the national economy. So their application was not really widespread due to the lack of the necessary legal background.

The situation significantly changed after the transition to market economy. Both employers and employees gave up the former attitude. Before the transition the traditional employment meant safety for the employee. One of the disadvantages of the atypical forms of employment is that the employer’s interest comes into the limelight and in contradiction to the interest of the employee, which leads to a more uncertain situation for the employee. The appearance and spread of atypical forms of employment was caused by the different environmental conditions, that is a brand new form of enterprises and mass unemployment appeared and new tax categories were introduced. As everything that is new or innovative, it arose strong repugnance first, but later its advantages and application conditions were more and more discovered. It was accompanied by the formation of the legal background and its adaption to the European trends, which was even more affected by the joining to the European Union in 2004.

The appearance of atypical forms of employment was also enhanced by the facts that the characteristics of labour changed in the long run, markets became more and more unstable and information technology gradually spread. In the capitalist economy in its traditional sense, traditional employment functioned well, but in the economics with new characters, the formation and spread of employment different from traditional were necessary. Companies need to be able to modify the labour force flexible. To do so, employee does not need to be dismissed, instead, temporary employment can be applied. (Ékes 2009) According to Héthy (2001), the effect of the globalization to the employers and the employees can be summed as follows: the traditional employment for an unlimited time is replaced by fixed-duration employment, the utilization of working hours become more flexible, working without employment (based on civil legal relations) comes into the limelight, part-time employment spreads instead of full-time employment and as a result of all this atypical employment spreads. The most important types of atypical employment applied in Hungary as well are presented below.

#### *Teleworking*

“Teleworking is usually ranked as an atypical form of employment because of the atypical characteristic of the place of working... According to the broadest definition, telework is each work when the employer and the employee are far from each other. In a narrow sense, telework is the work within the work organization that is independent of the traditional organizational characteristics in time and space.” (Kiss 2001, 460.)

The employee does not work in a work organization and there is a telecommunication link between him/her and the employer. Telework is done among domestic circumstances, not at the

actual premises or headquarter of the company. Through information conditions it can be worked out without any problems. The employer is responsible for the arrangement, the precise definition of the work and (s)he can also check the produced result.

### *Part-time working*

There is no exclusive definition for part-time working in international legal sources. According to the ILO definition part-time working is “significantly shorter than the normal working hours”. OECD – primarily because of statistical reasons – uses the definition of working hours less than 30 hours weekly. The EU directive about part-time working defines part-time employee as the one who is employed for shorter working hours than full-time employee at the same workplace.

### *Temporary employment*

Temporary employment is a special form of working established to reduce costs. In this case the employer who signs the labour contract with the employee and the actual employer are not the same. It is important that – because of guarantee reasons – only those employees can be borrowed that were employed especially for this reason. Other employee cannot get into this situation because of the employer’s decision. That is why only companies meeting some specific conditions can deal with temporary employment. In Hungary, for example they have to be registered in order to be able to start working.

Temporary employment is an interesting issue on its own. In the recent economic crisis, you can hear about staff work force reductions in the daily news, but temporary employment can hardly be heard. Let us take into consideration that in the crisis, companies first give up borrowed employee. They give him/her a notice or do not extend the fixed-duration contracts. These are, however, done simply, without “propaganda”, even if they have a great sway. Temporary employment is one of the most widespread atypical forms of employment in Hungary.

Limited available statistical data about temporary employment has to be handled gingerly as they do not exactly reflect the truth. Answers cannot be found from the data to important questions like how many people are regularly employed by borrowing companies. It is not known, furthermore, how satisfied they are with the employees and how many days the employees spend at the given company. Only an increasing or a decreasing trend is known. Because of these reasons, statements that temporary employment can efficiently contribute to making the labour market more efficient has to be handled gingerly. It cannot be denied, however, that this represents the largest proportion among atypical forms of employment.

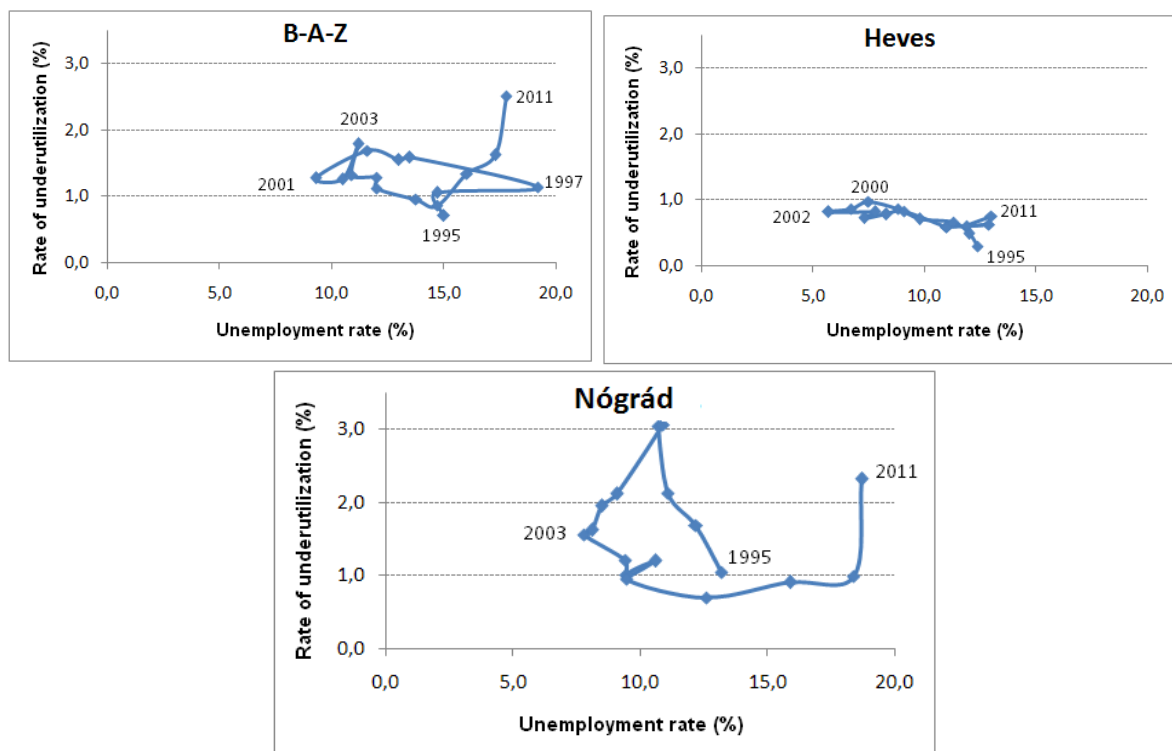
Atypical employment would be a good opportunity for Central Eastern European countries to improve their employment situation. In the meantime, however, these are the problems of the labour market for which finding solutions is the most difficult. Economic crisis has affected atypical forms of employment significantly as well, even if these would be a way to escape for people crowded out from the labour market. It requires a change of approach in the case of the employers and the employee. Atypical forms of employment cannot be considered as typical, widely used practice in the case of Central Eastern European countries.

The spread of atypical forms of employment can be promoted by the increasing willingness of women to work, the relatively long term unemployment (which unfortunately exists nowadays

as well due to the crisis), the income earning strategies of the employee adopted to the individual life cycles. (Lipták 2011)

**Analysis the Beveridge-curve – methodology and results**

According to the basic theorem of neoclassical macro-economics the equilibrium rate of unemployment corresponds to the natural rate in reality as well, that is, unemployment is frictional in nature in the long term. One tool to study natural rate is Beveridge-curve (or UV-curve) that shows the connection between the unemployment and job-vacancy (underutilization) ratios (Galasi 1994). The curve was first created by co-authors Dow and Dicks-Mireaux (1958). Their analysis revealed negative connection between V and U that they interpreted that if an economy is in recession and unemployment is high than there are few vacant jobs and it is true vice-versa as well. They also found data that do not fit with this hyperbolic curve. They thought it was because a measurement error due to the fact that actual vacant jobs cannot be adequately accounted for (Rodenburg 2007). The underutilization rate equals the number of actual vacant (empty) job divided the number of employed people.



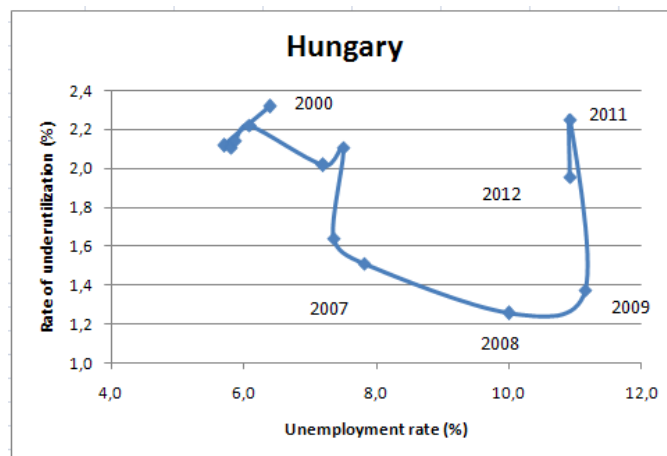
**Figure 1: Evolution of Beveridge-curve between 1995 and 2011 by counties of Northern Hungarian region**

*Source: Own work, 2013*

Among the regions of Northern Hungary, Beveridge-curve indicated the smallest change in Heves County, that is, the state in year 2011 was almost the same as that in 1995. The County's labour market was in the best condition in 2002. The shape of the curve is much more hectic in the case of Borsod-Abaúj-Zemplén and Nógrád Counties, the unemployment rate has significantly increased in both counties in the past 5 years.

Unemployment in Borsod-Abaúj-Zemplén County was higher than the other two counties of the region; the rate of under-utilization was also higher. The condition of the region's labour market had improved by year 2001 which was followed by a decline. The evolution of the curve

suggests that the gap between vacant jobs and the unemployed is increasingly widening. One may ask why vacant jobs and unemployed people do not meet. The answer should be sought in the area of education, that is, presumably the unemployed do not have the necessary qualifications to fill the vacancies. People of working age without jobs have to prepare for higher quality expectations, which requires the re-consideration of the educational system, training and re-training programs. Many unemployed are unwilling to learn, they are not motivated enough to do so.

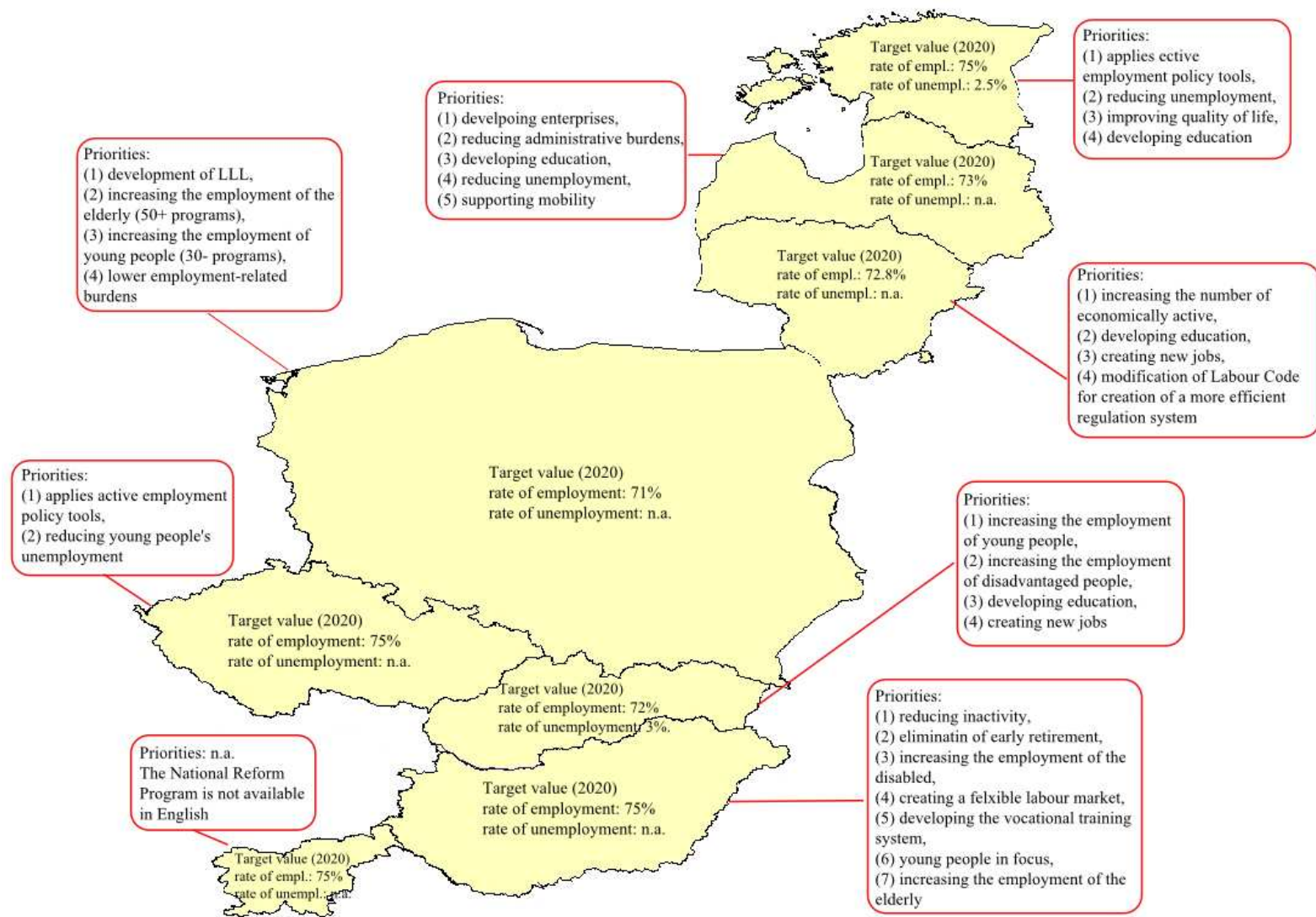


**Figure 2: Evolution of Beveridge-curve between 2000 and 2012 in Hungary**

*Source: Own work, 2013*

If we analysed the Beveridge-curve in Hungary, we could observe the different way of the curve. The unemployment rate in Hungary is much more lower than in the county level, but the job vacancy rates are the same.

I analysed the priorities of National Reform Programs (NRP) in CEE countries (Figure 3).



**Figure 3: Priorities of the employment policy of Central-Eastern Europe by countries**

Source: NRP (2012) documents, own editing, 2013.

## **Employment policies of Central-Eastern European countries and the alternative labour market solutions**

The employment policy of the European Union significantly determines and sets limits on the employment-related objectives and efforts of the nation states.

The analysed NRP documents indicate that most countries views the 75% rate of employment, accepted in the Europe 2020 Strategy, as an expected and attainable criterion. The Czech Republic and Lithuania displayed target values for the employment of the elderly, other countries did not specify it. The rate of unemployment was put forth by Estonia and Slovakia, with also unrealistically low target values (2.5-3%). The priorities mainly include the use of active employment policy tools, although in most cases the tool to be applied is not specifically named. Most country see the future development of labour market in improving the quality of life, development of education, creation of new jobs and supporting mobility. At the same time, the amounts of support or the programs assigned were not mentioned in the documents.

Employment policy aims (National Reform Programs of 2012), at the level of Central-Eastern European countries, clearly follow the main guidelines of the Europe 2020 Strategy; they hardly build upon the peculiarities and labour market demands of the particular countries. Passive tools, among employment policy tools, are dominant in this group of countries. They responded to the economic crisis with the differentiated use of active and passive tools.

The lawmakers of Hungary have significantly altered and amended several times the Code of Labour (Act 1 of year 2012) in the past period; they added cardinal changes to the Code of Labour as compared to Act 22 of year 1992. Chapter 15 of the Act includes the special rules concerning the specific types of the employment relationship, among which the followings are the classical forms of employment: fixed-term employment, telework, temporary and part-time work. Chapter 16 deals with the rules of temporary work (no significant change may be discovered as compared to the Act of 1992). In Slovakia, the No. 311/2001 Act contains the relevant rules. Currently, Slovakian government is revising the legislation because they wish to restore the institution of severance pay and other institutions safeguarding employees' interests. The Slovak law does not contain a separate provisions on atypical employment either. The Code regulates part-time work, working at home, telework, and flexible working time, that is, considerably less areas than the Hungarian one. The Slovak law does not contain references of the rules of temporary work either. Perhaps a separate chapter should have been devoted to the regulation of atypical forms of employment and to define there the most important elements concerning to all types.

Having studied the Codes of Labour of Hungary and Slovakia is can be concluded that the legal background does not provide detailed guidance concerning the regulation of atypical forms of employment in either country, which can be seen as a reason for the low proportion of these forms of employment.

### **Necessity of the regional employment policy - conclusions**

There is no experience of regionally differentiated employment policy in Hungary. No examples can be found to this in Europe either, however, the existence of a regional employment policy with be reasonable.

The summary of the author's recommendations for the establishment of a system of criteria to underpin a regional employment policy are listed below:

- *A multi-channel employment policy would be reasonable in the long term that combines the traditional forms of employment and alternative solutions.* A regional level decision is not sufficient for its realization, rather macro-level social-economic conditions have to be ensured, moreover an attitudinal change is essential. An increasing focus is placed on the application of non-traditional forms of employment due to the changing meaning of work-concept and also along with the change in the way of doing work. Future employment policies have to treat traditional and alternative forms of employment together.
- *Regional employment policy should give priority to the supporting of human potential by way of, within the active employment policy tools, increasing the amount spent on labour market trainings; it requires taking the demands and emerging needs of employers.*
- *A strategy capitalizing on internal features and naturally taking external processes into account should be formulated instead of continuously eliminating the European Union's employment policy.* The National Reform Programs of Central-Eastern European countries were also studies that did not contain country-specific features, they rather followed, with more-or less differences, the aims of the Europe 2020 Strategy in terms of the target numbers.
- *The issue of employment has to be addressed in a complex manner, it is necessary to coordinate tax-policy, educational policy and other sub-policies for enhancing efficiency.* This dissertation has adopted a legal-based approach; and it has tried to prove, by comparing the Labour Codes of Hungary and Slovakia, that a profound legal regulation of atypical forms of employment is not available in the countries. Therefore, it cannot be expected that the application of those types of employment is high at regional level. On the other hand, it was meant to make it understood that a complex approach is necessary to achieve the employment goals. Regional level employment could be enhanced if tax-policy and educational policy would be differentiated on the basis of employees. The results of the above mentioned Beveridge-curve call for the reconsideration of the connection between educational and employment policy.
- *Developing an independent regional employment policy that sets up regional objectives and has independent measures and institutional system would be reasonable.* Regional perspective is present in many areas in the European Union and this approach is getting increasingly reasonable in the case of employment and labour market as well. Regional employment policy would require independent system of measures and independent institutional system that would not be identical with the those applied in other regions of the country.

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## ADVISING THE 'PERSUADABLE CLUSTER' OF HUNGARIAN COMPANIES ON TALENT MANAGEMENT

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### Abstract

Based on the Hungarian data of the Visegrad funded project titled „Integrated talent management-challenge and future for organisations in Visegrad countries” (Visegrad Fund / number 21220142), a pilot cluster analysis was conducted to find out the main characteristics of talent management. The recent appreciation of the human capital has contributed to the application of new management procedures in the HR practice. One of them is talent management whose aim is to find and recruit talented people as well as to develop and retain those talents who have already been employed. We have found that there is a close relationship between the economic situation of the Hungarian companies and their talent management. Our paper also aimed at providing practical advice to Hungarian companies, which are open for talent management.

**Keywords:** Talent management, Cluster analysis, HR

**JEL classification:** J24

### Introduction

In course of our cluster analysis, we used the database of the Visegrad Fund Project "Integrated Talent Management - Challenge and Future of Organizations of Visegrad Countries" and we summarized the result of the case studies - conducted within this framework- as the qualitative part of the research. A selective survey was used as a method of data collection. The selective file was determined randomly in each country. The individual items of the questionnaire were scaled according to the Likert scale from 1 to 5. In the database created in this way, each respondent represents one business object. We examined the responses given by 49 Hungarian companies in our present research.

Economists say that talent is crucial and it is the greatest advantage in competition. Companies should choose to find talented employees instead of making their choices based on technology, factory or even capital (Tucker-Gandossy-Verma, 2007. p. 10)

In our research into talent management, we formulated our questionnaire keeping the following conceptual definition in view:

*Global talent management* is more future oriented and is defined in terms of human resource planning and projecting employee/staffing needs. Here the focus is on the types of individual level capabilities needed in the future. (Lewis -Heckman, 2006.)

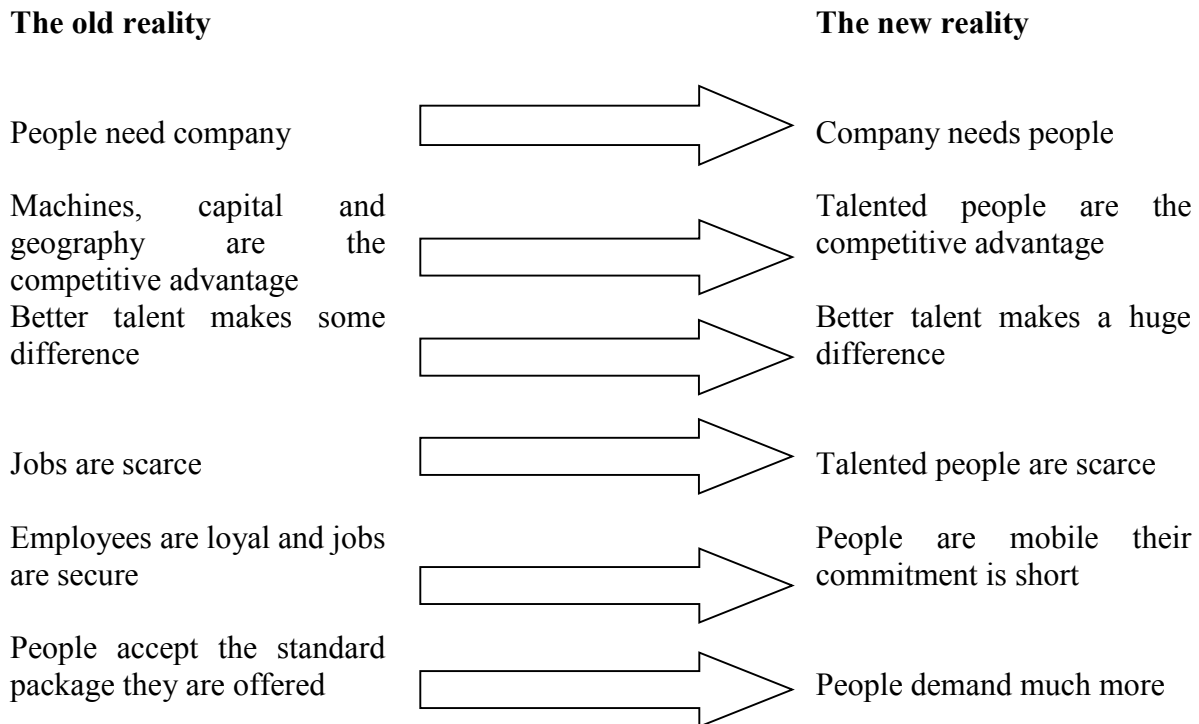
The real history of talent management started at the end of the 1990s, when the McKinsey Organisation conducted a research into this topic. The research involved more than 6,000 companies.

The summary of the research issued in 1997 included the results of the survey (questionnaires) and the case studies of the most closely observed 18 companies. It shows that efficient companies have better adjusted Human Resource Management.

The managers of these companies think that in the long run, there is a connection between successful performance and talented people.

Talent management is definitely related to the attitude towards talents, which is known as Talent Mindset. It was also an interesting finding that most companies recognise talents and their special performance but they neglect them.

Talent management went through a dramatic development from the 1980s to the end of the 20<sup>th</sup> century. This is clearly shown in Figure 1.



**Figure 1. Comparison of the priorities of the environment in the past and in 2001**

*Source: Michaels, Hanfield-Jones, Axelrod: The War for Talent, 2001, p. 6.*

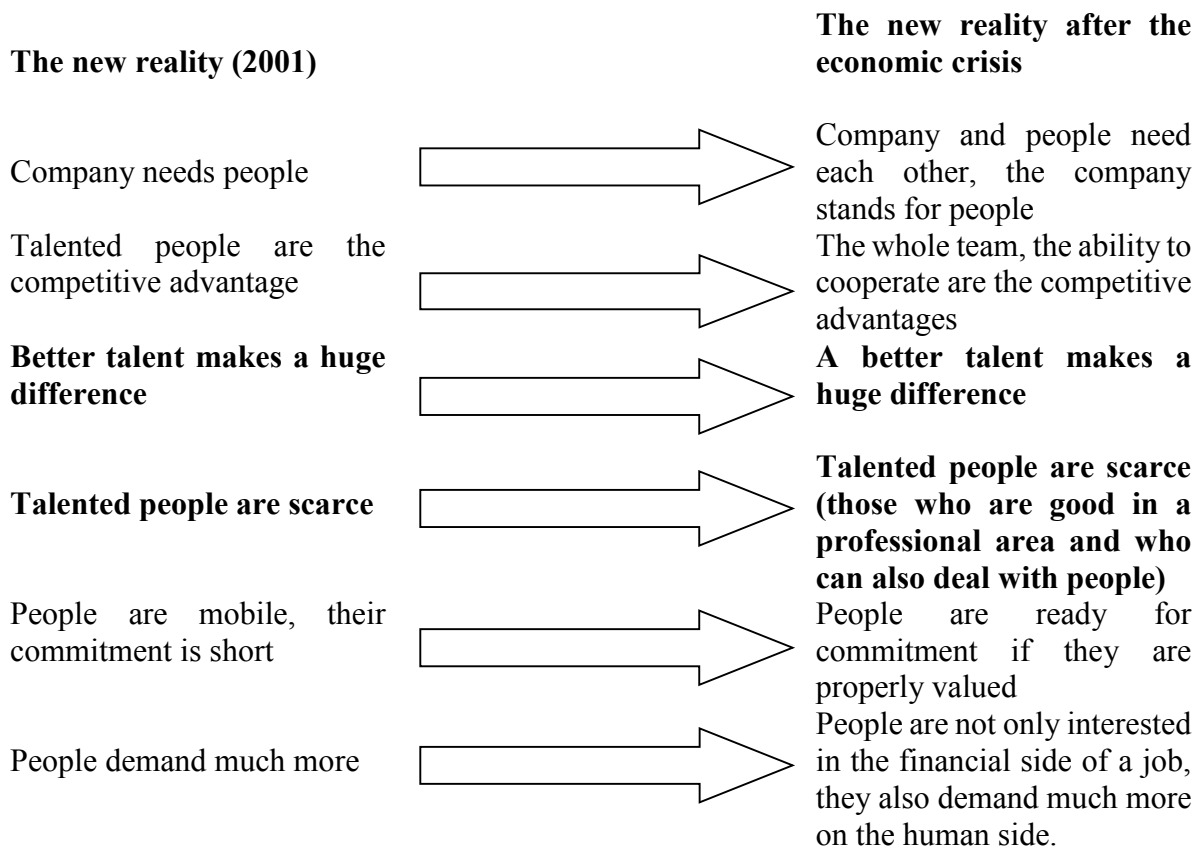
However, we must note that there have been some changes concerning reality described in Figure 1 (Bersin, 2010; Hatum, 2010; Schuler, Jackson and Tarique, 2011; Collings and Mellahi, 2010).

Partially due to globalization, the rapid changes in business and the economic crisis, people generally seek a safe environment in the labour market, too.

Talented people also value a stable, predictable work environment. They are ready to commit if they are duly valued. Thus, the human aspects of the work environment are becoming more and more important.

These thoughts are summarized in Figure 2.

The only issue which has not changed is the importance of talented people and the fact that there are not too many of them. Consequently, companies and organizations should value them properly, because they are the key people for them and the future of the organization depends on their commitment and performance.



**Figure 2. Comparison of the priorities of the environment in 2001 and at present**

*Source: Based on Michaels, Hanfield-Jones, and Axelrod: The War for Talent, 2001, p. 6. own design*

### Materials and methods

The practical advice is based on the summary of the case studies conducted by the Project Team<sup>1</sup> in the Visegrad countries. The similarities of the historical backgrounds of the four countries allow us to use each other's good practices. At first, we prepared the cluster analysis to find the group of companies which should be convinced on the implementation of talent management.

Classification or clustering is an important area of research in the statistical, analytic methodology. It is a multidimensional method used for exploring the structures among the objects, the respondents. We chose the cluster analysis method in order to form groups (clusters) which are relatively homogenous inside, and at same time, they can be easily distinguished from one another, i. e. they are heterogeneous. Clustering has three requirements in statistics (Hunyadi-Vita, (2004): 1. each object of the variable must belong to a cluster, 2. each object belongs to exactly one cluster, 3. the clusters must be homogenous.

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## Results and discussion

The organisations and the respondents completing the questionnaire have the following characteristics:

- 42.9% of the companies are large, 30,6% of them are medium-sized.
- The majority of the respondents (69,4%) work in the service sector (4 respondents gave no information about their core activities).
- The questionnaire was mainly completed by employees holding ‘other’ positions (53.1%). However, the percentage of those holding HR positions is quite significant (24.6%).
- 57.1% of the companies have a HR Department or position.
- In 40.8% of the companies the economic conditions improved, 28.6% of them showed no change and 30.6% of the companies stated that their economic conditions had worsened.
- In 40,8% of the companies the rate of administrative workers is 20%, in 22.4% of them, it is 50% and in 36,7 % of the companies the rate is 9% or lower.
- 53.1% of the examined organisations have no foreign capital, 46.9% of them have.
- 83.7% of the responding organisations are privately owned.

In course of the cluster analysis, we wanted to know what characterises the clusters created from the respondents in terms of talent management strategy, talent identification, benchmarking, talent development and talent retention.

We used WARD’s method in our cluster analyses. The number of clusters was determined on the basis of the ‘elbow-criterion’ As a result, we got two-or three-cluster solutions. We continued analysing the clusters with the help of cluster centroids (means). We compared the means through variance analyses. The dependent variables were the topics of the questionnaire, while the independent variables were Talent Management with a two-cluster solution (clu2\_1) and Talent Management with a three-cluster solution (clu3\_1) (hereinafter the Talent Management variable). In the case of the three-cluster solution, the members of one of the clusters regularly gave neutral responses to the questions. We decided to choose the three-cluster solution because it allowed us to separate the following three characteristic groups of companies:

- those who are involved in talent management,
- those who definitely don’t deal with talent management,
- those who do not reject talent management.

It will be worth contacting the third group in order to give them recommendations on the basis of the results of this project and to describe them the good practices mentioned in the project. It is important to note that dispersions were lower (to a small extent) in the case of the three-cluster solution, i.e. they better reflect the properties of the individual clusters.

We assigned the following names to the clusters in our research:

1. COMMITTED TO TALENT MANAGEMENT – DEVELOPMENT-ORIENTATED:  
Talents enhance their competitiveness, they gain competitive advantage, which results in higher business incomes and higher profits.
2. THE PERSUDABLE:  
They are open to talent management (they don’t reject it), however, they are not deeply involved with the topic (e.g. because of the lack of professional knowledge or resources).
3. IGNORING TALENTS – STATUS QUO –ORIENTATED:  
For some reason, the predictable changes brought about by talents are undesirable for them; it is difficult to persuade them of the importance of talent management.

After that, we conducted the cross-table analysis in respect to the basic information about the companies and to the Talent Management Variable. (Cross-table analysis examines the relationship between the variables and shows their combined frequency distribution.)

The analysis shows that there is a significant relationship between the size of a company and the Talent Management variable. It means that we discarded the zero-hypothesis because there is a relationship between the variables. In the other cases, the zero-hypothesis is fulfilled because there is no relationship between the variables. However, cross-table analysis is not easy to use if in any of the cells the value expected on the basis of marginal distributions is lower than 1, or if in more than 20% of the cells this value is lower than 5. This can be seen in each cross-table in our research. This problem can be solved by further data collection, as marginal frequencies and the expected values can increase in this way.

Table 1 gives a summary of the characteristics of each cluster.

**Table 1. Cluster characteristics**

	<b>Cluster 1</b> Talent Managers – development orientated	<b>Cluster 2</b> The Persuadable	<b>Cluster 3</b> Ignoring talent – status-quo orientated
Size of company	large	large	medium
Core activity	service	service	service
Ownership	private	private	private
Foreign capital	not significant	no	yes
Rate of administrative workers	10-49%	10-49%	less than 9%
Economic situation	improved	hasn't changed	worsened
HR team	yes	yes	no
Respondent's position	other	other	other
Agreement with the strategy	yes (4.3)	neutral (3.1)	no (2.0)
Talent identification and recruitment	neutral (3.10)	neutral/don't agree (2.89)	don't agree (2.45)
Benchmarking	neutral (3.14)	neutral/don't agree (2.65)	definitely don't agree (1.77)
Talent development <sup>1</sup>	neutral/don't agree (2.61)	neutral/don't agree (2.64)	neutral/don't agree (2.73)
Retention <sup>2</sup>	definitely don't agree (2.31)	neutral (2.70)	neutral (2.90)

Source: Own editing, 2013.

1 -2. There are several negative questions within the topics of talent development and retention. That is the reason why Cluster 3 got higher values in these questions.

The cluster topics were evaluated on the basis of the case summary reports retrieved for each topic. The means of the responses within one cluster were averaged by clusters.

**Textual evaluation of the clusters**

1. The characteristics of the COMMITTED TO TALENT MANAGEMENT – DEVELOPMENT-ORIENTATED Cluster:  
Its members are typically privately owned, large companies in the service sector where the presence of the foreign capital is not decisive. The rate of administrative workers is 10-50%. Their economic situation has improved, and each of them has a HR team or a specialist. They agree on the strategic importance of talent management and its assessment; however, their talent identification and benchmarking are in embryonic stage. The same could be said of the processes of talent development and retention, but at least they have been introduced and have been operating. The topics of talent development and retention contain several negative questions, that is the reason why the magnitudes changed during the evaluation of the clusters.
2. The characteristics of the PERSUADABLE Cluster:  
Its members are typically privately owned, large companies in the service sector where there is no foreign capital. The rate of administrative workers is 10-50%. Their economic situation has not changed, and they have a HR team or a HR specialist. They do not deal with the strategic importance or the assessment of talent management, and their talent identification and benchmarking as well as talent development and retention are rudimentary. At least these processes have been introduced and have been operating in these companies.
3. The characteristics of the IGNORING TALENTS – STATUS QUO -ORIENTATED Cluster:  
Its members are typically privately owned, medium-sized companies in the service sector. Foreign capital is represented in these companies. The rate of administrative workers is 9% or lower. Their economic situation has worsened. They do not have a HR team or a HR specialist. They do not deal with the strategic importance or the assessment of talent management. Talent identification and benchmarking have not been implemented; neither have the processes of talent development or retention. The topics of talent development and retention contain several negative questions, that's the reason why the magnitudes changed during the evaluation of the clusters.  
The members of this cluster almost reject talent development and behaviour.

**Advising the Persuadable Cluster**

In order to support the companies, which are open for talent management, we prepared the following implementation guide:

1. Identify the employees who the company considers to be talented and find out why. Mostly, they will be the possible successors of (top) managers. They are key persons for the company, who are able to drive the business forward.
2. Integrate talent management into the HR strategy (the HR Strategy is integrated into the overall strategy of the organization.)
3. Talented people can be recognised during the process of recruitment if the staff dealing with recruitment is aware of the definition and the common values of talents.
4. Performance management has to be established or revised, if it already exists, and talent management should be fitted into it as an integral part of performance management.

The Talent matrix categorises the employees into groups each of which have different needs (Table 2.). In Box 1, there are the best performers, in Box 9 there are the low performers, who are not able to adapt to the new, changing situations.

**Table 2. Talent Matrix example**

Potential	4 Unusual Coach	2 Rising Stars Invest: Increase challenge	1 Rising Stars Invest: High Risk Assignment
	7 Low Performers Identify Mismatch/move	5 Key Contributors Strech & Test	3 Adaptable Professionals Retain, Appreciate & Leverage
	9 Low Performers Up or out	8 Contributors/ Professionals Retain and Strengthen	7 High Professionals Retain & Appreciate
Level of Performance			

*Source: Integrated Talent Management (2013), p. 111*

5. Inform your employees on the new process. If it is possible, leave them a reasonable period to get to know and understand that the selected colleagues will contribute to the success of the organisation, which will ensure the security of all the employees.
6. The process should be easily accessible; the employee can be trained on using it.
7. Talent management should be based on Education, Experience and Exposure.
  - a. allow the involvement in the process on voluntary basis and
  - b. on the basis of the supervisors' or team's proposals
  - c. take into consideration the performance evaluation and
  - d. the person's character, e.g. whether he/she
    - i. thinks over problems from a fresh point of view
    - ii. knows him/herself well, learns from experience
    - iii. treats others constructively
    - iv. has a passion for ideas
    - v. inspires others beyond normal
    - vi. his/her presence builds confidence in others
  - e. Informal and formal mentoring, coaching are very valuable parts of the activity, because they can strengthen the relationship between the employees. In addition, they may improve efficiency.
  - f. Provide chance for the employee for job rotation (also on international level) to get experience in as many fields as possible
8. Pay due attention to the retention of talented people. Get to know them, find out what is important for them. It is not only salary that counts. For a talented employee, as for anyone

else, sometimes the working environment- furniture, lighting, social activities, support to professional education, holiday opportunities, etc. - is more important.

9. Follow-up (the process has to be worked out) is very important in the case of each activity and it has to be part of the company's quality management, which supports the sustainability of the operation.

Transparency and the human point of view are very important parts of the process, because this framework ensures a safe environment for the employees' development.

## **Conclusions**

To answer the question of this cluster analysis we can say that talent management counselling should be aimed at companies (Cluster 2, Persuadable) whose economic situation has not changed according to their report and which don't have any foreign capital investments. In addition to that, they should have a HR specialist or a HR department, which makes cooperation easier. Besides the questionnaires, case studies are also being prepared in the participating countries. As the cultures of the Visegrad countries are very similar to one another, good, positive practices can be applicable everywhere. We are sure that the first most important step is the development of the talent management strategy and its adjustment to the corporate strategy. The next steps will depend on the characteristics of the organisation. However, we provided a general further guide to support and assist the advisors or the decision makers of the relevant organizations.

The core messages of the advice are:

- the human point of view of Talent management,
- the recognition of its importance and the transparency of its process.

These aspects are interdependent. They are based on each other. They cannot be handled independently. We think that the companies which consider them and act accordingly will operate more successfully in the future.

Based on our analysis, we can say that there is an interaction between the economic situation of companies and talent management. In our research, we dealt with talent management only. Our statements and suggestions are aimed at showing its positive impacts.

However, we cannot ignore the fact that a successful talent management strategy (and its implementation) is not the only factor that influences the economic situation of a company.

We should support the companies belonging to Cluster 1, while in the case of the members of Cluster 3, we should find the reason why they reject talent management. It definitely cannot be an economic reason, as a budgetary organisation will not intentionally do anything that would worsen its economic prospects. Therefore, only the PEST and SWOT analyses could bring the first results, which might promote development in these cases.



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## **YOUTHS AND AGRIBUSINESS DEVELOPMENT IN KENYA**

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### **Abstract**

In many parts of the world, agriculture has been left for the old people and illiterate men and women in the rural areas. Unfortunately, these people view agribusiness with a lot of suspicion. For them, agribusiness is synonymous with big business/ capital, transnational corporations, globalization, international capital, export crops and large-scale plantations. More often than not, these are seen to culminate into exploitation of local people and resources.

Adoption of new technology, inputs and engagement with new markets are critical for the enhancement of agricultural productivity in Kenya. With the new free primary and secondary education in Kenya, a higher population of youths are literate hence able to adopt new technology and engage with the new markets in the agricultural industry. Since agribusiness is all about innovation in line with value addition, youths are privileged to have technological, mental and physical capacity to think and execute accordingly.

When projecting into the future of agribusiness in Kenya, the youths are inevitably vital. It is also undoubted fact that the critical role played by agribusiness in agri-food sector requires high level of flexibility and dynamism among the people involved.

This vibrant agriculture will lead to fairly adequate availability of employment opportunities within the sector. Specifically, jobs will move from informal to formal, small scale organizations to formal and large scale; from artisan to more industrial processing; from wet market to store based retail and small market centers will grow to towns and cities.

The main objective of this research is to find out the diverse potentials among the youths that are essential for agribusiness development in Kenya. It will focus on knowledge or literacy levels among the youths; ability to think or innovate, training potentials and health conditions among others. It will also look into the physical resources available at their disposal e.g land size, shelter, livestock, capital etc. We will also go an extra mile to find various challenges that discourages youths from engaging in agribusiness ventures. The results of these findings will enable us to conclude whether the youths are indeed essential for the agribusiness development in Kenya or not.

### **Introduction**

Agribusiness provides the single most important platform for expansion of employment, income generation and food security in Kenya. About 65% of the Kenyan population lives in rural areas, with 70% of rural households dependent on agriculture as the main livelihood pillar. Agribusiness holds an important key to poverty reduction through increased productivity, value addition, improved marketing and linkages to other sectors.

For a long time, agribusiness has remained at its knees in most parts of Kenya. This has been attributed to the fact that many youths have not embraced agribusiness as a serious economic activity.

This study will examine a number of inherent potentials that youths possess that makes them a key resource for agribusiness development in in the country. Literacy level, physical energy, diversity/dynamism, flexibility and uniqueness are some of the factors that will be investigated during the study. The paper will also investigate challenges that make agribusiness unfavourable for youths within their residential areas. Some of these factors to be investigated include; availability of capital, human resources, climate/weather, availability of natural resources (land, rivers, lakes etc.)

### ***Problem Statement***

Many youths live in abject poverty in both rural and urban settlements in Kenya, yet they have immense potentials to initiate and develop agribusiness programs within their areas of residence. Are the youths aware of the valuable potentials they possess in regard to agribusiness development? Do they even think of agribusiness initiative as an economic activity that can alleviate poverty among them? All these questions still remain unanswered among many agribusiness development experts in Kenya.

### ***Specific Objectives***

- i. To identify unique potentials possessed by youths which are vital in for agribusiness development in Kenya
- ii. To find out resources available for youths to venture in the agribusiness sector in Kenya.
- iii. To find out why most youths are not embracing agribusiness as an economic activity in Kenya.

### ***Scope of study***

The study was conducted in the entire country. The study covered all the 8 regions in the country. Rural and urban settlements were studied in equal proportions.

### ***Assumptions***

- i. It was assumed that each region was unique ecologically and environmentally.
- ii. It was further assumed that there is no significant change that has taken place among the youth in the last ten years as far as agribusiness development is concerned.

### ***Limitations***

- i. Due to time constrain, all the all the materials for data collection could not be accessed.
- ii. Due to lack of funds we could not conduct a baseline survey to establish the most current scenario.
- iii. Untimely response by some of the corresponding authors in the articles reviewed.

## **Materials and methods**

### ***Study area***

The study was carried out in 8 regions in Kenya; that is Nyanza, Rift Valley, Central, Coast, Eastern, North Eastern, Western and Nairobi regions.

### ***Data collection***

Desktop research was used to collect data from various recent studies that were done by different agencies. In the process of data collection, priority was given to journals, articles and books from the following organizations in Kenya: The Ministry of Agriculture, Ministry of Youth Affairs, Public Universities in Kenya, Non- Governmental Organizations (NGOs) Development Partners and renowned scholars in the field of Agribusiness and Agriculture. This was due to the fact that most of the organizations mentioned above do conduct countrywide survey and publish authentic reports.

Purposive sampling was used during data collection in choosing online materials in which relevant information could be found. Authors' referrals were also used in accessing relevant materials that provided more insight information. A total of 30 most current professional materials were reviewed and analyzed.

Analysis was done based on the following key factors:

- i. Youths demographic in Kenya,
- ii. Current youth participation in agricultural productivity and agribusiness development
- iii. Inherent youth potentials in agribusiness development.
- iv. Resources available at youths' disposal for agribusiness development.

Analysis was done by comparing the results of various materials based on the factors mentioned above. Articles, journals, books and reports with similar findings were grouped together as far as the factor being analyzed was concerned. Each factor was analyzed at a time.

## **Results and recommendation**

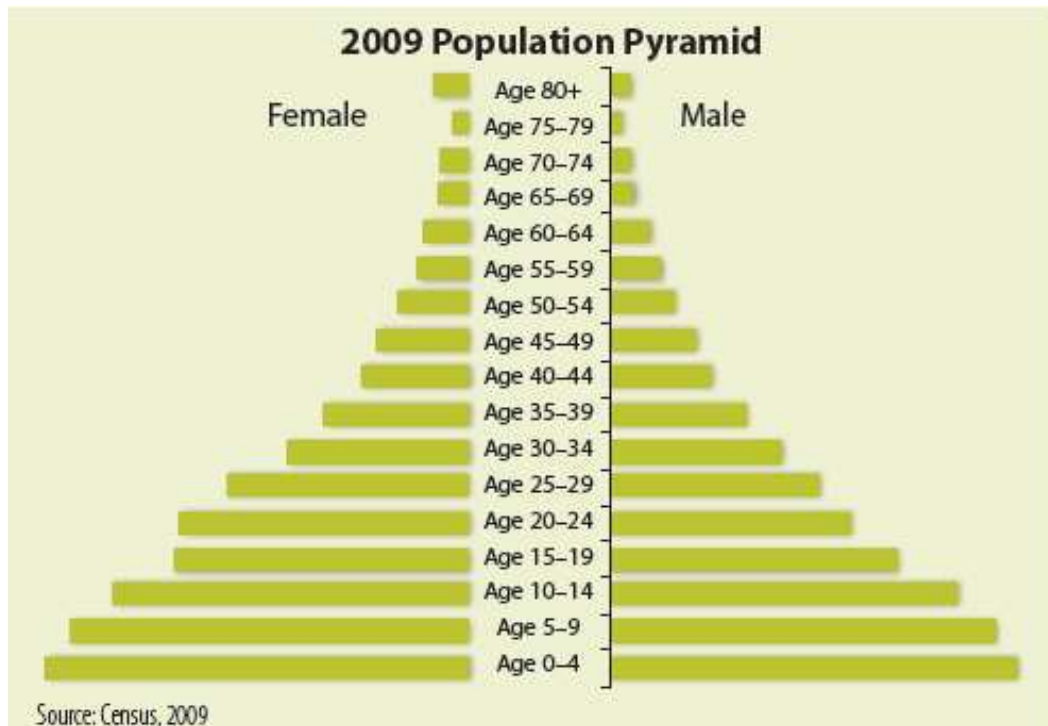
### ***Results and interpretations***

The study result shows that currently, 78.31% of Kenyans are youths (below 34 years old). It is estimated that 64% of unemployed persons in Kenya are youths. 1.5% of the unemployed youth have formal education beyond secondary school level and the remaining over 92% have no vocational or professional skills training and the majorities are found in rural Kenya. Due to inadequate employment and livelihood opportunities in rural areas the tendency is that youths migrate to urban centres to look for job opportunities.

Youth statistics currently show the following facts: Over two and half million youth in Kenya are out of work. The most frequent explanations of the causes of youth unemployment in Kenya include slow or declining economic growth, rapid population growth, poor dissemination of labour market information, skills mismatch, structural reforms, and high costs of labour.

It is envisaged that Kenya will experience a demographic shift/transition due to changing patterns in fertility, mortality and population growth as well as socioeconomic factors. As the

0-14 age group matures into teenage-hood and young adulthood, and as many women continue to give birth later, space their children more or give birth to fewer children, the bulge will shift to the 15-34 year olds meaning that Kenya will transition from a child bulge to a youth bulge population.



**Figure 1: The current shape of Kenya’s population (Child bulge population)**  
 Source: Institute of Economic Affairs, 2010.



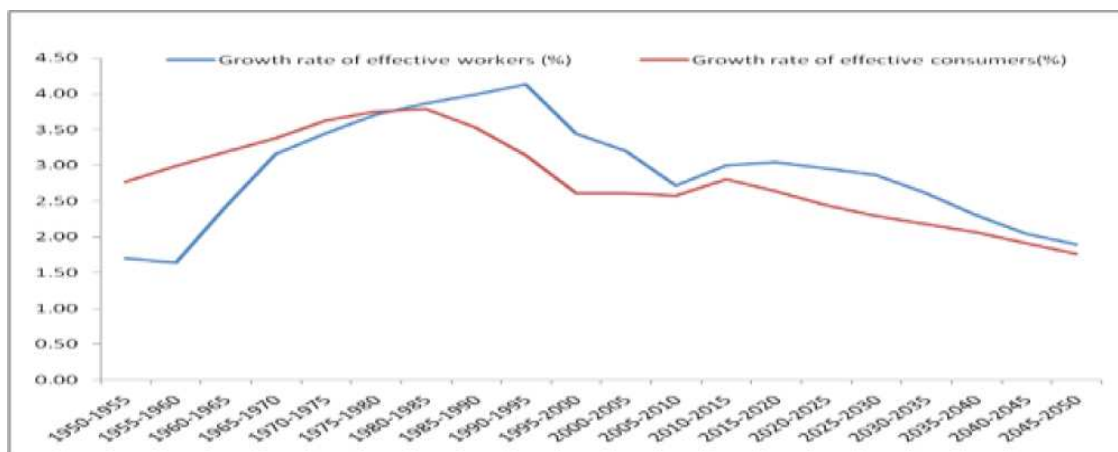
**Figure 2: Projected shape of Kenya’s population by 2020 (Youth bulge population)**  
 Source: Institute of Economic Affairs, 2010.

Apart from youths relatively high number in Kenya, 90% of the reports analyzed show that diversity, dynamism and innovation are some of distinct potentials among the Kenyan youths that have not been properly exploited to the advantage of agribusiness sector. Many Kenyan youths always like to come up with something unique in the quest for solving a problem and seeking recognition in the society. The ability to think and come up with appropriate solution as need arises is an excellent attribute for agribusiness development in the rural Kenya. Furthermore, it has been observed that the youths are always ready to try something new. This kind of flexibility is appropriate for agribusiness development initiatives in in both rural and urban areas.

90% of all the articles and reports reviewed pointed out the immense natural energy possessed by youths as the fuel needed to develop agribusiness sector. The same reports indicated revealed that the ability of the youths to learn due to their young brains that are still growing is a potential that cannot be underestimated as agribusiness development need a young brain that is able to learn fast and think differently.

Financial resource was indicated in the most recent reports from the Ministry of Agriculture as one of the resources that youths have at their disposal and they can use it to invest in the agribusiness sector. Reports showed that while the government had set and rolled out Youth Development Fund, private banks also increased their lending portfolio toward agribusiness initiatives.

It's evident in more than 70% of the articles reviewed that youths still hold the key to agribusiness developments since they are one of the main target group for many development projects being initiated either by the government or numerous non-governmental organizations in the country. While the number of consumers keep on rising in the country, agricultural producers have been declining steadily thus creating a dire need for the youths to actively participate in the agriculture and agribusiness sector. The scenario is shown in figure 3 below.



Source: computed from UNDESA/PD (2011)

**Figure 3.: The growth rate of effective consumers and effective producers, 1950 - 2050**

This scenario in figure 3 above has driven the Government of Kenya in collaboration with NGOs and development partners to take a number of actions that were geared towards attracting and retaining youths in the agriculture and agribusiness sector. Some of the recent initiatives include setting aside of Youth Fund for the purposes of financing youth initiatives with a priority to agribusiness initiatives.

The move by private banks in the recent past to increase their lending portfolio for agribusiness development initiatives as well as non-governmental organization training on various agribusiness skills have also featured prominently in more than 50% of the materials reviewed. This implies that youths are empowered and are able to drive agribusiness development projects. It has also been reported that for the last five years, there are a number of youths who have engaged in a serious successful agribusiness projects.

Most of the non-governmental organization reports analyzed show that there are many available and affordable resources in the rural villages that youth should capitalize on. Vast arable land put the rural youths in better positions to drive agribusiness activities. The natural environment also offers an excellent opportunity for the youths to develop agribusiness programs. This is due to the fact that many rural areas have rivers or lakes which can provide water for irrigation. Besides, rainfall pattern is also fairly predictable in most parts of the country. Several scholars agree in their writings that there are emerging success stories of changing attitudes among young men and women on undertaking agribusiness and agriculture as a serious economic activity. In order to accelerate agribusiness development, there is need to address some structural and attitudinal factors that hold back participation of youths in agriculture. 60% of the scholarly findings indicate that school curricula have generally tended to alienate the youth from careers in agriculture and agribusiness thus impacting negatively on agribusiness development.

Most of the government and development partners reports revealed that majority of the youth consider agricultural work to be for the illiterate members of the society. The reports further concur that youths who grew up in rural villages believe that their prosperous future lies in different careers which are financially more rewarding and such careers can only be found in urban settlements. Therefore, there is need to demonstrate a changing face of agriculture, the critical role played by agribusiness in stimulating demand for traditional and non-traditional commodities agricultural commodities. Non-governmental organization and renowned scholars' baseline survey's findings indicate that lack of access to productive agricultural land by the youths is one of the major challenges to both youths in urban and rural settlements. The situation is worse in the case of female youths. In addition to the above challenges, low returns, seasonality, labour intensive sector, unpredictable weather, unreliable market and marketing systems, poor government policy and legal framework were also cited as some of the hindering factors for the youths engagement in the agriculture and agribusiness development ventures. Many scholars also agree in their articles that high rate of rural urban migration is a drawback to youths participation in agribusiness development initiatives as many urban areas in Kenya lack space for agricultural production and agribusiness initiatives.

### ***Recommendation***

In order for the Kenyan youths to fully embrace agribusiness development, the following should be taken into consideration.

- i. Youths should take advantage of the rapidly growing human population as an opportunity to engage in agriculture and agribusiness initiatives. This is simply due to the fact that growth in human population automatically triggers high demand for food which can only be provided through agricultural production and agribusiness initiatives. Meeting this demand requires rethinking of new agricultural development strategies as oppose to the conventional methods which require embracing new farming technologies.

- ii. Capacity building. The government, non-governmental organizations and development partners should invest in teaching and mentoring the youths in agribusiness development programs. This will change the youths attitude towards agriculture as a whole. For instance changing their view of agriculture as a activity for the illiterate and the old generation.
- iii. Youths should consider farming as a serious business or economic activity that requires the necessary business skills. This kind of thinking will enable youth to venture into commercial farming as opposed to subsistence farming which is unprofitable.
- iv. Curbing rural urban migration is key towards ensuring that youths are fully involved in agribusiness development initiatives. Ensuring development of social amenities e.g schools, entertainment grounds etc and infrastructural development such as roads, electricity, housing, water, internet and telecommunication among others will motivate youths to stay in the rural areas. This is due to the fact that they will keep trendy by accessing the same information just like their peers in the urban settlements.
- v. Opening up of local market and international market for agricultural commodities is crucial for the agribusiness profitability. Ready market and high positive margins is likely to attract youths to the agribusiness sector thus contributing immensely.
- vi. Private banks as well as governments banks should allocate more funds to the Agribusiness lending portfolio so as enable as many youths as possible to access the capital to initiate agribusiness development activities.
- vii. The Ministry of Agriculture should work closely with the Ministry of Youth Development in terms of disseminating information to the youths concerning agribusiness development opportunities in the agricultural sector.
- viii. Rural road development should be given a priority by the government as it has the potential to reduce transport costs, generate market activity and increase opportunities for off-farm and youth employment thus widening development in the agriculture sector.
- ix. Use of irrigation techniques should be encouraged and supported among the youths who in agribusiness by the government and the private sector so rain fed agriculture is highly unreliable.
- x. More research should be done on how best youths can be retained in the agribusiness sector long after they join the industry.
- xi. Finally, the government agricultural policy and legal framework should be made favourable for youths to engage in agribusiness development programs. For example rules governing contract farming should be made flexible for youth farmers.

## **Conclusion**

Even though it seems clear that youths have numerous potentials which favour agribusiness development in Kenya; it is imperatively important for the government and its development partners to invest agribusiness development programs through youths. Rebranding of agriculture as a profession and an economic activity is a strategy that if adopted will not only attract the current generation youth to agriculture but also to ensure its vibrancy among the many generations to come.

From this research, it's evident that agribusiness sector has more opportunities for the youths than any other sector of the economy despite the youths negative attitude towards it. Fortunately, due to serious unemployment challenges in other sectors, youths are slowly



embracing agribusiness as an economic activity. It's the hope of youths who are already in agribusiness that many more youths may join or initiate agribusiness development programs.

Finally, it's important to reiterate that for the entire world to be food secure, youths have to be part and parcel of agribusiness sector. It's only the youths who have the requisite attributes to develop agribusiness to the desired levels. With the rapidly changing world, agriculture risk being left behind as a profession and economic activity in many parts of the world if the youths fail to join the sector.

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## STATE OF MALNUTRITION AND ITS FAST GROWING WING IN DEVELOPING COUNTRIES

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### **Abstract**

Nutrition is one of the most important issues for the well-being of human life. It concerns rich and poor, rural and urban, developed and developing countries. Since, it is not a specific problem for some part of the world only, like most other problems, it should get serious attention as it deserves.. Accordingly, different literatures show that, for millions of people worldwide, hunger and malnutrition are common everyday challenges; for some, even famine is a threat. But in many developed countries, food abundance brings other serious nutritional and health problems. Though these are being addressed, western habits are starting to spread.

However, most of literatures focus more on the undernutrition aspect of malnutrition, rather than overnutrition. Malnutrition is a broad term which refers to both undernutrition (sub nutrition) and overnutrition. Individuals are malnourished, or suffer from undernutrition if their diet does not provide them with adequate calories and protein for maintenance and growth, or they cannot fully utilize the food they eat due to illness. People are also malnourished, or suffer from overnutrition if they consume too many calories. According to the World Health Organization (WHO), malnutrition is the gravest single threat to global public health. And according to the Food and Agriculture Organization (FAO), the number of people globally who were malnourished stood at 923 million in 2007, an increase of over 80 million since the 1990-92 base -period. In more wealthy industrialized nations malnutrition is usually caused by: Poor diet, mental health problems, Mobility problems, digestive disorders and stomach conditions, alcoholism. In poor, developing nations malnutrition is commonly caused by: Food shortages, Food prices, food distribution and Lack of breastfeeding.

In this research nine countries from different continent are included. And the result of this assessment shows that there is high-rate of growth as far as overnutrition is concerned, in both high income and low income countries for both sexes. And the percentage growth of overweight and obesity for some low-income countries is very significant. Cameron is the one that shows high obesity rate from the low-income countries. And, France is the country that shows a low growth rate for overweight from high-income countries. The study also figure out that, there is a high positive relationship between the energy consumption and overweight.

**Key words:** Malnutrition, overweight, obesity, body mass index (BMI),

### **Introduction**

Our world is facing different challenges from time to time. Most of the problems are associated with change in the human way of living. Over the past several decades a dramatic shift in stages of the way the entire globe eats, drinks and moves have clashed with our biology to create major shifts in body composition (Popkin, Adair and Ng, 2012).

Civilization and technological development, like any other aspect, plays a great role in the change of human feeding habit. Accordingly, consumption of industrially processed foods becomes common in many parts of the world. Being industrially processed food might not mean that it is unhealthy, but it may need special considerations during consumption. Because, most of industrially processed foods are concentrated with their content. In the United States, one third of children and adolescents are overweight or obese, yet food and beverage companies continue to target them with advertising for products that contribute to this obesity crisis (Harris and Griff, 2012).

Some years ago lack of food was a serious problem in most parts of the world. But, now a day, the problem of food shortage is not the agenda anymore in most parts of the world. But the problem of malnutrition still continues without any improvement. It seems paradoxical, but not, just changing its form. Malnutrition in all its forms: undernutrition, micronutrient deficiencies, and overweight and obesity does impose high economic and social costs on countries at all income levels (FAO, 2013). Many Governmental and non-governmental organizations and different concerned bodies are trying to solve the problem of 'Hunger' which leads to undernourishment. There is a substantial progress in this regard. But, the current world data show that both undernutrition and overnutrition are almost at the same level and troubling the world equally. And, according to the Food and Agriculture Organization (FAO), the number of people globally who were malnourished stood at 923 million in 2007, an increase of over 80 million since the 1990-92 base –period. By 2015, nearly one in every three people worldwide is projected to be overweight, and one in ten is expected to be obese (Pontzer et al., 2012).

There is a big gap between satisfying the stomach and satisfying the body. But, most people, even in developed countries and educated classes do not seriously think of the nutritional need of their body. Accordingly, many people try to solve their immediate need by consuming what makes them satisfied for the time. We can fill our stomach with anything that makes us interested to eat. But in the mean time we might forget satisfying or fulfilling our body need and possibly let the crave of our body for some nutrients continue. In the other dimension, the over consumption may happen and the body may become overloaded with unnecessary calories. Of course, the problem could be dependent on the food system and some other factors as well. This study may give a break to every individual to think thoroughly about each and every day feeding habit, regardless of where he or she lives.

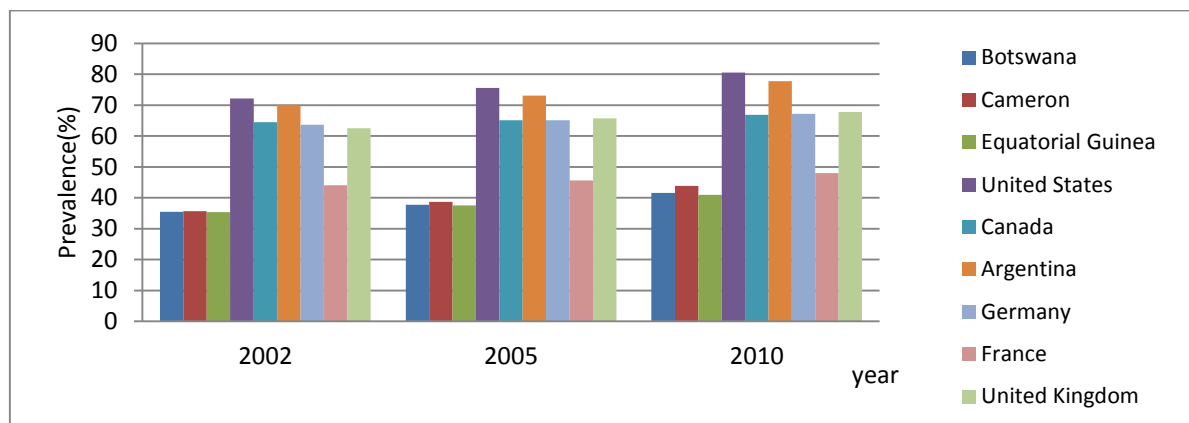
Though some literatures suggest the production point as the major factor to prevent malnutrition, the major point seems different. Here, we should ponder, but it seems the consumption is the major point. Because, if a person consumes according to the need of the body, it is much easier to produce according to the demand, so long as the production is grounded on the demand. To do so, there should be an appropriate means for any person to easily figure out how much energy does the food in a market contain. So, if a food in the market, whether it is processed or not, including hotel menu are labeled very clearly with its nutritional content and if a person knows the daily need of the body based on the specific personal factors, it would be much easier to make matches between them.

In this study, the case of overweight and obesity prevalence among different low income and high income countries is examined. And, the growth percentage of the problem from time to time is analyzed for both male and female above the age of fifteen. Further, comparison from different point of view regarding overweight and obesity is done among high income and low income countries and the relationship between energy intake and obesity is assessed.

**Material and methods**

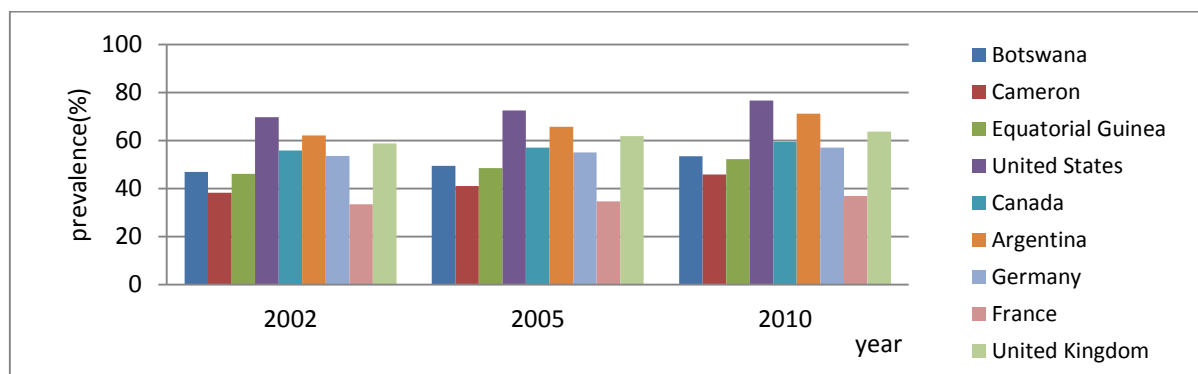
Electronic database regarding the overweight population in some developed and developing countries above age 15 for both sexes is accessed from WHO website. Moreover, internet search engines and bibliographies of included studies were searched for articles published in English. Then, the numerical data are processed for its graphical display on windows-Excel sheet, for the comparison of overweight between developed and developing world, between female and male and the percentage growth of overweight and obesity is done. In addition, the relationship between intake of kilocalorie/person/day and prevalence of overweight is assessed using Software Package in Social Science/SPSS, applying correlation and regression methods.

**Results and discussion**



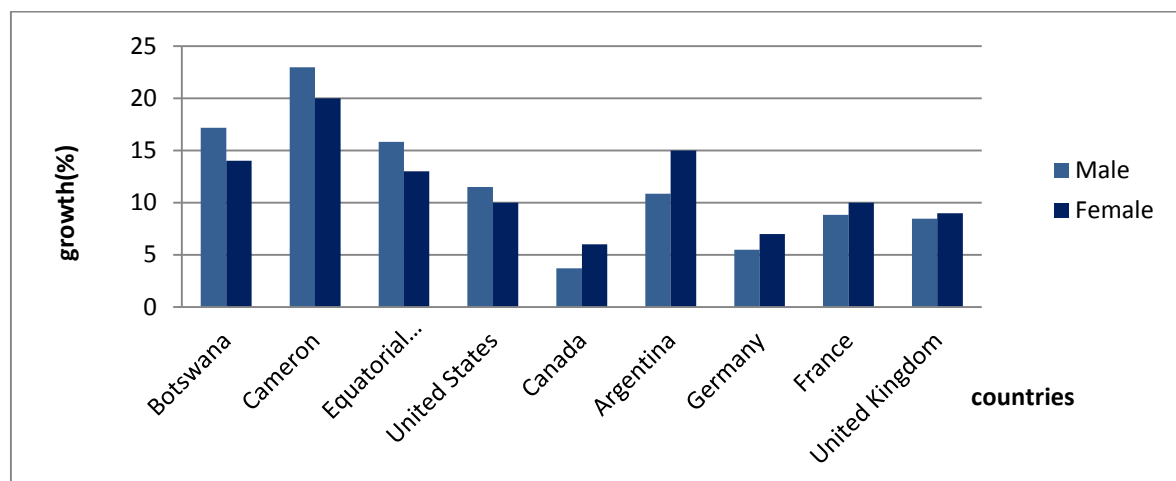
**Figure 1: Overweight and obesity (BMI ≥ 25 Kg/m<sup>2</sup>) prevalence, Male Age 15+**  
 Source: WHO, own editing, 2014

Based on figure 1, in all the countries, overweight and obesity are increasing from time to time for males, though the magnitude differs from country to country. From the selected developed countries, United States show high rates of overweight and obesity having 72.2%, 75.6% and 80.5% in 2002, 2005 and 2010 respectively. On the other side, France shows the lowest rate of Overweight and Obesity from the developed countries observed, having 33.4%, 34.7% and 36.9% in 2002, 2005 and 2010 respectively. And, Argentina shows high rate of Overweight and Obesity next to the United States. But regarding the African developing countries, all the three countries show a lower rate when compared with the developed ones and Argentina.



**Figure 2: Overweight and obesity (BMI ≥ 25 Kg/m<sup>2</sup>) prevalence, Female Age 15+**  
 Source: WHO, own editing, 2014

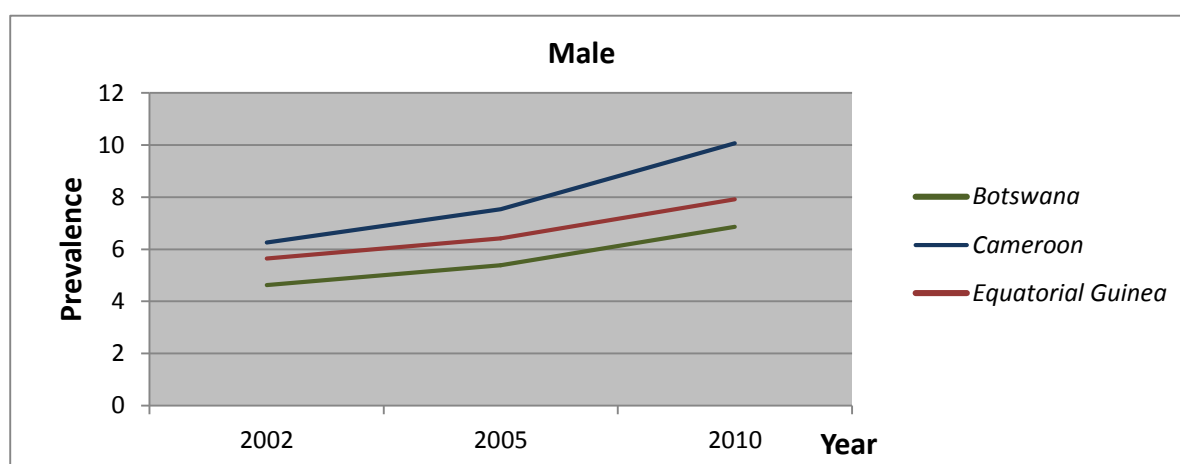
According to figure 2, United States have high rates of overweight and obesity for female having 69.8%, 72.6% and 76.7% in the year 2002, 2005 and 2010 respectively. And France has the lowest rate of overweight and obesity having 33.4%, 34.7% and 36.6% in the year 2002, 2005 and 2010 respectively. All, Botswana, Cameroon and Equatorial Guinea has shown higher rate of overweight and obesity than France and very much closer to the other countries as far as their rate of overweight and obesity is considered for their females.



**Figure 3: Overweight and Obesity increase rate from 2002 to 2010**

Source: WHO, own editing, 2013

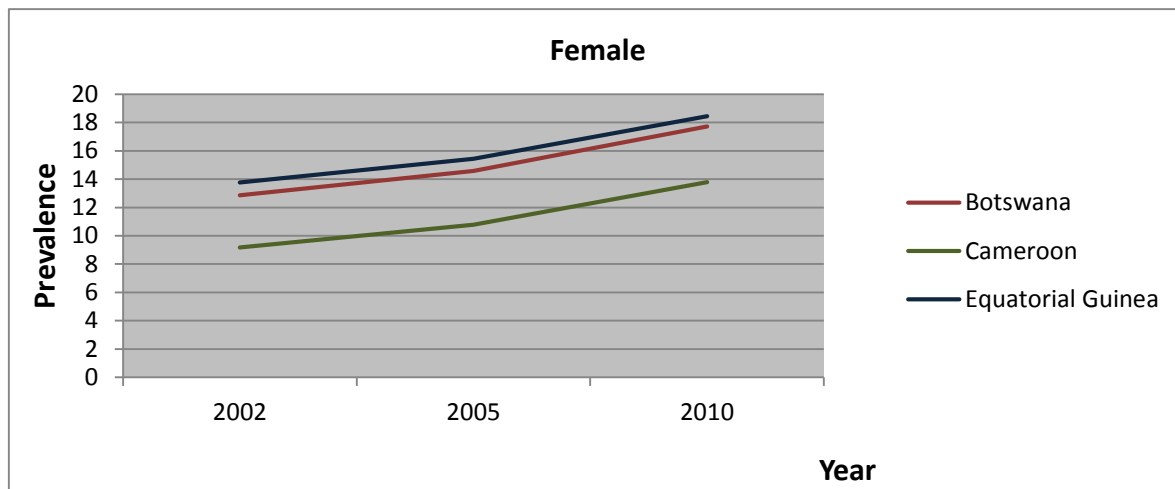
It is easy to observe the percentage growth difference between the countries from figure 3. Accordingly, the developing countries show the highest growth percentage of overweight and obese people than developed countries. The highest rate of growth in overweight and obesity for male and female is observed in Cameroon, 23% and 20% respectively from the year 2002 to 2010. The lowest growth rate is observed in Canada, male 4% and female 6%. The other major thing that is found from the result displayed in figure 3 is that, the percentage increase in males is higher than females in all developing countries and in the United States. In the other developed countries and in Argentina the growth rate of the case for females is higher than males. The cause for this difference might need further research. Since overweight and obesity affect the social, economic and health aspects of life, this may have potential danger in the different dimensions of social affairs like gender issues.



**Figure 4: Estimated Obesity (BMI ≥ 30 kg/m²) Prevalence, males, Aged 15+, 2002-2010**

Source; WHO, own editing , 2013

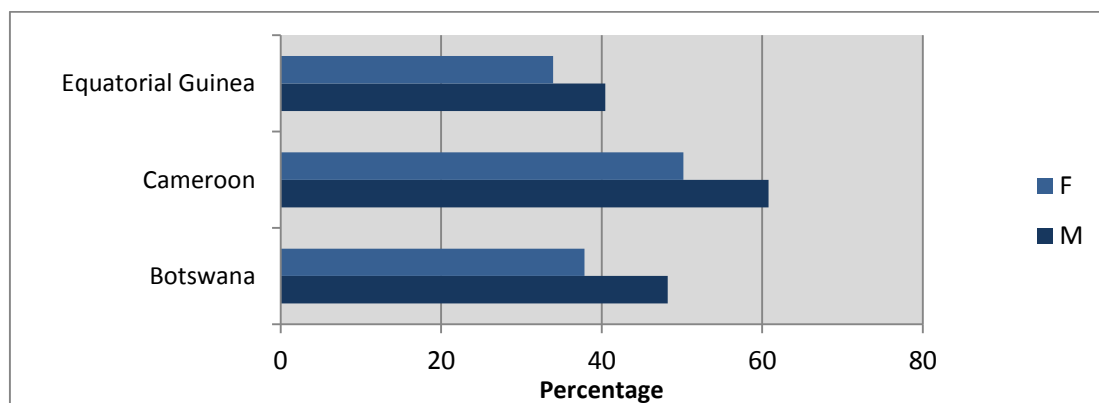
Figure 4 shows that, how the growth trend of obesity in male is going on in developing countries. According to the 2010 data, Cameroon is the one with the highest rate of Obesity for Male among the three African developing countries.



**Figure 5: Estimated Obesity (BMI ≥ 30 kg/m<sup>2</sup>) Prevalence, Female, Aged 15+, 2002-2010**

Source; WHO, own editing, 2013

From figure 5, it can be easily observed that, how the growth trend of obesity for female is going on in developing countries. Accordingly, the increase rate is higher for females in all the three countries. Based on the 2010 data the highest proportion of Obese female population above the age of fifteen is found in Equatorial Guinea, among the three African countries.



**Figure 6: Percent change for Obesity (BMI ≥ 30 kg/m<sup>2</sup>) Prevalence, males and Female, Aged 15+, from 2002 to 2010,**

Source; WHO, own editing, 2013

Figure 6 shows the growth prevalence rate of Obesity (BMI ≥ 30 kg/m<sup>2</sup>) for the above mentioned countries for both sexes. Accordingly, the highest growth rate for male has seen in Cameroon by 60.77%. This means that the Obesity for males grow at the rate of 60.77% from 2002 to 2010. And the second country is Botswana, where the obesity grows at the percentage of 48.24 from 2002 to 2010. And the third country is Equatorial Guinea, where the obesity increases by 40.45% from the year 2002 to 2010.

As far as the obesity of female concerned, the first country is Cameron, the rate is around 50.18%, this means, obesity in the country grows by 50.18% from 2002 to 2010. The second country is Botswana, where the obesity grows at the rate of 37.8 % from 2002 to 2010. And the third country is Equatorial Guinea, where the obesity grows by 33.9 % from the year 2002 to 2010.

Based on the above results for both sexes, Cameron is the country that shows high obesity increase rate among the three developing countries included in this research from Africa. And, for both sexes, the country shows more than 50% increase from 2002 to 2010. And Botswana is the second country to show high growth rate for both sexes next to Cameron and the last one is Equatorial Guinea.

### ***Relationship between energy intake and overweight***

Many literatures and scholars talked much about the relationship between energy intake and overweight. The assessed result on an SPSS for this study shows the following results. All the assessments are done only for male above age 15.

**Table 1: The correlation between energy consumption and Estimated overweight for the nine countries, 13<sup>th</sup> of January, 2014**

		Energy consumption	Estimated overweight
Energy consumption	Pearson Correlation	1	.727*
	Sig. (2-tailed)		.026
	N	9	9
Estimated overweight	Pearson Correlation	.727*	1
	Sig. (2-tailed)	.026	
	N	9	9

\*. Correlation is significant at the 0.05 level (2-tailed).

Table 3 shows that there is a strong correlation between energy consumption and estimated obesity. Accordingly, the significance level 0.026, which is less than 0.05, it shows that there is a relationship between the two variables, energy consumption and Obesity. And since person correlation displays 0.727, according to the statistical interpretation, it shows that the relationship is very strong and positive.

**Table 2: The model summery, analysis between energy consumption and Estimated overweight for the nine countries, 13<sup>th</sup> of January, 2014.**

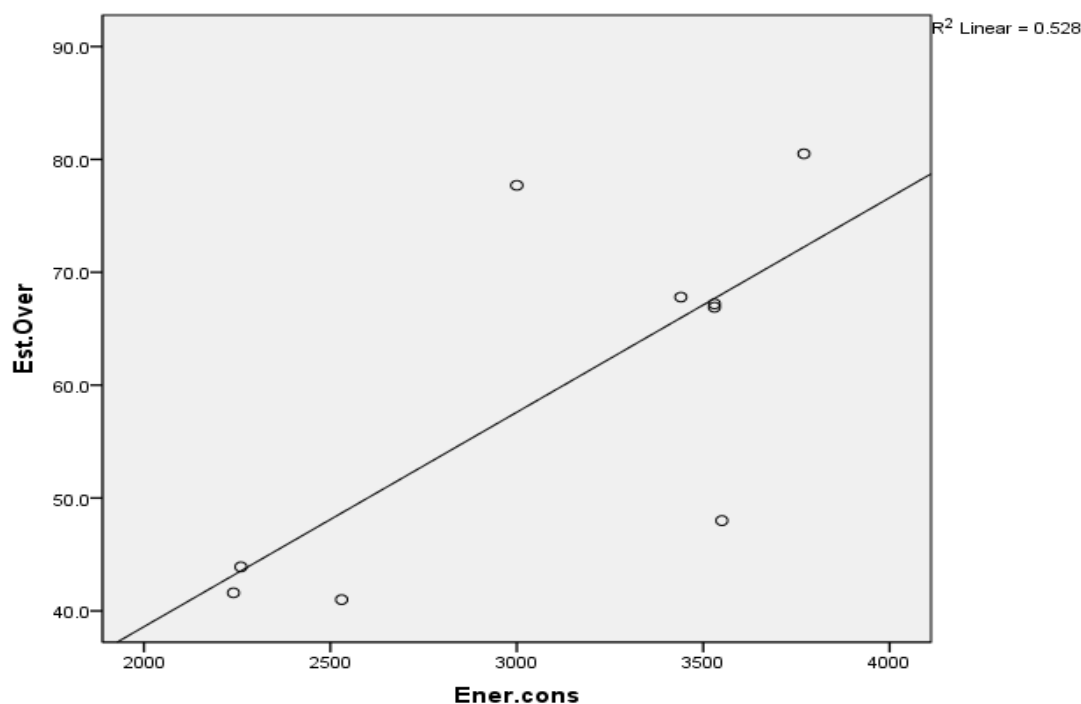
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.727 <sup>a</sup>	.528	.461	11.5882

a. Predictors: (Constant), Ener.cons

From the above model summery table, some meaningful interpretation of the figures is done. Since  $R = 0.727$  this shows that there is a strong positive relationship between energy consumption and overweight. And, the  $R$  square = 0.528, this shows that the energy consumption accounts for 52.8% of Obesity in the countries. So that, the cause for the rest 47.2% of obesity is considered as some other factors.



Which might be connected with health, exercise, genetic, and others . But to figure out the contribution of each factor according to countries context, it needs further detail research.



**Figure 1, the regression line for the relationship between energy intake and Overweight in the above nine countries.**

The above regression liner illustrates that, there is a positive relationship between energy intake and overweight. Accordingly, as the energy intake increases prevalence of overweight also increases.

## Conclusions

From the above analysis, there is high difference among the developed countries themselves regarding the rate and the percentage growth of overweight and obesity. And the overweight and obesity is not only the problem of the developed world, in some cases, it is becoming worse in low income countries showing high percentage growth and high prevalence rate. As a result, in the developed world case, though there is enough production, malnutrition is still there in the form of overnutrition. The percentage increase of overweight and obesity from time to time for males is higher in African countries and the United States. And the percentage increase of overweight and obesity from time to time for females is higher in Europe, Argentina and Canada.

In general, it could be concluded that malnutrition is increasing all over the world in its form of overnutrition and the cause of the problem seems it needs further research according to the country's condition. Otherwise, the development level and fast food consumption status might not be mentioned as the major complaining factors for overweight and obesity.

As far as the relationship between energy consumption and overweight is concerned. There is a high correlation between the two variables. And moreover, from the model summery table result, it can be concluded that, the energy consumption accounts for more than fifty percent of

obesity cause in the observed nine countries. Finally, not only overnutrition in general, but also, obesity is growing at a very fast rate in developing countries.

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**EVOLUTION OF CAFETERIA SYSTEMS – PAST-PRESENT AND FUTURE****Jenő Beke, Gyula László, Katalin Óhegyi, József Poór**<sup>(1)</sup> associate professor, University of Pécs, <sup>(2)</sup> professor of management, University of Pécs<sup>(3)</sup> HRM consultant, PhD student, Szent István University,<sup>(4)</sup> professor of management, Szent István University and Selye János UniversityEmail: [Poor.Jozsef@gtk.szie.hu](mailto:Poor.Jozsef@gtk.szie.hu)**Abstract**

The authors first review the most important features of the cafeteria system (goals, typical ‘stakeholders’ and strategic HR issues). Then they examine the evolution of the system of flexible benefits since 1996, when the first such systems appeared in Hungary. Authors also analyze how the main drivers caused the changes, and how the key players of the cafeteria systems adapted themselves to these movements. The reader can also find insight into the major changes for 2012 and the potential impact of these changes on benefit policies of Hungarian firms. They also touch upon the findings of empirical surveys that the cafeteria systems are significantly influenced mainly by the size of organizations and to a lesser extent by form of ownership.

**Keywords:** fringe benefits, flexible remuneration, cafeteria benefits, Hungary**JEL classification:** M520**Introduction**

The cafeteria systems introduced in the early 1990s have widely spread by our days with most employers applying them as a component of their remuneration package. Companies using cafeteria attribute a great importance to the contribution of the cafeteria to the competitiveness of their remuneration package and thereby to the increasing commitment of their employees or employee loyalty. Cost efficiency is also an important criterion inducing employers to continuously update their systems in accordance with the actual changes in taxation in order to provide their employees with the benefits at the lowest possible cost. Since the early days of 2012 we have witnessed significant changes in the regulations concerning the cafeteria systems and the ensuing corporate practice. This is the reason why we find it justified to examine the changes that this component of the remuneration package has undergone since 1996 – when it was first introduced – to the present day. It is equally important to review the motivations underlying the major changes, as well as the different ways the actors in the market chose to adapt themselves to them. Authors have also investigated the main changes introduced in 2012 and their potential impact on the remuneration policies of business firms, and offer some alternatives for the opportunities and challenges that are open in the new circumstances.

Traditional benefit systems have a fixed nature, inasmuch as they offer similar items and ranges of benefits to all employees. As a result, their administration is relatively simple but the system itself is *inflexible* because it does not allow any consideration to the (changing) environment and employee demands.

Even the sporadic attempts at adjusting them to employee requirements are inevitably of a general character because the benefit systems based on the principle of ‘*identity*’ can only seek solutions that are ‘*suitable for everybody*’. This, however, is impracticable because – to give a

simple example – the kind of benefit that is suitable for an employee who regularly spends his/her holidays in the company's holiday home is certainly not suitable for someone who has never claimed that benefit because of his age or habits.

In Germany, Great Britain, France and Sweden employees of employers with cafeteria plans may obtain such benefits as health insurance, group-term life insurance, voluntary "supplemental" insurance (dental, vision, cancer, hospital confinement, accident, etc.), and flexible spending accounts through the plan. Though some cafeteria plans offer an explicit choice of cash or benefits, most today are operated through a "salary redirection agreement", which is a payroll deduction in all but name. Deductions under such agreements are often called pre-tax deductions (Kaufman, 2013, Doerner W.M. - G., 2012, Tali, K. - Cohen, Y. - Guy, M. 2010). This is the dilemma that the so-called *cafeteria model* is meant to solve. On the one hand, it contains a 'menu', i.e. the range of benefits that the company can reasonably offer (including their related costs), and, on the other hand, a sum or budget that is available for the individual employees for this purpose. On the basis of the costs and the given budget employees can decide themselves according to their own preferences which benefits they want to choose (what is important for them, what they can really use). This way employees can get reliable information on the costs of the various benefit items (i.e. how much the company actually spends on such purposes) and they are also given the possibility to choose. Both of these considerations can improve the level of satisfaction to a considerable extent. It must be very difficult, however, to compile the list of the benefits offered, and take care – at the same time – of maintaining a comparability or equivalence in the value of the various benefits, and of establishing their 'exchange rates'.

In the scientific literature (e.g. Hippler, T., 2010 and Lowen, A. (2009) the benefits professionals consider several factors when developing strategic benefits plans. Traditionally a company offered the same set of benefits to most or all employees. However, the increasing diversity of the work and labor forces has made standardized benefits offerings less practical: Demographic diversity is associated with greater differences in needs and preferences for particular benefits. Many employers design their employee benefit programs (see in prior researchers – e.g. Artz (2010) and Reddick-Christopher (2009) to meet the needs of a diverse workforce and may use cafeteria plans for more flexibility. In a continuous effort to respond to fluid economic and demographic challenges, the use of cafeteria, and other flexible benefit plans, will likely increase.

### **Stakeholders of the cafeteria systems**

The cafeteria system incorporates the support and agreement of two (or three, sometimes four) parties concerned, because it can equally express

- the objectives of the companies,
- the objectives of the employees,
- the consent and (varying) support of the government and
- the influence of the cafeteria sector(e.g. suppliers).

It must be emphasized that HR processes, including the motivation systems, usually involve two actors: they express the interests and objectives of employers with due regard - at the same time - to the interests of employees as well (in this particular case in agreement with the unions).

Milkovich et al. (2011) summarize the viewpoints of the two parties as follows:

Employers:

- proportion of benefits to the total compensation costs;
- value of costs related to the value of benefits;
- offers made by competitors;
- the role of benefits in attracting, keeping and motivating employees;
- compliance with the laws and regulations.

Employees:

- fairness (as compared with a former period or with the other employees).
- personal needs related to age, gender, marital status and the number of dependents .

1) *Firms* have the declared objective to extend both the quantity and quality of the compensation they provide as employers and improve the attractiveness of the workplace by ensuring job satisfaction of key employees in an effort to prevent them from leaving the firm. In addition to that, every cafeteria system is based on the explicit or implicit consideration that - in contrast with other forms of remuneration – cafeteria offers significant advantages in taxation and labour charges.

2) The individual's appraisal of the usefulness of benefits largely depends on the employee's age, gender, family status and the number of family members he/she has to provide for. In addition, fairness also appears as an important requirement for employees both over time (e.g. as compared to previous years) and in relation to the other employees (Milkovich et al., 2011). The authors' survey have also found that employees are fundamentally interested in improving their income position. The majority of employees have always considered salaries - and fixed monthly salaries in particular - to be the most desirable form of remuneration because this is the guarantee of their security; a regular income allowing them to pay the equally regular costs of subsistence (livelihood, overhead, family expenses, etc.). Employees with low salaries/wages will naturally prefer the kind of remuneration that can be used directly to finance costs of everyday life (i.e. that allows them to buy food, medicine, or pay their overhead) and only employees in higher income groups will consider forms of remuneration meant for longer term and requiring more serious deliberation and decision. Therefore the applicability and efficiency of the cafeteria systems greatly depends on the social/income status and segmentation of employees in a particular organization: lower income groups will not be able to appreciate them, while they will be popular with higher income employee groups.

3) *Governmental* support was also needed; it used tax cuts, exemption and lower labour charges in an attempt to channel the spending of incomes to reflect government preferences. Over the years the regulation of the cafeteria kept changing in line with the governments' objectives in economic and social policies, resulting frequent changes in regulations. This required an adjustment of the system from time to time. Such changes included varying limitations on tax free allowances, limiting the usage of certain allowances (e.g. the voluntary health fund spends), and also imposing tax or social security contributions to certain benefits.

4) As time passed, a whole *service industry* developed to cater for these benefits: on the one hand, enterprises organizing, registering, or counseling cafeteria services began to proliferate. On the other hand, certain business ventures discovered in it the opportunity to increase demand for their services (hotels, catering, restaurants, wellness, insurance agents, health services and the pharmaceutical trade). These organizations got integrated into an independent force with

lobbying power of their own. More and more commercial services consider it a break point that their services can now be bought for 'soft money' as well. (e. g. use of the recreation card to pay for a variety of services).

### **Income-strategic issues related to cafeteria**

It follows logically from the above considerations that the apparently very simple cafeteria concept (a small investment can generate significant advantages that everybody can benefit from) is in reality far from being that simple and unambiguous. The development and operation of the system leads to the piling of a number of various goals on top of one another and the emergence of a wide range of optimization criteria (individual, corporate or national, related to social policy incomes and costs, HR and remuneration, etc.). The advantages cannot be denied but the limitations should also be sized up in all the individual cases, therefore the whole cafeteria model needs and is worth a thorough analysis.

In the next part we highlight a few specific points to assist this process. It is not our intention to talk anybody in or out of using cafeteria, all we hope to achieve is to contribute a few ideas to the careful deliberation of the issue and a well-founded decision, primarily from a corporate income strategic aspect and later on from the viewpoint of HR functions.

### **Motivation and satisfaction**

It is generally agreed that the benefits of the cafeteria system can meet fundamental employee demands, and the system is capable of significantly contributing to the attractiveness of the workplace and the satisfaction of employees. This may be true, and we have thought so ourselves to this very day. At the same time, this is only enough to create a *general feeling of satisfaction*, because it is not linked to any specific or actual performance, therefore the motivation it generates is limited. If – in addition to the cafeteria – there is also a specific system of performance incentives in place, it can naturally function as an excellent complementary while in itself, *it may not be sufficient* to prevent employees from leaving. Since cafeteria is not linked to a specific achievement, it can easily be taken for granted, however good some of its components may be. As we get it 'anyway', because we are 'entitled to it', in the course of time *it may lose its power to elicit satisfaction*. It is therefore very important to connect or complement cafeteria with *internal means of communication* that can continuously maintain awareness and remind employees of the existence of fringe benefits, of their importance, and of the advantage they represent. In this respect benefits received on a *monthly basis* (e.g. a lunch ticket that is to be picked up, or a transfer to the health fund that is to be signed for) have a longer impact than for example, a one-time holiday voucher, or culture coupon, that is received and spent once, losing its impact and falling into oblivion in quite a short time.

### **Flexibility, possibility to choose**

Canrinus et al. (2012) found in their researches that flexible benefit, or cafeteria plans generally allow employees to choose between cash compensation, tax-exempt benefits, and taxable benefits without the choice itself resulting in the inclusion of the tax-exempt benefits in taxable income. Flex plans allow employers to upgrade and customize the array of benefits offered while keeping a handle on total benefit costs. Flex plans range from the most simple (that merely pay group insurance premiums with pre-tax dollars) to the most complex (that provide benefit

credits and a choice of types and levels of benefits that may be chosen and paid for on either a pre-tax or post-tax basis).

It is, however, not able to manage the situation when employees – although they definitely express an interest in receiving an income they can spend directly – receive *a benefit of some different dimensions instead*. The service provided by the employee and the compensation offered by the employer in return may be proportional as far as the money-value is concerned, but not in terms of usefulness, because it cannot be used to meet specific needs. This problem becomes more significant as pressure for subsistence gets stronger – in consequence of low income levels, taxation or devaluation caused by any other reason and income becomes ever more crucial for subsistence (a realistic eventuality for a large number of people with low incomes)

### ***Administrative workload***

Another fact we should point out is that the development and running of a cafeteria system requires additional (and different, specialized) skills that the company could otherwise do without. It should be realized, that a system of this kind usually requires *additional care* and means a certain amount of extra cost.

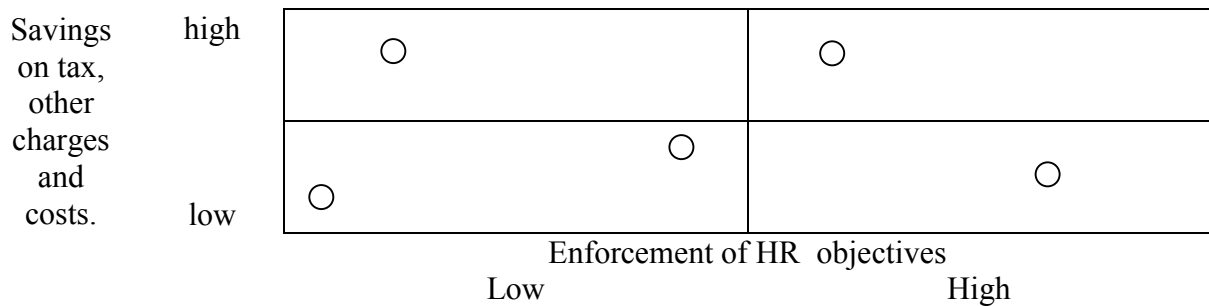
If the employer hasn't got the required internal capacity and buys the services of an intermediary, it is likely to receive professional service, information, assistance with the administration, legal advice, etc. (perhaps at a reasonable price). At the same time, some benefit providers also provide administration services, the selection of these providers must be considered carefully to avoid any potential conflict of interest in designing the range of available benefit elements.

### ***The ones who provide the benefit***

In the classical wage-bargaining systems wage levels (plus wage components) and their increase take shape in the course of negotiations between employer and the trade union. If they can reach an agreement either or both of the parties can present it as his own achievement. The emergence of the specific forms of compensation further complicates the situation. It *creates a special dimension of bargaining* due to the fact that there can be a difference between the cost/benefit content or ratio of the various forms of income and compensations. The repertory of tactical items can be further enlarged by the possibility that a compensation not payable as a wage element (for lack of finances) may become negotiable and obtainable in the form of a compensation consisting of benefits that are even cheaper for the company.

### ***The tax/HR matrix of benefits***

When a cafeteria plan is developed it is very important to clarify what kind of discounts its individual components involve as far as tax, other charges and cost-accounting are concerned, and also to what extent they can serve specific HR objectives of the company. It would be not only worth, but also necessary to analyse this point in detail and item by item, with regard to the specific situation of the organization. This would allow the set-up of a *portfolio-matrix* classifying (and presenting as in Figure 1) the various benefit components according to the extent of tax benefits, on the one hand, and the internal benefits to be achieved in the field of HR, on the other.



**Figure 1: The tax/HR matrix of benefits**

*Source: Authors' own research*

(The company may have considered a gift coupon rather advantageous for the taxation of the company for some time, with an absolutely worthless HR impact.) Maintaining an own sports field (tennis, or football) may not prove useful from the viewpoint of taxation but HR will appreciate its recreational value. This will be discussed in more details later on.

***Satisfaction study***

It would be important to include employee satisfaction with the cafeteria system in the – fortunately more and more frequently applied - *employee satisfaction surveys* and analyses employee opinions on the cafeteria at a level of detail that recognizes its importance. This would give an insight into employees rating of the benefits' order of magnitude, the differentiation of the supply, the options made possible and the flexibility of the system (including its fairness and the social criteria applied). It would also show how competitive the system is compared to other institutions of the industry (or trade), and how it contributes to the marketability of the whole compensation package.

***Cost criteria and the enforcement of HR objectives***

In the next part the most important benefit components are analyzed from the viewpoints given in the subtitle. (Obviously with the intention of just highlighting some points of interest because clear judgment is only possible after analysis of a specific case.) (Table 1.)

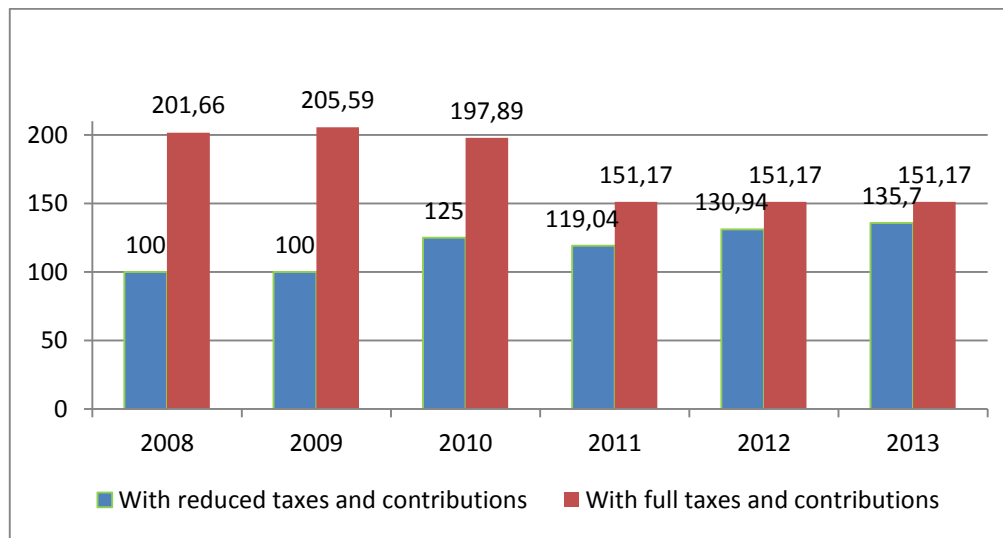


**Table 1: Enforcement of Cost and HR objectives in the case of the most frequent cafeteria components**

<b>Benefit</b>	<b>Cost criterion</b>	<b>Fostering the enforcement of HR objectives</b>
SZÉP Card (holiday voucher)	Offered reduced charges at	Strong if the implementation of the recreation objective is guaranteed. As it is used for other purposes, the importance of HR decreases
Company canteen / Erszébet voucher, lunch ticket	Offered reduced charges at	Strong if there is a company canteen (or near the company) where it can be used, and the function of strengthening ability to work is guaranteed. Weaker, if it can be used for other purposes as well Weak, purposeless if used by other family members, spent on gala dinners, or sold to outsiders
Gift voucher	From 2010 on 54% income tax + charges payable	It is not backed by organizational HR objective, focuses on other government and lobby objectives. Now that tax exemption has ended, its importance is minimal.
Admission at reduced rate to sport and cultural events	Not tax or charges payable	Culture is a universal objective, and the organization is interested in increasing the familiarity of its employees with cultural events. Admission to sport events does not help employee participation in sports, only gives them good time and entertainment as viewers. Not backed by HR objective, it focuses on other government and lobby objectives.
Contribution to voluntary health fund	Offered reduced charges at	The unity of the government objective (supporting health) and similar company objective can be created The company also has the objective to keep employees' health and help their recreation.
Contribution to voluntary pension fund	Offered reduced charges at	Government objective, but also a factor increasing the value of the job: here my future is taken care of. Strengthens identification and image, keeping labour (HR goal), especially important for those who are close to retiring.
Start of the school year assistance	Offered reduced charges at	Primarily a social welfare criterion. It improves work performance to the extent it mitigates the worries of the employee concerned.
Local transport	Offered reduced charges at	Helps transport between home and work. It is a common objective (because it is valid for community transport only) and company objective too.
Regular school-type training	Offered reduced charges at	Life-long learning is a general objective. Internal trainings are organized by HR; other types of training are indifferent for the organization. Used selectively, rarely becomes part of the cafeteria package

Source: Authors' own research

The exploitation of the tax and contribution allowances plays a significant role in the composition of the items to be included in a cafeteria system both on the part of the employer and employees. Due to the introduction of EHO imposed on fringe benefits in 2012, public charges increased from the former 19.04% to 30.94%, while the level of taxes and charges imposed on other benefits remained unchanged (51.17%). From 2013 on the rate of contribution to the health services further increased as part of the wages (from 10% to 14%), thereby increasing public charges payable after the benefits from 30.94% to 35.7%. This continued narrowing down the differences between the total costs payable after the items with or without reductions although the items included with allowances still meant significantly more favourable conditions. (Figure 2.)



**Figure 2: Total cost of 100 HUF worth of net benefit**

*Source: Authors' own compilation*

### **The impacts of organization size and type of ownership**

In this part we draw on the data-base created during a previously mentioned survey conducted in 2011 and 2012 with 302 companies operating in Hungary involved in order to present the impact of foreign ownership and company size on the application of the cafeteria system. (Note: it is not our goal to analyse every detail of the survey (Poór, 2012). All we undertake here is to highlight the key issues that are important for the topic under consideration here.

#### ***Introduction of the organizations involved in the survey***

67% of the companies involved in the survey were in Hungarian ownership, while 33% were owned by foreigners. As to the number of employees, approximately 70% of these companies had fewer than 250 employees. More than 56% of the companies owned by Hungarians and hardly 15% of the companies owned by foreigners had an income from sales under 10 billion HUF. Approximately two thirds (68%) of the companies were engaged in various industries. Commercial and service providing firms were represented to a lesser extent (32%) in our sample. Out of the 302 organizations investigated not more than 33% had a cafeteria system. Some form of the flexible benefit plan is applied by 43% of the foreign and 23% of the Hungarian companies.

### **Correlation analysis**

The Chi-square test showed an equally significant relationship with the Cafeteria system and both variables tested, i.e. both the form of ownership and company size expressed in the number of employees were in correlation with the fact whether a company uses a Cafeteria system or not ( $p=0,000$  – in both cases). Cramers' V co-efficient expressing the strength of the correlation was weak in the case of domestic/foreign ownership (0,216) while in the case of size it indicated a medium strong correlation (Antalóczy-Sass, 2005; Sass, 2007 etc.). Due to their composition and item number, the 302 organizations are not fully representative for Hungary, but the range of the organizations involved in the survey is wide enough to allow us to draw adequate conclusions on the basis of the findings.

### **Conclusions**

Practical experiences have shown that loss-making or financially less strong companies tend to apply fringe benefits at an annually decreasing rate. The business sector has to meet the expectations formulated by the state in the form of laws, namely that while they are revising the basic salaries they should take into consideration the decrease in the net wages caused by tax credit in the case of employees with lower income and compensate for it with a pay-rise. Meeting this expectation or the ensuing increase in the wage-costs can further reduce the allocations. At the same time, the total value of benefits made available under preferential conditions has increased. Further research should be needed to clarify how all these factors influence the decisions on the benefit allocations in 2012.

It is, however, worth taking the cafeteria elements into account in the future as well, and not only for cost-efficiency reasons. Cafeteria elements contribute to the various ways in which employees find recreation outside the workplace, relax, or spend their leisure and they continue to offer a rather flexible assortment in which the employees can find the components that are most suitable for them to choose the ones that meet their demand.

Some employees – depending on their situation in life -might find it reasonable to have included for them in the offer components that are more important or more advantageous benefits for them than a benefit with more tax reduction but representing less value for them. In practice demand of this kind can be expressed mainly by employees with higher income and special qualifications. In this case the employer may find it worth considering the enlargement of the cafeteria's assortment with offers exceeding the allocation or falling outside the range of options available. This solution can work in a system where the employees are able to use the appropriate tax and charges multipliers (for benefits with or without discounts) to select from a gross amount allocated the components of their choice.

For the employers it is important to be able to plan the costs of benefits. This applies not only to the taxes and charges, but also the cost of administration. If the costs of administration (e.g. the costs arising from reprogramming the systems, training the employees in charge of the administration, negotiating contracts with the service providers, etc) mean a disproportionate load for the employer, it will work against flexible benefit policy. On the other hand, if the system gets simplified in the long run, employers will be more encouraged to enlarge benefits or offer flexible choices.

The cafeteria system is undergoing continuous transformation both in the international area and in Hungary. Changes in the domestic systems are driven by the enforcement of the discounts in tax and charges. These are the factors that determine the way companies adjust themselves to the regulating environment. The trends prevailing in 2012-ben include the further increase in public charges, increasing state participation, further widening of the electronic utilizations, and the emergence of new elements.

Cafeteria elements can contribute to the relaxation, or entertainment of employees outside the workplace, to the variety of spending their leisure, and continue to provide adequately flexible assortment allowing employees to choose the benefits that meet their individual demands in the best way. On the whole it can be stated that companies which offer cafeteria at present as well, consider these benefits to be important components of the compensation package and will adapt themselves to the changing regulations by reasonably optimizing their cost-efficiency and HR criteria.

### Acknowledgement

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## INCOME INEQUALITY IN LOW-INCOME COUNTRIES: REASONS AND FUNDAMENTAL SOLUTIONS

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### Abstract

This paper presents the problem of unequal distribution of income in low-income countries - according to classification of World Bank - through introducing and heavily reviewing theoretical and empirical studies. Exploring the reasons of income inequality in those countries one must assert that there are complex interactions between past and present and between the diverse political, economic and social processes, cultural values, national and external factors and institutions. Keeping in mind all these aspects of historical interaction, many scholars, researchers and policy makers suggest apparent solutions for concerning issue that are, briefly, taxing the poor less, taxing the rich more, and providing more social services for the poor, working, and middle social classes.

**Keywords:** Inequality, GINI, Kuznets curve, Lorenz curve, Poverty  
**JEL classification:** O15

### Introduction

*“Any city, however small, is in fact divided into two, one the city of the poor, the other of the rich; these are at war with one another.”* Plato, Greek philosopher (427-347 B.C.)

Today as all we know the income inequality problem is one of the most crucial global problems all around the world. However, it is most crucial in less developed countries. To illustrate the income inequality between rich and poor countries, consider these facts: about 1.75 billion people live in multi-dimensional poverty, meaning extreme deprivation in education, health, and standard of living.(World Bank, 2010) Today almost nobody work on solving income inequality issues in less developed, so called low income countries, particularly in Kyrgyzstan. Presented paper raises the issue and makes an analysis of this problem in the country. The goal of the research is to reveal the role of income inequality in country's economy, determine the reasons of income inequality in less developed countries and their possible solutions towards development.

### General overview on income inequality theories

An evidence from a broad panel of recent academic studies shows that there is a nonlinear relation between income inequality and the rate of growth and investment. Very high inequality slows growth; moderate inequality encourages growth. Studies differ on the effect of very low inequality. Robert J. Barro, Harvard University found in his study "Inequality and Growth in a Panel of Countries" that higher inequality tends to retard growth in poor countries and encourage growth in well-developed regions. In their study for the World Institute for Development Economics Research, Giovanni Andrea Cornia and Julius Court (2001) reach slightly different conclusions. The authors therefore recommend to pursue moderation also as to the distribution of wealth and particularly to avoid the extremes. Both very high egalitarianism and very high inequality cause slow growth.

Considering the inequalities in economically well developed countries, public policy should target an 'efficient inequality range'. The authors claim that such efficiency range roughly lies between the values of the Gini coefficients of 25 (the inequality value of a typical Northern European country) and 40 (that of countries such as the USA, France, Germany and the UK).

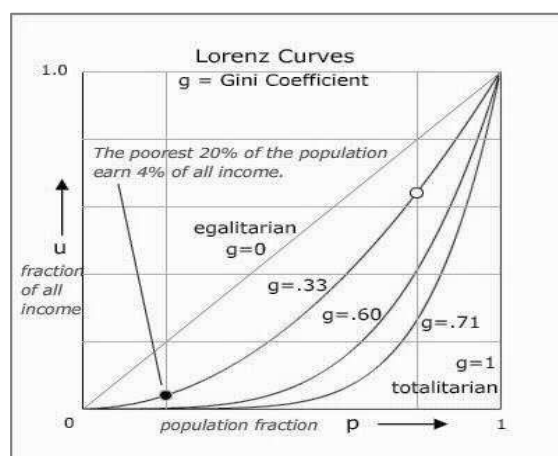
Another researcher, **W.Kitterer**, has shown that in perfect markets inequality does not influence growth. The precise shape of the inequality-growth curve obviously varies across countries depending upon their resource endowment, history, remaining levels of absolute poverty and available stock of social programs, as well as on the distribution of physical and human capital.

There are also some important and main theories that are called the fundamentals of income inequality in the economic growth and development.

**Kuznets curve.** Kuznets curve is the graphical representation of Simon Kuznets' hypothesis that as a country develops, there is a natural cycle of economic inequality driven by market forces which at first increases inequality, and then decreases it after a certain average income is attained. Kuznets' belief was that an inequality would follow an inverted "U" shape as it rises and then falls again with the increase of income per capita.(Flemming, et al. 2000)

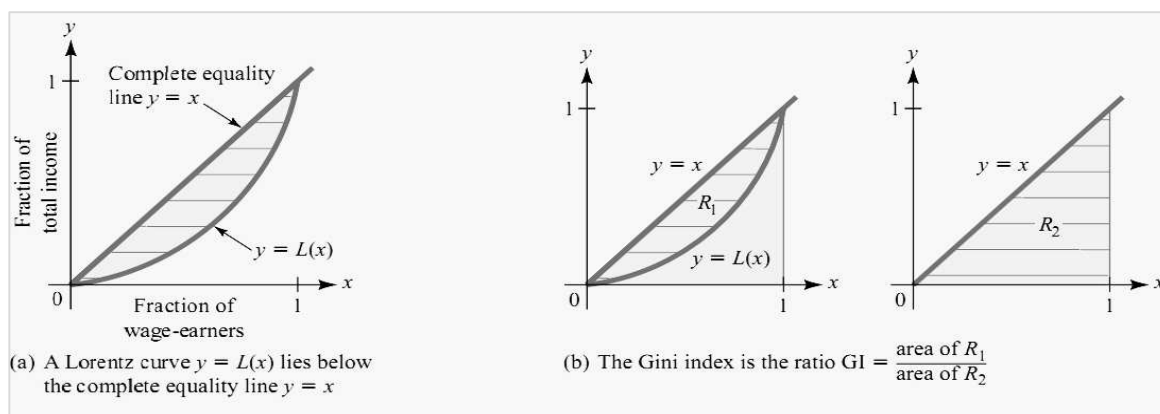
**Lorenz Curve.** In economics, the Lorenz curve, Figure 1, is a graphical representation of the cumulative distribution function of the empirical probability distribution of wealth. It is often used to represent income distribution, where it shows for the bottom x% of households, what percentage y% of the total income they have. Every point on the Lorenz curve represents a statement like "the bottom 20% of all households have 10% of the total income." (Dieninger, Squire, 1999)

Among the most common metrics used to measure inequality are the Gini index (or Gini coefficient), the Theil index, and the Hoover index.



**Figure 1. Lorenz Curve**

Source: *Economic curves*, E-ducation.net/07



**Figure 2. Calculus of GINI Index**

Source: Laurence D. Hoffmann; *Calculus For Business, Economics, and the Social and Life*

**Reasons of income inequality in low-income countries**

There are many reasons for income or economic inequality within societies. “The single most important driver has been greater inequality in wages and salaries (OECD 2011-12-05)”. These causes are often inter-related. Acknowledged factors that impact income inequality include:

- 1) *Labor markets and greater inequality in wages and salaries.*
- 2) *Education and computerization/growing technology*
- 3) *Financial reasons: Inflation*

**Table 1. GINI Index of Low income countries**

Country	GINI	Country	GINI	Country	GINI
Afghanistan	27.82	Kyrgyz Republic	33.38	Rwanda	50.82
Bangladesh	32.12	Liberia	38.16	Sierra Leone	35.35
Burkina Faso	39.79	Madagascar	44.11	South Sudan	45.53
Central A.R.	56.3	Malawi	43.91	Tajikistan	30.83
Ethiopia	33.6	Mali	33.02	Tanzania	37.58
Guinea	39.35	Mozambique	45.66	Togo	39.29
Kenya	47.68	Nepal	32.82	Uganda	44.3

Source: World Bank Data, 2008-2012

**Factors influencing income inequality**

1. *Economic growth and the overall development level of a country.*
2. *Macroeconomic factors* are inflation and unemployment, the size of government’s expenditure, external debt and foreign reserves, changes in the exchange rate, and other factors.
3. *Demographic factors* include processes of demographic development, including the age structure of population (share of economically active population), the growth and density of population; urbanization, level of human capital, including the level of education and health condition of population.
4. *Political factors* include privatization and the share of the private sector, level of taxes and the share of the public sector, openness of a country, especially trade openness and freedom of labor movement; social policy and other decisions of economic policy.



5. *Historical, cultural and natural factors*, which among others include distribution of land ownership, people's attitude to inequality, extent of shadow economy, which are all formed in the course of long history.
6. *Poverty and inequality*.(Kaasa, 2003)

### **Fundamental ways of solving the problems of income inequality**

According to empirical studies of Clark on income inequality, many factors constrain income inequality - they may be divided into two classes:

- 1) Government sponsored, and
- 2) Market driven

The relative merits and effectiveness of each approach is a subject of debate. Typical government initiatives to reduce economic inequality include:

- Public education: increasing the supply of skilled labor and reducing income inequality due to education differentials.
- Progressive taxation: the rich are taxed proportionally more than the poor, reducing the amount of income inequality in society.
- Minimum wage legislation: raising the income of the poorest workers.
- Nationalization or subsidization of products: providing goods and services that everyone needs cheaply or freely (such as food, healthcare, and housing), governments can effectively raise the purchasing power of the poorer members of society.

Market forces outside of government intervention that can reduce economic inequality include:

- Propensity to spend: with rising wealth & income, a person must spend more. In an extreme example, if one person owned everything, they would immediately need to hire people to maintain their properties, thus reducing the wealth concentration.
- Unionization: although not a market force, per se, labor organizations may reduce inequality by negotiating standard pay rates (though probably increasing unemployment). As union power has declined, and performance related pay has become more widespread, economic inequality has mirrored productive inequality.

Another way we can decrease inequality is to increase social services such as the following:

- increase food stamps for poor people; raise the minimum wage; increase social security for people in the poor, working, and middle classes; increase unemployment compensation; create more college grants and loans for people in the poor, working, and middle classes; create more child care subsidies for lower income single parents who are working at (near) minimum wage jobs so that they can work and survive at these kinds of jobs; create more housing subsidies for poor and lower income families; expand programs for poorer and lower income people; and increase funding for public schools located in poor and lower income neighborhoods so that children from these neighborhoods get the same quality public education as do children in middle-class and upper middle-class neighborhoods.

## Conclusion

Changes in the distribution of income and wealth associated with globalization, the restoration of the market system, the growing income gap in the less developed countries, and the rise of the nouveau riche have brought issues of inequality into national politics. The political implications are country specific as the countries are extremely diverse in terms of size, level of development, historical background, and social and political structure and are related to the characteristics of the regimes. There are complex interactions between past and present and between the diverse political, economic and social processes, cultural values, national and external factors and institutions. Keeping all these aspects of historical interaction, many scholars, researchers and policy makers provide apparent and fundamental solutions for income inequality, that are taxing the poor less, taxing the rich more, and providing more social services for the poor, working, and middle social classes.

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## ECONOMIC SUSTAINABILITY AND METHODOLOGICAL EVALUATION OF AIR ASSET

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### **Abstract**

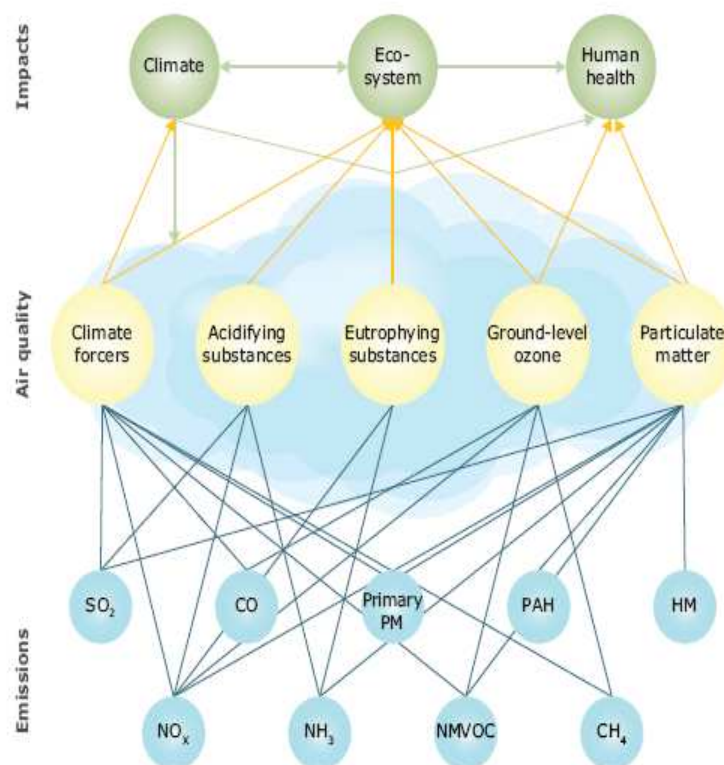
Sustainability is focused on balancing environmental, economic and social concerns in order to “meet the needs of the present without compromising the ability of future generations to meet their own needs. Poor air quality threatens not only the well-being of city-dwellers but our long-term productivity, as well, especially in terms of the quality of life, material and vegetation damage, reduced tourism to the country, discouraged foreign investments, among others. Further, loss of productivity due to pollution-related illnesses becomes a direct economic cost also. Peoples face the greatest health risk due to prolonged exposure to vehicular pollution inevitable in their livelihood. Continued exposure to high levels of common air pollutants such as ozone (O<sub>3</sub>), oxides of nitrogen (NO<sub>x</sub>), carbon monoxide (CO) and particulate matter (PM) can result in serious health impacts. In this preliminary study, we analyze the methodological questions raised related with the cost of clean air asset valuation.

**Key Words:** Air Quality<sup>1</sup>, Valuation<sup>2</sup>, Air asset<sup>3</sup>, Pollution<sup>4</sup>, Sustainability<sup>5</sup>.

**JEL classification:** Q20; Q50

### **Introduction**

Currently, Europe is facing an unprecedented economic crisis, causing instability, unemployment and poverty. But the situation is aggravated even further by a development that seldom reaches the top stories in the news: the continuous depletion of natural resources and the pollution of our environment. This not only threatens our health and ecosystems, and changes our climate; it also undermines our future material wealth, and our future competitiveness. So, the economic crisis is not only about interest rates, budget austerity and bank bail-outs. It is fundamentally about sustainability. We all know about the unemployment that unsustainable growth fuelled by financial excesses has brought. But we are only beginning to understand that our infrastructure, financial system, business models and everyday behavior lock us in to a short-term socio-economic model which relies far too much on running down our stock of natural capital – the water, air and other ecosystems on which we ultimately depend. This is very clear that there will be no growth in the future if it is not green growth. And the only way to achieve green growth is a concerted shift to resource efficiency – to use our natural resources much more efficiently (Bell et al. 2004). The issue of clean air quality is a good case in point. There are number of important legislative and other EU initiatives taken in the last few decades, the air we breathe today is generally cleaner than it was 10 or 20 years ago. It is one of the few areas where we have seen an absolute decoupling between economic growth and emissions. In some cases, such as sulphur dioxide emissions, significant economic growth has been paired with an 80-90% decrease in the reported emissions in less than two decades (Bell et al. 2005).



**Figure-1: Major air pollutants in Europe, clustered according to impacts on human health, ecosystems and the climate**

Source: EEA, 2010

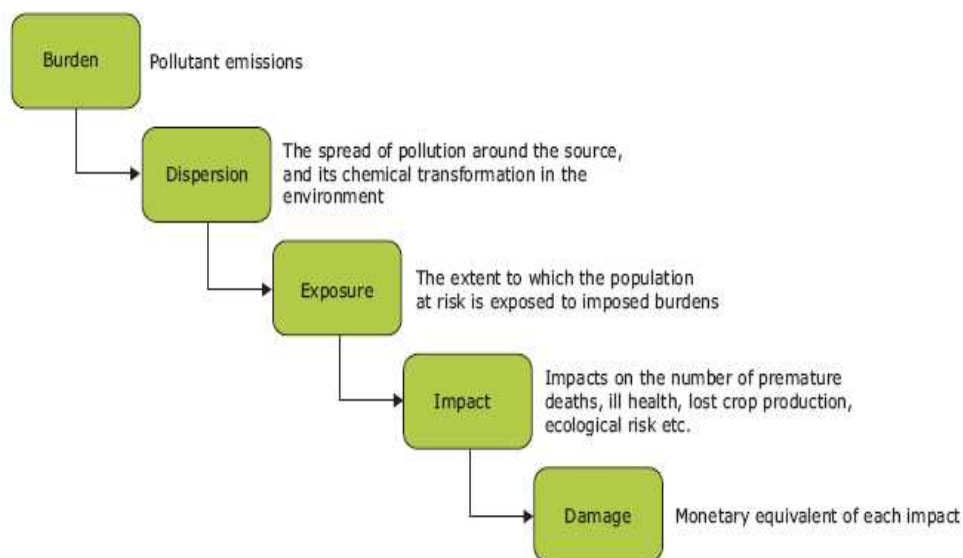
Figure 1 shows the major air pollutants in Europe and their potential impact on human health, ecosystems and the climate. Air pollutants ignore national borders and can be carried over very long distances by the wind. This means that air pollution is not only a local or national issue but one that needs to be tackled through cooperation at European, international and even global level.

### Material and methods

The the present research review, we used Cost Benefit Analysis (CBA) methodology with taking consideration of The European Pollutant Release and Transfer Register (E-PRTR), established by the E-PRTR Regulation (EU, 2006), provides information on releases of 91 different pollutants to air, water and land from around 28 000 industrial facilities in the 27 EU Member States, Iceland, Liechtenstein, Norway and, from 2010, Serbia and Switzerland (E-PRTR, 2011). The E-PRTR register thus provides environmental regulators, researchers and the public across Europe with information about pollution released from industrial farms, factories and power plants, and demonstrates that national regulators are aware of the size of emissions from specific facilities within their jurisdictions. By focusing on releases to the environment, the E-PRTR addresses potential burdens on health and the environment in a way that can be measured directly using well-established methods (EU, 2006, 2008).

**Results and discussion**

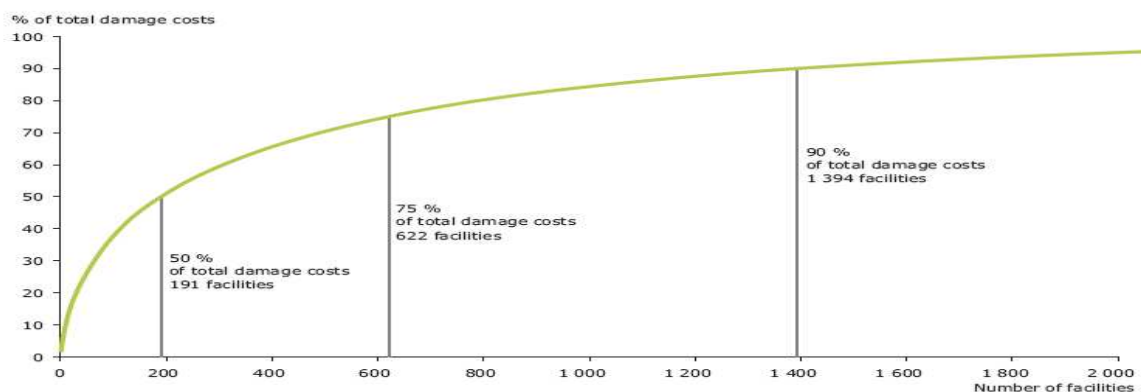
The analysis presented here for all pollutants except CO2 is based on the Impact Pathway Approach (IPA). It follows a logical, stepwise progression from pollutant emissions to determination of impacts and subsequently a quantification of economic damage in monetary terms (Figure 2).



**Figure 2. The impact pathway approach**

*Source: DECC, 2011*

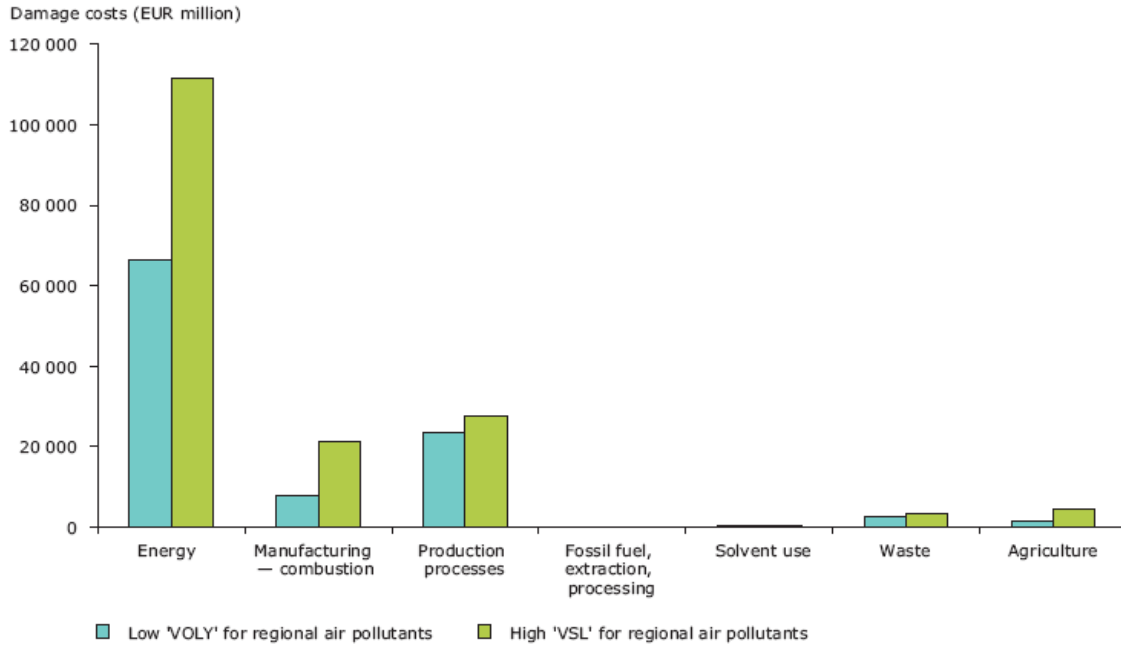
The cost of damage caused by emissions from the E-PRTR industrial facilities in 2009 is estimated as being at least EUR 102–169 billion. A small number of industrial facilities cause the majority of the damage costs to health and the environment (Figure 3 and Map 1). Fifty per cent of the total damage cost occurs as a result of emissions from just 191 (or 2 %) of the approximately 10 000 facilities that reported at least some data for releases to air in 2009. Three quarters of the total damage costs are caused by the emissions of 622 facilities, which comprise 6 % of the total number (EU, 2008).



**Figure 3. Cumulative distribution of the 2000 E-PRTR facilities with the highest damage costs**

*Source: ETC/ACC, 2010*

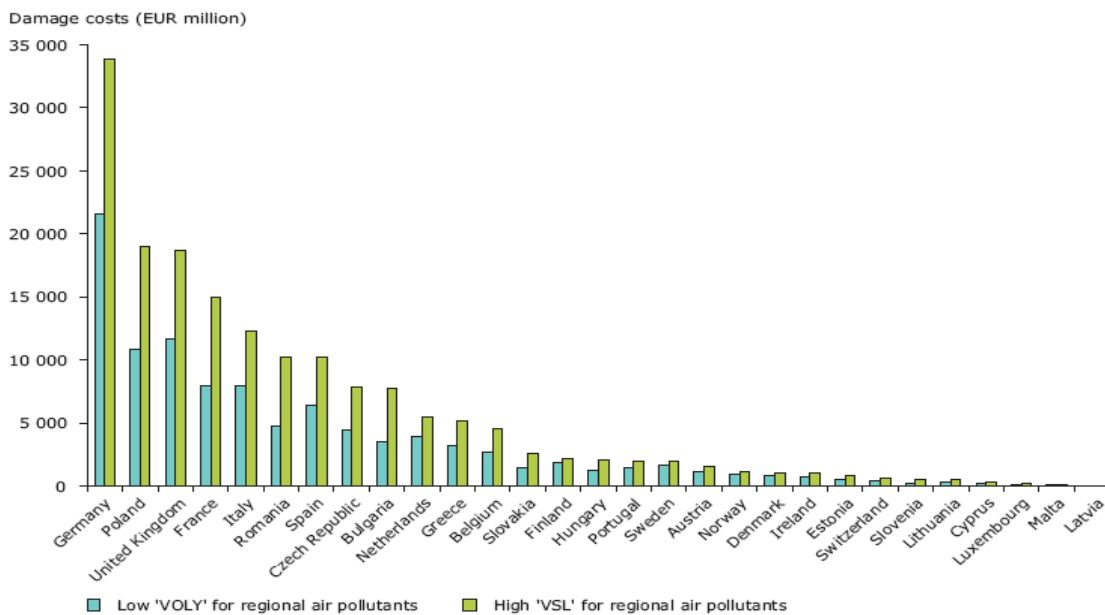
Of the industrial sectors included in the E-PRTR pollutant register, emissions from the power generating sector contribute the largest share of the damage costs (estimated at EUR 66–112 billion), (Figure 4). Excluding CO<sub>2</sub>, the estimated damage costs from this sector are EUR 26–71 billion. Sectors involving production processes and combustion used in manufacturing are responsible for most of the remaining estimated damage costs (EU, 1999, EU, 2008).



**Figure 4. Aggregated damage costs by sector (2005 prices)**

Source: EU, 2008

Results aggregated by country are shown in Figure 5. Countries such as Germany, Poland, the United Kingdom, France and Italy, which have a high number of large facilities, contribute the most to total estimated damage costs.



**Figure 5. Aggregated damage costs by country, including CO<sub>2</sub>**

Source: EU, 2008

Till today, there is, no single method available to estimate the damage costs for the pollutant groups addressed in the study (i.e. the regional air pollutants, heavy metals, organic micro-pollutants and carbon dioxide). Aggregating results from the different approaches therefore poses challenges, given differences in levels of uncertainty and questions about methodological consistency. For greenhouse gases in particular, a wider debate is required on how best to estimate the economic impacts of emissions on environment and health. The report at various places addresses the uncertainty by providing damage cost estimates that have been aggregated both with and without the estimated greenhouse gas damage costs. That is why, we need to develop a new methodological tool for estimation of air asset valuation.

## Conclusion

Does clean air have a cost where it makes sense versus where it doesn't? What about human life in general? There are good reasons to think environmental regulations might increase production costs, but we didn't know how large the effect might be? We are not saying that the regulations are a bad idea, but we wanted to know the cost. We have outlined some key priorities which will guide our future work. We aim to set out a clear plan for how to ensure that our air can become even cleaner in the coming decades, so that we may live longer, and healthier, as well as protecting our most fragile ecosystems better. In this paper, we tried to give brief outlines of the valuation cost of air asset, case study, European strategy to handle the air quality issues and possible methodology to calculate the cost and benefit of the air asset. But still several questions need to be answered soon.

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## ANALYSIS THE FARM-LEVEL DIVERSIFICATION AND MARKET POSITION OF THE HUNGARIAN ORGANIC PRODUCTS

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### Abstract

In Hungary 1560 farms were involved in the organic farming in 2012. According to the producers' list of the Hungarian Federation of Associations for Organic Farming, on which 1126 members were registered, Pest, Szabolcs-Szatmár-Bereg, Hajdú-Bihar and Bács-Kiskun counties counts most of the organic farmers. The supply of the organic farmers can be featured by various, diversified products. The rate of the cereals determines their activities in 85%, this is followed by the fruits and the products made from them, which was characteristic in 70% for their profile, the vegetables has a share of 45%. The rate of the animal husbandry is only 25%. The results of the questionnaire survey showed that the obstructive factor of the domestic sale is the lack of the solvent demand, marketing and the producer cooperation, and the high price in the national economic circumstances. In addition, they emphasized that the foreigners trust better in their producers and the local market organization is stronger as well than in Hungary.

**Key words:** cereal, fruit and vegetable, animal keeping, local market, export

**JEL classification:** Q19

### Introduction

The support of the agricultural activities is a substantial part of the rural development strategies and the land developing conceptions leaning on the excellent environmental facilities of Hungary. The domestic various flora and fauna getting narrower. In terms of the sustainable agriculture and the biodiversity these kind of producing technologies, procedures gain a new meaning. The alternative agriculture demands another approach as compared to the conventional mass production from the part of the consumers and the producers. The article focuses on the situation of the farmers in the alternative agriculture especially in the organic agriculture and on the future of the approximately 1600 farms.

### *Review of the related literature*

The integration of agriculture and the natural environment not only means using of environment-friendly technologies but also that agriculture relies more on the ecological conditions. Thus agriculture can contribute to the prosperity and well-being of the society a great extent. One of the integration efforts is the organic farming (Villányi et al., 2000). In this approach the local and regional communities realize their specific, natural facilities and traditions of the production again. This kind of capabilities can be the key of the revitalization of the regions (Káposzta, 2011).

While the appreciation of organic food has grown in Hungary, strangely the number of companies dealing with the production of organic food has fallen. Although there was an

increase in organic farming in the past, there has been a steady decline in the last couple of years in the volume of land used for such growing method.

“The economic motivation becomes dominant at the farmers decision making process as the farm size increases. The main aim of bigger farms is getting profit from the organic farming while the motivation of the smaller ones is the protection of the environment, and the production of healthy food” (Szarka Gáborné, 2007). This is a fact that in a normal way the farms producing organic articles get extra profit because the consumers pay higher prices for the organic products as compared to the conventional articles, this higher price is called organic premium. This premium is influenced by the followings: domestic or foreign market and demand-supply conditions. “The agricultural economists search for the options, which can provide development opportunity for the small- and medium-scale enterprises. The organic farming is an option, but only in that case if the change of the parameters influencing the organic premium is taken into account in the process of time” (Járási, 2005).

According to Roszík Péter, the managing director of Biokontroll Hungária, the reason subvention is needed, is that during the changing period, the farmer already uses bio methods, with the higher costs and higher risks, but its products do not qualify as organic yet, so no higher price can be set. The growth of the organic food stopped in the last few years. The former leap was supported by the subsidies addressed the organic farmers which were running out in the meantime so the new applicants decreased. The new entrants can count only on their own power and efforts. This is not a simple task: during the transition years the costs are raising continuously. The hoped extra profit can be achieved only later, the farmers must be wait until they receive the organic label from the strict controllers (Roszík, 2009).

The reason for the relatively low percentage of people using organic is the financial aspect. While in the rest of Europe organic food averagely costs 30-35% more than regular food, Hungary it can be up to 60% more expensive. As Gábor Czeller, the president of Hungarian Federation of Associations for Organic Farming puts it, since the people buying these products, are willing to pay almost any amount for the product considered healthier, no one is “foolish” enough to generate a price war. The domestic demand grows at a very slow pace. The farmers produce only small quantities with high costs because of the lack of coordination and integration. The main part of the Hungarian organic food is exported to abroad as a raw material (80-90%). This is one of the reason for that the food retail chains offer import organic food.

According to Kürthy (2002) some organic farmers have not export opportunity. Rather the bigger farms are suitable for export trading. Only the bigger farms have independent export. The others export through integrating organizations. The buying of the food processing plants and the wholesalers are also considerable. The share of the retailers has not been considerable yet. The small farms sell their products toward the organic markets and small stores. The Hungarian costumers buy the half of the total marketed organic food in stores. 25% of the organic food is bought in small or specialized organic stores, the remaining part of the organic food are purchased from organic markets, farmers and from others indirect channels for example wellness hotels or restaurants (Roszík, 2011).

The three main channels of the sales are:

- organic stores,
- direct marketing of the farmers,
- sales in the retail store chains.

Every bigger town has organic market nowadays, or there is an organic corner on the conventional town market. There are three well-known and big organic markets in Budapest, where the customers can purchase fresh organic food (Mezei-Pap, 2005). In connection with the price of the organic product we must talk about a domestic price which gets away from the reality in the most cases and which is characteristic for the organic market of Budapest. It can be perceived that the capital grew out of the organic market place. That is why the sellers who sell their products in the neighbourhood of the organic market created their own higher level of prices. This is only good for the organic farmers but is not in the interest of the consumers and the organic movement. The prices which is sometimes three-times higher here than the prices of the conventional products are unreal (Roszik, 2007).

In the last few years in the „European leader organic countries” the consumption has grown with 20-30%. Although the Hungarian growing lag behind of it, but the rate of the people who decide to buy healthier food has increased with 10 %. The rate of the organic products within the Hungarian consumption is just 0,5 %, so there is plenty of space for improvement (Agroland, 2008). The yearly domestic marketing of the organic food is 20-25 billion HUF according to the estimation of Biopont Ltd., most of the costumers are mothers of age between 25 and 40. 75% of Hungarians do not consume organic products at all. Only 31% of people buy organic food on a weekly basis. Organic products are generally bought for the protection of our and our children’s health. 51% of organic food consumers claim to buy because of their healthy lifestyle, 26% for the health of their children, and 9% for the benefit of the environment. Hungary is the most “children centered” (26%) in Europe with the average of 16%. “Most of the super- and hypermarkets sell organic food, mainly bakery and dairy products, flour, egg, but sometimes also vegetables and fruits” (Mezei-Pap, 2005).

There is demand for the organic products in the western markets (Szarka Gáborné, 2007). Most part of the domestic production gets into export, but (for the sake of) for long-term security the domestic market must be improved (Pummer-Marselek, 2004). The aim is that the organic stands are evolved also in Hungary. A certain circle of the customer can afford to buy these products however only in small proportion. The buying power of the majority of the customers is small compared to the high price of the organic products. The market and the chain of the stores are not organized in country level. There is no organized sales in the local markets. Adequate quantity and rhythmical supply of the organic product are needed for the organized sales of organic products. This only can be achieved by the co-operation of farmers at least in the field of marketing (Szarka Gáborné, 2007).

“Roszik also mentioned as a problem that the export is outstandingly high its proportion is above 80% and the level of processing of the products is low” (Hájos et al., 2011). “Many similarities come forward when we analyse the organic sector of the neighbouring countries. The export of the high proportion of products with low added value and low level of processing makes the participant worried (for example Ukraine, Romania, Hungary, Czech Republic). The connected administrative burdens seem extremely heavy in many cases and the infrastructure of the marketing and the cooperation in the sector need development” (BioHolMi, 2013).

The regulation of the organic farming is in accordance with the regulation norms of the EU. The logistic system, the marketing work, the product processing and the education are a little bit underdeveloped in Hungary. To improve the unity of organic farming, the proportion of the animal products must be increased within the organic products (Pummer-Marselek, 2004).

There are four areas where the organic farming lags behind in Hungary:

1. The first is the lack of supply and sale cooperations.
2. The second is the low volume of the organic animal keeping
3. The third is the lack of developed common marketing.
4. The fourth problem is that the proportion of the processed product does not approach the level evolved in the old member states of the EU.

This last one can be explained by the narrow development sources/means and by that it is not easy to access to the subsidies and loans. Taking subcontractors into the shaping of the supply chain can be a solution. There are many goods cooperation for years, which might have advantages for both participants. The free capacity of the processor can be engaged and the organic farmer can place more processed products in the market (Roszík, 2008).

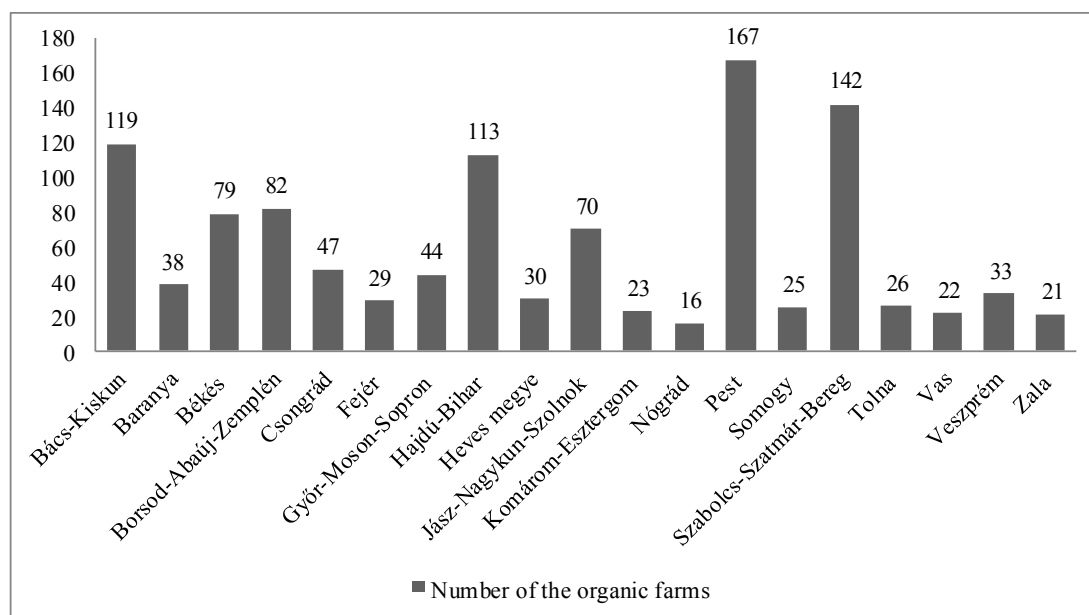
Naturally the subcontractors must be involved into the controlling system of the organic farming, which means costs. Sometimes the costs exceed the profit, which can be available from the sale of the more processed products. So it is important that the services of a subcontractor would be used by more than one organic farmer. This way the emerged costs can be divided (Roszík, 2008).

### **Methodology**

In the course of the processing of the professional literature we introduced the concept and the potential reasons for the choice of this form of farming. We used for the introduction of the organic farming the publicly available annual reports of the two Hungarian controlling and certifying organizations which can be found on the websites of these organizations. Among the results showed in the next chapter. We systematized and grouped the information which can be found in the producers' list published on the homepage of the Hungarian Federation of Associations for Organic Farming at first. The list contains 1126 farms altogether. On the basis of the data we illustrated the farms on a map spatially and determined the type of the producers' activity. We compared the gained results with the data of the professional literature. After this we presented the results of our survey, which was made among the farmers controlled by the Hungaria Öko Garancia Ltd. After the introduction of the farmers we proceeded the answers given for the questions relating to the domestic and foreign marketing.

## Results and discussion

### *The spatial situation and activity of the organic farmers*



**Figure 1: The number of the organic farms in the counties of Hungary, 2012**

*Source: Own calculation on the basis of the producers' list of the Hungarian Federation of Associations for Organic Farming, 2013*

The determination of the spatial situation of the organic farms is a hard challenge, since the database of the certifying bodies is not public in this concern. However the national producers' list of the Hungarian Federation of Associations for Organic Farming is available, which is publicly available to help the marketing of the organic products and to make communication possible with the producers listed in this mailing list (the website of the Hungarian Federation of Associations for Organic Farming). We used the data published here in our analysis.

The list of producers renewed in the beginning of March 2013 contains 1126 farmers, which is 72% of the 1560 farms controlled by both organisations. The spatial distribution of the producers is demonstrated on Figure 1. On the basis of this we can state that the number of organic farmers is the lowest in Nógrád county, since there are only 16 enterprises registered on the list from this county. Most registered farms can be found in Pest county with 167 enterprises. On the basis of the data Borsod-Abaúj-Zemplén, Jász-Nagykun-Szolnok, and Békés counties register more farmers than the average, however most of the farmers concentrated in Hajdú-Bihar, Bács-Kiskun, Szabolcs-Szatmár-Bereg, and Pest counties. In the western parts of the country the number of the organic producers is under the average in every county.

On the basis of the products recorded on the producers' list the farms have the following producing profiles. There is no spatially determinant activity in any of the counties, the activity of the farmers is various and multiple in every part of the country.

- cereals and products from cereals in 85% (for example wheat, spring wheat, spelt, sorghum, buckwheat, oats)
- fruits and fruit products in 70% (for example apple, cherry, pear, apricot, sour cherry, dried fruits, fibrous juice, preserved fruit, jams)

- vegetables and vegetable products in 45% (for example seasoning paprika, potato, onion, sweet corn, leavened, acetic, frozen products)
- grapes and grape products in 40% (vine, must, oil of grape seed, flour of grape seed)
- forage in 38% (alfalfa, peas and grass for feed)
- use of lawn in 28%
- products from the animal keeping and products with animal origin in 25% (hen, mangalitza, buffalo, sheep, cheese)
- collecting of wild herb and the products made from this in 20%
- planting of oily plants (sunflower, rape) in 15%
- production of body care, cosmetic products in 15%
- planting of seeds in 4,5%.

Before the analysis it should be remarked that it is very hard to work with the current database because there are not a uniformly determined categories for the products, so the producers can not be selected by the plants grown, animals kept or for the products. After the systematization of the single products the following results were born.

According to the data of Biokontroll there is arable plant growing on the 32,77 % of the organic agricultural areas, altogether on 38.999,4 ha, however 85% of the farms are involved in the cereal production as commodity producer or as end product producer (bread producer). In the most cases the arable plant growing means raw material production. 42,78% of the lands certified by the Biokontroll is used for meadow, pasture and extensive lawn management. Hardy annuals were grown on 2,6%, fresh vegetables, melon and strawberry were grown on 1,51%. The remaining areas are used for fallow.

90% of the total area certified by Hungária Öko Garancia was used for arable plant growing, this means 10573,57 ha. On 62% of this area cereals were grown, on 13% green harvested forage plants, on 13% pulses and protein plants, on 11% oily plants, on the remaining area different herbs and root plants are grown.

The following category, the fruits and the fruit products, is characteristic for 70% of the farms. This proportion is outstandingly high, former analysis did not report so high rate for fruit production and processing. This was followed by the proportion of the vegetables, which was grown or processed in some form by approximately 45% of the farms. According to the professional literature the demand for the organic vegetables is higher than the supply so the increase of this proportion is reasonable. The proportion of the grapes is prominently high, 434 farms out of 1126 grew grapes, 40% of these farms are registered as wine grapes producers. We find here among others Kékfrankos, Merlot, or Pinot Noir wines.

38% of the farms grew forage, which means that not every animal keeping farm can provide the needed feed basis alone so the farmers supposedly cooperate in this field. This kind of cooperation can be a favourable prerequisite for the improvement in the number of the animal keeping farms. 28% of the farms have lawn management. This is astonishingly low as compared to that 42,78% of the certified organic area is meadow, pasture and extensive lawn according to the data published by the Biokontroll Hungária. This number reflects that the proportion of the organic lawn is high, but this sector is really concentrated at the same time.

The data underpin the statements of the professional literature processed according to which the proportion of the animal keeping farms is really too low. However it should be mentioned that on the basis of the data of Biokontroll Hungária from 2012 the proportion of the animal

keeping farms is only 5,5%, but it possible that only those farms were counted in which keeping only animals as a single activity. According to the above mentioned data 25% of the farmers keep some kind of animals or produce different kind of animal products. However this proportion is really low, it gives a better picture as compared to the data of the Biokontroll.

It is interesting that the proportion of the wild grown herbs and the production of cosmetics are relatively high. It is characteristic for 20% and 15% of the farms respectively. This shows that the demand for the products made from natural raw materials and herbs is growing steadily. 15% of the farms grow oily plants, which can be considered low regarding the need of the body care sector. Referring to the words of Péter Roszík, the proportion of the organic seed growing is really very low, only 4,5%. Respecting the high proportion of the cereals, higher proportion of the seed growing should be reasonable without this the sector needs procurement of import input raw material.

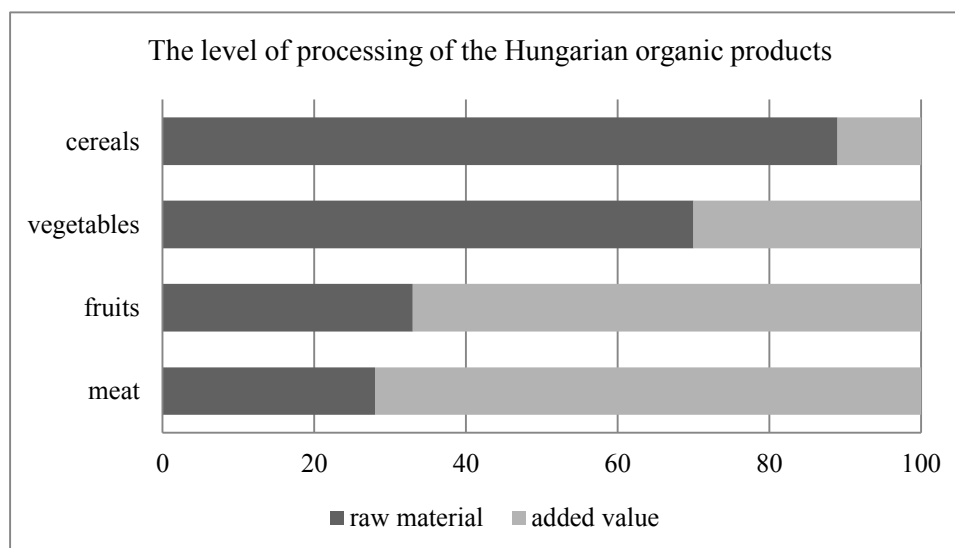
### *The results of the survey*

The other problematic area mentioned by Roszík the high rate of the export which was assessed by us with a survey in March 2013. We sent the questionnaires to the producers certified by the Hungária Öko Garancia with the support of the certifying body. We split the questionnaire into more parts. We surveyed the general characteristic of farming at first, then we asked questions relating to the marketing. In 2012 39 sent back the questionnaire from the 102 farmers involved in the production, which is 38 %.

Regarding the situation of the farmers it can be stated that most of them originated from the Middle Hungarian and the South Plain Regions. On the basis of the producers' list published by the Hungarian Federation of Associations for Organic Farming, the South Plain Region accounts for 245 producers from the 1126, Pest county has 167 enterprises. Only one answer arrived from the North Plain Region which registers the most, 325 farmers. This is really scarce. Regarding the other regions the number of the responders is between 3 and 6, so the answers of the farmers from the Middle Hungarian and the South Plain Regions dominate in 51%. It should be remarked that their predominance is reasonable because of the existence of the bigger producers' basis.

50% of the responders deals with cereal growing, 44,7% deals with vegetable growing, 38,5% occupies with fruit producing, 18,4% is interested in animal keeping. The cereal growing has the highest proportion among the farms in alignment with the list of the Hungarian Federation of Associations for Organic Farming, the proportion of the vegetable growing almost corresponds with the data in the list, but there are only few fruit producing farms surveyed. The proportion of the animal keeping farms stays under 25%, but it is fortunate that so many producers involved in animal husbandry responded to our questions. Beside this such organics got in the sample as: home-made syrup, jam, vegetable products, cheese, apple juice, condensed apple juice, condensed elderberry juice, white paddy, herbs (fresh, dried, grown, collected), dried woody mushrooms, pickle, egg, husked products (panic-grass, buckwheat, sunflower), extruded oil of vegetable marrow seed, plum jam, oil of walnut, stewed prunes, hay of alfalfa (conversion, conventional), seed producing (mustard, peas, vetch), producing of oil marrow, pollen, oyster mushroom, herbs plants, vegetable plant, container bedding plant, products of milling industry, bread, baked goods, products of canning industry, house leek, almond, herbs: lemon grass, peppermint, fennel, milfoil, nut meat, and nutshell.

It is obvious from the list above, that this small sample has a very various and wide range of products. This variegation is characteristic for the national organic production also. Regarding the range of size in case of the organic plant growing farms we can observe that the smallest land is 4 ha, while the biggest is 828 ha. The average size of the farms is 193 ha. In the case of horticulture these values are varying between 0,5 and 18 ha. The average size of the farms is 6 ha. In case of the animal unit the lowest value is 6 and the highest is 940 animal units. These values show that there are really small and also large farms among the responders.



**Figure 2: The level of processing of the Hungarian organic products**

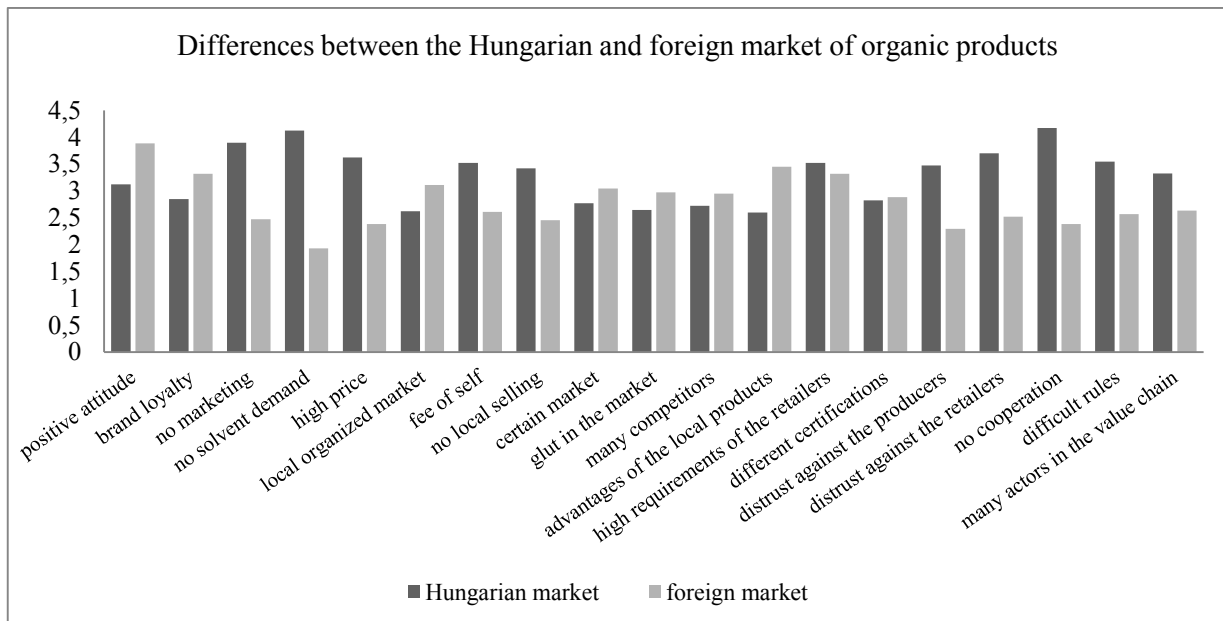
*Source: On the basis of own research, 2013*

89% of the cereals, 70% of the vegetables, 33% of the fruits, 28% of the meat products are sold as raw material (Figure 2). The meat products contain some added value in 72% and 67% of the fruits was put on the market as processed products also. In the case of the meat and fruit it is favourable but huge amounts of cereals was sold as raw material. This is disadvantageous because this features the supply of the farmers in 85%.

The cereal growing and the fruit producing farms export their products in the highest rate from the farmers got into the sample, this means 63 and 60 % respectively. 43% of the meat products were sold abroad, while 41% of the vegetable producing farms export their products. However this value is under the 80% given in the professional literature it can be regarded as high.

When we asked them about the difficulties of the marketing, they gave the following answers which point out the constraints of the increasing of the internal markets. The producers see the lack of co-operation and the lack of solvent demand as the weakest points of the Hungarian organic farming (Figure 3). They regard the inadequate marketing also as a serious problem, because it weakens the consciousness of the market presence of the domestic products. The price is unreasonably high on the domestic markets, but this means a lower price difference as compared to the traditional products in foreign conditions of earnings. This is underpinned by that the lack of solvent demand can not be felt in foreign markets.





**Figure 3: Differences between the Hungarian and foreign market of organic products based on the opinion of the farmers**

*Source: On the basis of own research, 2013*

The producers find some requirements hard to meet also nowadays. They mentioned the mistrust towards the producers and retailers as a weak point. It seems the costumers trust in their own producers abroad. In connection with this it should be mentioned that there is no culture of the local marketing yet. That is why the farmers must fight for the goodwill of a retail chain, which demand high shelf fees. The attitude of the foreign costumers is much more positive than the attitude of the domestic costumers. The brand loyalty as well as the strong local market organisation is more developed at them, so they prefer the local products of course. The foreign markets also face the strengthening competition and the saturation of the markets, but they protect more their own products because of the above mentioned reasons.

## Conclusions

However the state of the organic production was analysed by many studies, a systematized, standardized register of the producers is missing. This kind of a register can help to find out more about the farmers. On the basis of the currently available database and the survey it can be stated that the organic farmers have a wide range of products and there are big differences in the size of the farms. Most of the farmers grows cereals and produces products from cereals. They were followed by the fruits, vegetables and grapes producing farmers.

The proportion of the farmers dealing with grapes reaches the 40% of all farms, which is outstanding. Only 28% of the farmers is involved in the grassland management, which is surprisingly low as compared to that 50% of the agricultural lands is lawn. The proportion of the organic animal keeping is still low however on the basis of the circle of activity given by the farmers the proportion of the animal keeping and animal product producing farms can be assessed to approximately 25%. However this number is unfavourable it shows a better picture than the 5% assessed on the basis of the annual report of the Biokontroll. The forage growing is characteristic for 38% of the farms, which means that more farms deal with forage growing than animal keeping, so the farmers can not produce the needed amount of feed alone in many cases. Many farmers (20%) deals with the collecting of wild grown herbs and they produce

different products from these. 15% produces organic cosmetics. The proportion of the seed growing farms is only 4,5 %, which makes the sector vulnerable.

Relating to the marketing of the organics the producers mentioned the lack of sales promotion and the co-operation as a constraints. According to the results of the survey the responders export 63% of the cereals, 60% of the fruits, 43% of the meat and 41% of the vegetables. Additionally most part of this was exported as raw material. The farmers feel that there is no co-operation, the local marketing is disorganized and they can produce profitably only at high market price in domestic conditions. The positive attitude has not been developed yet in the Hungarian costumers and the brand loyalty is also lacking. The trust toward the farmers and retailers is also insufficient, which exacerbate the problems in the domestic marketing.

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## ADAPTATION OF CLIMATE SMART AGRICULTURE CONCEPT IN KAZAKHSTAN, PROS AND CONS

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### **Abstract**

**The main purpose** of this research is to see new examples of climate smart farming methods, how they might increase agricultural productivity and to be resilient to climate change. The **object** of the research is Climate Smart Agriculture holistic concept. The **subject** of the research is the relationships between farmers and governments of different countries. Food and Agriculture Organization is one of the major objectives to achieve food security and the agricultural sector is a key driver of food security. Having sustainable agricultural growth is necessary for achieving global food security. In order to become resilient to disasters, increase productivity and incomes and contribute to mitigation there is a relatively new holistic concept called Climate Smart Agriculture. Climate Smart Agriculture project is trying to build a model for the kinds of practices, policies and investment proposals and making resources of financing that we need to achieve food security.

**Keywords:** Climate Smart Agriculture concept, Food and Agricultural Organization, World Bank, food security, climate change, CSA methods, no-tillage method.

Achieving the four dimensions of food security such as availability and access to food; utilization of food for adequate nutrition and food supply stability) needs to be the overall goal of food production and distribution systems in developing countries including Kazakhstan. Multiple components contribute to food security, and adapting food systems to climate change involves a diversity of approaches and resources.

### **Introduction**

Thus, taking into consideration that this concept (CSA) is relatively new and not so well developed such countries as Malawi, Zambia, Vietnam and the Republic of Kazakhstan decided to take an experiment and applied different climate smart agriculture methods. Within the framework of this concept, these four countries revealed advantages and disadvantages of CSA.

Climate change studies in Kazakhstan as well as in the whole Central Asia are very important because their natural resources and economy are significantly vulnerable to climatic changes due to limited water resources, a large territory and peculiarities deriving from its geographical location at the centre the huge Eurasian continent.

The sectors and regions in Kazakhstan most vulnerable to climate change were identified as water resources, agriculture (wheat production), grasslands, mountain ecosystems, and the Caspian Sea coastal zone.

The main scientific results from these studies are that:

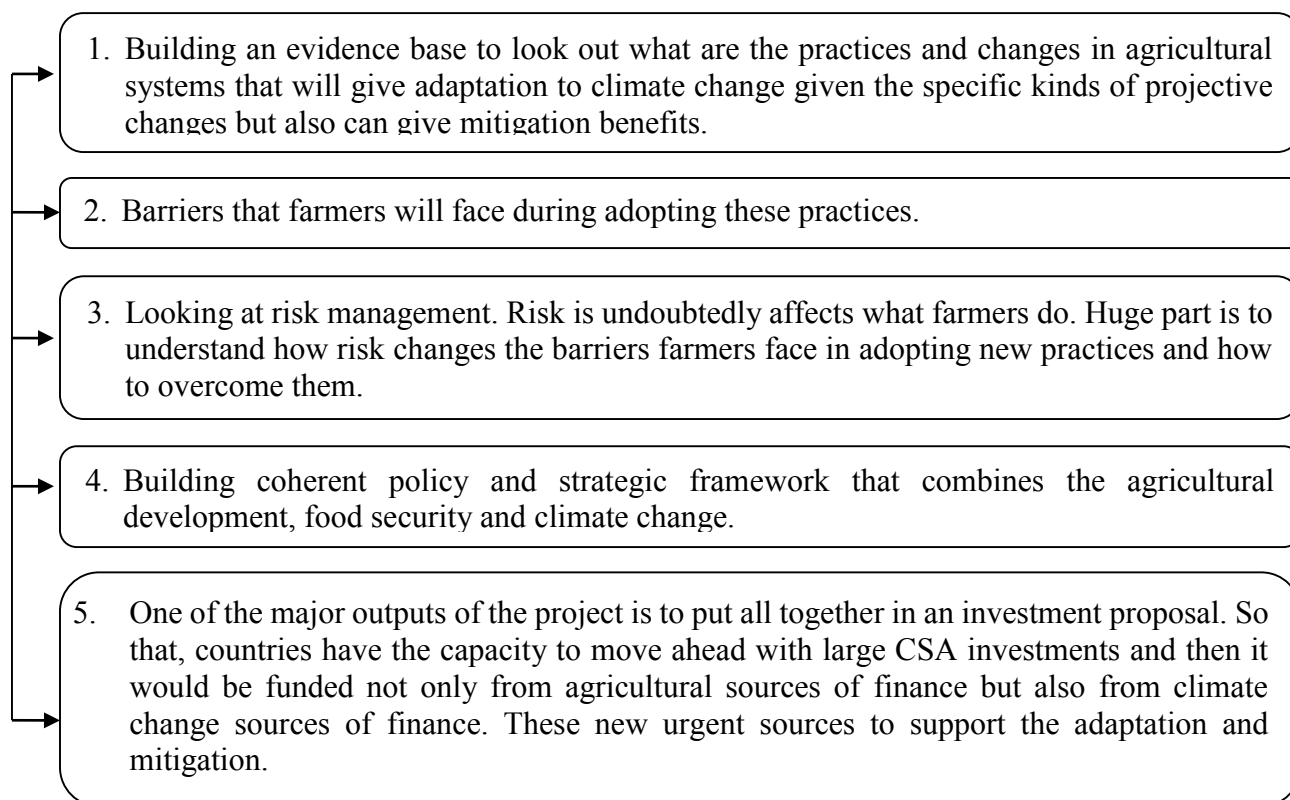
- the mountain areas of the south and southeast of Kazakhstan are vulnerable to climate change impact;
- the expected rise in level of the Caspian Sea, in combination with storm surges, will cause high sea water levels;
- the Caspian Sea level rise will cause an elevation in groundwater level in the coastal zone;
- the estimated economic and social damage caused by climate change in these areas is significant.

Food and Agriculture Organization is one of the major objectives to achieve food security and the agricultural sector is a key driver of food security. Having sustainable agricultural growth is necessary for achieving global food security.

In order to become resilient to disasters, increase productivity and incomes and contribute to mitigation there is a relatively new holistic concept called Climate Smart Agriculture.

Climate Smart Agriculture project is trying to build a model for the kinds of practices, policies and investment proposals and making resources of financing that we need to achieve food security.

Achieving the four dimensions of food security such as availability and access to food; utilization of food for adequate nutrition and food supply stability) needs to be the overall goal of food production and distribution systems in developing countries including Kazakhstan. Multiple components contribute to food security, and adapting food systems to climate change involves a diversity of approaches and resources.



**Climate Smart Agriculture project involves 5 different pieces**

So, achieving all this pieces in a proper way will take a considerable amount of time and professional skills not to mention to collect all the data for the investment proposals and implement them on practice.

Taking into consideration the fact that CSA is relatively new holistic concept and it wasn't applied in many countries that much, though there are some experimental projects in several countries in order to reveal advantages and disadvantages of CSA methods.

For example, in *Malawi and Zambia* the project which involves reduced tillage, permanent soil cover and crop rotation was promoted.

Conservation agriculture is able, at least potentially, increase productivity through better soils and help farmers adapt to climate change through better water retention. It also might help mitigate climate change by trapping carbon in the soil.

However, project analysis indicates that farmers in the two countries have difficulties adopting the full climate smart farming package, because, for instance, they need crop residue for animal feed instead of soil cover. Sometimes the problem is that farmers are too poor to wait several seasons for the benefits of the practice to materialize.

However, the project is also finding that climate change is already altering which agricultural practices work best for farmers, which could increase the appeal of climate agriculture.

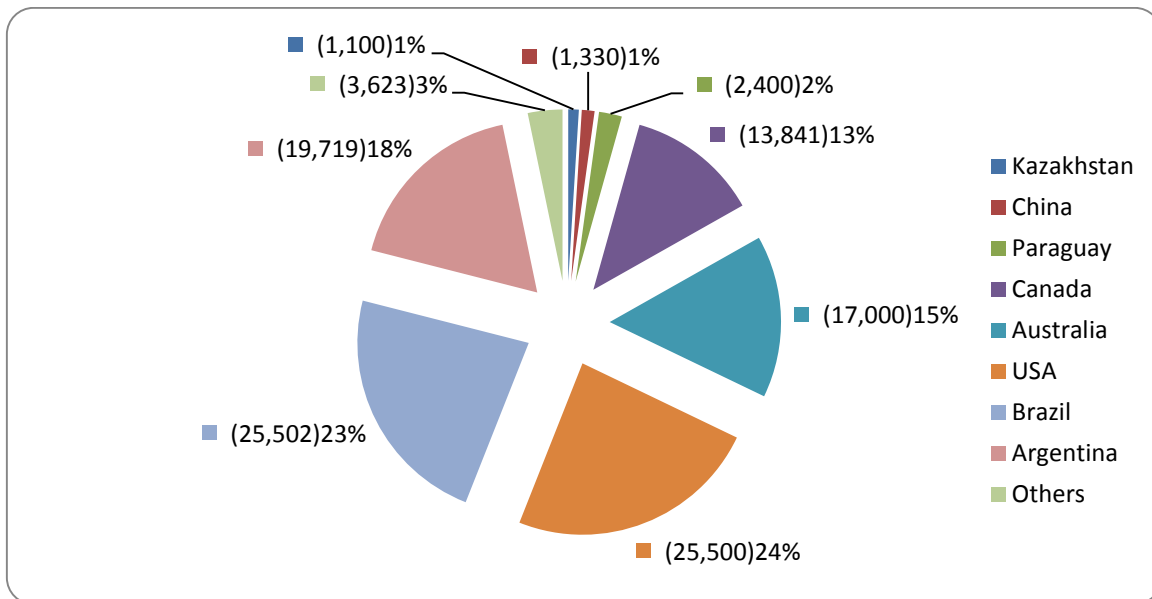
In *Zambia*, analysis of climate data shows an increasingly late start of rains in some areas. Since crops are only planted after the first rains, late rains mean late planting, which can seriously shorten the growing season. Project research shows that farmers in these areas of variable rainfall and late start of rains are the most likely to maintain climate agricultural practices, which has the advantage of preparing the land before rains arrive.

In *Vietnam*, at the project site in the northern part of the country, maize is planted on sloping land all the way to the tops of mountains, which theoretically should be covered only in forest. Once the maize is harvested, the rains come, clearing away the soil. The erosion has led to landslides, with loss of life.

Project researchers studying Vietnamese climate data have found that climate variability is increasing, which will sharpen the erosion issue.

In response, the project is looking at more sustainable land management practices but also the use of long standing crops such as coffee and tea, which unlike maize can stay in the ground for 30-40 years. However, coffee and tea production require years to generate high returns, which is a challenge for farmers currently growing maize, which has strong demand and fetches a high price.

One of the brightest examples of CSA in *Kazakhstan* is the method called no-tillage agricultural project, launched in 2012. According to the recent data (Picture 1) it is clearly seen that the Republic of Kazakhstan takes almost the same place as China does and occupies 1 % of no-till adoption among all represented countries.



**Picture1. Extend of no-tillage adoption worldwide (\*1000 ha) 2011-2012**

Obviously, the adoption of no-till in developing countries is urgently negligible by comparison with the expansion of this technology in developed and emerging countries of North and South America.

Thus, the FAO and the World Bank estimated that just in 2012 the adoption of this technology resulted in 2 million tons of additional wheat grain, which is enough to feed some 5 million people for a year. So far, the new method is showing 30-40% yield increases, cutting cultivation costs, and reducing soil erosion.

With support from the international organizations such as FAO, the World Bank and the International Maize and Wheat Improvement Center Kazakhstan’s farmers are relying more on no-tillage. However, the main cons to rely upon only no-till are:

The potential of no-till agriculture is limited in drought prone areas, particularly in the semi-arid areas where annual rainfall is less than 800 mm and the dry season lasts more than five months.

- Some farmers need to learn more about no-till in order to abandon ploughing, which is, after all, one of the foundations of their craft for millennia. Indeed, experts warn, a major risk is the potential failure of early adopters, which could create the wrong impression of no-till and scare other farmers off.
- Another possible barrier is the cost of investment.

It is estimated that farmers in northern Kazakhstan have invested about US\$200 million to equip their farms with no-till machinery. The return on these investments is high, but the initial costs might scare some farmers away.

- Finally, Kazakh farmers need to be encouraged to plant crops other than wheat, to allow for crop rotation to strengthen the soil.

However, experts are arguing that the real key to success is to continue extending up no-till; conservation agriculture saves fuel, soil, and time. The longer farmers use no-till, the greater the fertility of the soil. In addition, no-till is also capturing carbon, as healthy organic matter, in the soil, contributing to climate mitigation.

In fact, sequestering 1.5 million tons of carbon dioxide a year is equal of taking 290,000 cars off the road. So, by adopting no-till, Kazakh farmers are working to protect crops from climate change, which is a practical example of climate smart agriculture. Thus, from all experiments mentioned above it is right to say that the four project countries have different physical, economic, social and cultural characteristics, so that the project has found opportunities for the countries to learn from each other.

The project also found that variances in how the weather is changing from country to country - as well differences in the capacities of famers, institutions and economies - mean that no there is no single solution which will be suitable for each country, although the approach to identifying appropriate measures is universally applicable.

In sum up briefly, the initial outcome of the project is that it defines challenges and opportunities for climate-smart agriculture for these countries and produce strategic plans tailored to each country's own level. While not all solutions identified will be universally applicable, farmers and governments can learn a lot about how countries could take similar steps and start shifting to this approach to agriculture.

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## EMPLOYMENT CONDITIONS OF THE EU

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### **Abstract**

The case-study analyses the main economic conditions of the EU from points of view of emphasizing the employment, human resource management at EU-27 level. The different unemployment levels of EU member states stimulated the increasing gap between member states in GDP per capita, which was from 44% to 271% of the EU-27 average at the beginning of 2011. The unemployment rate of EU-27 increased from 6,7% in 2000 to 8,8% in 2010 based on the internal market conditions and influences of the world economic crisis after 2008. The human resource management has several problems in EU-27, for example the highly level of unemployment, less skilled level of employees, the unemployment rate is very highly in almost the entire EU even in case of youth under 25 year between 21,0-22,3% in 2010-2011.

**Keywords:** Unemployment, Youth unemployment, Human resource management  
Foreign Direct Investment

**JEL Classification:** GE11

### **Introduction**

The case-study analyses the main economic conditions of the EU from points of view of emphasizing employment issues, GDP per capita and AIC (Actual Individual Consumption) per capita. The world economic crisis presses mostly Mediterranean member states of EU-27, for example Italy, Greek, Spain and Portugal, where the unemployment rate was 22,3% in Spain, 21% in Greek, 22-23% in Portugal, 8,6% in Italy, but mainly in south part of Italy the unemployment rate was 20-21% in the first half of 2012 (EUROSTAT, 2012a).

In EU-27 the unemployment rate has sharply increased from level of 6,1% since the beginning of 2008, beginning of the world economic crisis to 8,8% till the end of 2010, after that this increased to 9,8% by the end of 2011 (ILO, 2011, EUROSTAT, 2012b; IMF, 2010a). The case study analyses the impacts of the world economic crisis on the unemployment rate in EU-27. Some experts emphasized that unemployment rate can be decreased in EU by through of increasing investment activities of foreign direct investments and supports given by foreign corporations and the EU common regional policy (see in detailed Nagy - Káposzta, 2010).

### **Materials and Methods**

The international literature emphasized some economic conditions concerning the unemployment difficulties and possible solutions. The ILO (International Labour Organization) declared that "Fifty-five% of the total increase in global employment between 2007 and 2010 occurred in the Developed Economies and European Union region, while the region only accounts for 15% of the world's labour force. Employment contracted by 2,2% in 2009 and by a further 0,9% in 2010.

Unemployment is projected to decline slightly in 2011, but to a level that is still 15 million (over 50%) higher than in 2007. Another manifestation of continued labour market distress is the rapid growth of part-time employment” (ILO, 2010a; ILO, 2011, p. X, in Introduction; see in detailed Káposzta et. al. 2008 in case of Romania and Bulgaria). This means that the unemployment rate sharply increased even in Mediterranean regions of the EU and other part of the highly developed world, for example USA and Canada, Japan, Australia. The other difficulty on the labour market is extending part-time employment in stead of full time employment, which can be resulted in narrowing purchasing power standard (PPS), (IMF, 2010b).

The solution for economic difficulties are to increase the jobs to decrease unemployment rate of EU-27, even decrease the youth unemployment rate, increase level of skill and knowledge for managers and employees. The increasing employment rate impacts for increasing the purchase power standard, which increases the single market demands.

The study uses the SWOT analysis based on the employment issue to discover reasons for increasing unemployment rate emphasizing the youth unemployment conditions in EU-27, after the world economic crisis and the possible solutions by stimulating investment activities. The EU-27 would like to use more private capital of EU and foreign capital from China, US and Middle East Arab countries within Foreign Direct Investment (FDI) scheme.

## Results and Discussion

There are two kinds of indicator figures, namely the GDP per capita and Actual Individual Consumption (AIC) per capita, which can also determine differences among member states from point of view of consumption. The GDP per capita as a general figure concerns the all produced products and services averagely per capita, which is not real consumption in fact. But the other one, namely AIC is exact data to determine the real consumption per capita and also to reflect the real economic conditions of inhabitant based on the purchasing power standard (PPS) – (see Table-1).

Since the beginning of 2008 the AIC has moderately decreased in some less developed member states of the EU-27 in consequence of the world economic crisis, when the consumption of population decreased based on their declining PPS. These member states are for example Baltic countries, as Estonia, Lithuania, Latvia and Balkan countries, as Romania, Bulgaria, Mediterranean countries, as Spain, Cyprus, which can be mentioned, but additionally to these countries Poland had some increasing AIC, but under the average level of EU-27 after the world economic crisis, 2008. Almost in highly developed member states of the EU-27 the AIC per capita has little increased for three year –period, for example in Germany, France, Finland and Austria (see Table-1), because their economies were less influenced by the world economic crisis. Their employees are more efficient human resources in these countries and in consequence of these economic conditions they as consumers have also higher level of PPS than the other member states of the EU. Luxembourg has highest level of AIC per capita resulted by visiting workers of Luxembourg in neighbouring EU member states, who can send considerable part of their salary to their home member state. Almost member states can be influenced by the economic crisis, but these measures are very different as it can be experienced for example in data of AIC per capita in EU-27 (see Table-1).

The *unemployment rate* can show how the economic activities can fluctuate in EU-27, which can consequently lead to decrease output of firms and decreasing consumption trend of

consumers based on decreasing the AIC per capita. Naturally the decreasing output of firms can decrease the export volume and by through decreasing export they can decrease the positive balance of EU-27 current account.

According to the Table-2 the data base show the *first best six member states in field of less unemployment rate* than the other member states by the end of November in 2011. These member states, as Austria, where the unemployment rate was 4,0%, in Netherlands 4,9%, in Luxemburg 4,9%, in Germany 5,5%, in Malta 6,4% and in Czech Republic 6,7%. The except was Luxemburg, where the unemployment rate increased by 0,2% between November, 2010 and November, 2011. The unemployment rate of Luxemburg is very sensitivity from the economic fluctuation of neighbouring economies, because many of national employees of Luxemburg go abroad for obtaining jobs. These employees frequently send considerable part of their salary to their homeland, which contribute to the annual GDP of Luxemburg. In Luxemburg the economic and geographic conditions are not so favourably, which stimulate the intensive flow of national employees abroad to obtain jobs.

These six member states have very strong economic cooperation among themselves and their economies are neighbours except Malta. These member states have intensive economic growth with well managed economic conditions at levels of national economics and firms accompanying with export oriented economic strategy to make a positive balance of foreign trade and current account balance, also stronger Euro exchange rate.

*Germany* can keep the moderate fast economic growth and consequently decreasing level of unemployment. Also the innovation developing process is more ambition and attractive here than other EU member states. Also the German economy has considerable positive influences on the other four neighbouring economies including Czech Republic. Czech Republic is only one of five member states, which is in the Central East European, and also the new EU member state. Manly these neighbouring member states have a strong work separation and mostly their intensive economic depend on the national conditions of Germany.

*The worst conditions of other five member states in field of unemployment issue*, namely Greek, where the unemployment was about estimated 22-23%, in Spain 22,9%, in Ireland 14,6%, in Slovakia 13,5% and in Portugal 13,2%. In general the Mediterranean member states have the worst positions in field of unemployment rate in all EU-27. Unfortunately sometimes in South Italy the unemployment was one of the highest one in this region, and these member states, as it was equally with one of Spain. Also Italy has problem that density in Sicilian is at the middle average level of density in EU-27, which can be declared as quite high with very high unemployment level. Naturally the density became as middle average level of one, because of intensive migration from here to other parts of EU. Almost these four member states, except Slovakia, are according to the periphery regions of the EU-27.

*The human resource management* has several problems in EU-27, for example the high level of unemployment, less skilled level of employees, the unemployment rate is very high. In almost the entire youth unemployment under 25 year was between 21,0 in 2010 and 22,3% in 2011. The unemployment rate of females was usually at higher level than in the case of males. Youth male were between 9,5-9,7% and females were higher between 9,7-10,0% in 2010-2011.

In member states of the Mediterranean region the unemployment rate was higher than in general in other parts of the EU-27 (see Table-2, Table-3). In case of Greek the unemployment rate in youth under 25 year was 58,4% almost 60%; this was 55,7% in Spain, 38,2% in Portugal, 37,8%

in Italy, also the average level of EU-27 was 23,5% by the end of February, 2013 (EUROSTAT, 2013). The investment activities of trans-national corporations and large companies were very less than it was needed, because considerable lack of infrastructure network, skilled workers, large distance resulting higher cost for transports, low level of density of population, which consequences on less local markets; and also the potential producing regions are very far from the world market centres (see in detailed Nagy - Káposzta, 2010).

**Table 1. Actual Individual Consumption (AIC) in PPS, in several EU member states (EU-27)**

Member States	AIC per capita		
	2008	2009	2010
<b>EU-27</b>	<b>100%</b>		
Luxembourg	151	153	150
Austria	113	115	116
<b>Germany</b>	<b>113</b>	<b>116</b>	<b>117</b>
Finland	110	110	111
France	111	113	113
<b>Spain</b>	<b>99</b>	<b>95</b>	<b>95</b>
Cyprus	108	101	103
Estonia	64	58	57
<b>Poland</b>	<b>61</b>	<b>64</b>	<b>66</b>
Lithuania	70	63	61
Latvia	59	50	50
<b>Romania</b>	<b>49</b>	<b>46</b>	<b>45</b>
Bulgaria	45	43	42

Source: EUROSTAT, 2011 December, Brussels

**Table (2). Seasonally adjusted unemployment rates (%) Totals**

	Nov 2010	May 2011	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011
<b>EA-17</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>	<b>10.1</b>	<b>10.1</b>	<b>10.2</b>	<b>10.3</b>	<b>10.3</b>
<b>EU-27</b>	<b>9.6</b>	<b>9.5</b>	<b>9.5</b>	<b>9.6</b>	<b>9.7</b>	<b>9.8</b>	<b>9.8</b>	<b>9.8</b>
<b>BE</b>	7.9	7.1	7.2	7.3	7.4	7.4	7.3	<b>7.2</b>
<b>BG</b>	11.5	11.2	11.2	11.1	11.0	10.9	10.8	<b>10.9</b>
<b>CZ</b>	6.9	6.9	6.8	6.7	6.6	6.5	6.6	<b>6.7</b>
<b>DK</b>	7.7	7.5	7.5	7.4	7.5	7.6	7.7	<b>7.8</b>
<b>DE</b>	6.7	6.0	5.9	5.9	5.8	5.7	5.6	<b>5.5</b>
<b>EE</b>	14.6	12.7	12.7	11.3	11.3	11.3	:	:
<b>IE</b>	14.3	14.2	14.4	14.7	14.7	14.6	14.6	<b>14.6</b>
<b>EL</b>	14.0	16.9	17.3	17.9	18.4	18.8	:	:
<b>ES</b>	20.4	21.0	21.4	21.8	22.1	22.5	22.7	<b>22.9</b>
<b>FR</b>	9.7	9.6	9.7	9.7	9.6	9.6	9.7	<b>9.8</b>
<b>IT</b>	8.1	8.2	8.0	8.0	7.9	8.3	8.5	<b>8.6</b>
<b>CY</b>	6.0	7.3	7.4	7.7	8.0	8.4	8.8	<b>9.1</b>
<b>LV</b>	17.0	16.1	16.1	14.8	14.8	14.8	:	:
<b>LT</b>	17.3	15.6	15.6	15.3	15.3	15.3	:	:
<b>LU</b>	4.7	4.8	4.8	4.9	4.9	5.0	4.8	<b>4.9</b>
<b>HU</b>	11.0	10.9	11.0	10.9	10.9	10.8	10.8	<b>10.7</b>
<b>MT</b>	6.8	6.6	6.5	6.4	6.3	6.3	6.4	<b>6.4</b>
<b>NL</b>	4.4	4.2	4.1	4.3	4.4	4.5	4.8	<b>4.9</b>
<b>AT</b>	4.2	4.2	3.9	3.7	3.7	3.9	4.1	<b>4.0</b>
<b>PL</b>	9.6	9.6	9.6	9.7	9.7	9.8	9.9	<b>10.0</b>
<b>PT</b>	12.3e	12.6	12.5	12.6	12.6	12.8	13.0	<b>13.2</b>
<b>RO</b>	7.4	7.3	7.3	7.5	7.5	7.7	7.3	<b>7.3</b>
<b>SI</b>	7.7	7.9	8.0	8.1	8.0	8.2	8.2	<b>8.2</b>
<b>SK</b>	14.0	13.3	13.3	13.3	13.4	13.4	13.5	<b>13.5</b>
<b>FI</b>	8.1	7.8	7.8	7.7	7.7	7.6	7.5	<b>7.4</b>
<b>SE</b>	7.8	7.7	7.4	7.4	7.4	7.3	7.5	<b>7.4</b>
<b>UK</b>	7.7	7.9	8.0	8.1	8.3	8.3	:	:

Source: EUROSTAT, 5/2012 – 6<sup>th</sup> January 2012, Brussels

Note: The euro area (EA-17) consists of Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland. The EU-27 includes Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).

Eurostat defines unemployed persons as persons aged 15 to 74 who:

- are without work;
- are available to start work within the next two weeks;
- and have actively sought employment at some time during the previous four weeks.

The unemployment rate is the number of people unemployed as a percentage of the labour force. The labour force is the total number of people employed plus unemployed.

Monthly unemployment and employment series are calculated first at the level of four categories for each Member State (males and females 15-24 years, males and females 25-74 years). These series are then seasonally adjusted and all the national and European aggregates are calculated.

Table 2 (3). Seasonally adjusted youth unemployment rates (%)

	Youth (under 25's)				Males				Females			
	Nov-2010	Sep-2011	Oct-2011	Nov-2011	Nov-2010	Sep-2011	Oct-2011	Nov-2011	Nov-2010	Sep-2011	Oct-2011	Nov-2011
<b>EA17</b>	20.6	21.1	21.4	<b>21.7</b>	9.8	9.9	10.1	<b>10.0</b>	10.3	10.6	10.6	<b>10.7</b>
<b>EU27</b>	21.0	21.8	22.0	<b>22.3</b>	9.5	9.6	9.7	<b>9.7</b>	9.7	9.9	9.9	<b>10.0</b>
<b>BE</b>	21.4	21.0	21.1	<b>21.1</b>	7.8	7.3	7.3	<b>7.2</b>	8.1	7.4	7.3	<b>7.3</b>
<b>BG</b>	25.8	24.7	24.8	<b>25.6</b>	12.3	11.9	11.8	<b>11.9</b>	10.6	9.7	9.8	<b>9.9</b>
<b>CZ</b>	17.1	18.1	18.6	<b>19.0</b>	6.0	5.7	5.8	<b>5.9</b>	8.2	7.6	7.7	<b>7.7</b>
<b>DK</b>	14.0	15.0	14.9	<b>14.9</b>	7.9	7.5	7.6	<b>7.7</b>	7.5	7.8	7.9	<b>7.9</b>
<b>DE</b>	9.1	8.5	8.3	<b>8.1</b>	7.0	5.8	5.7	<b>5.5</b>	6.3	5.7	5.6	<b>5.5</b>
<b>EE</b>	25.7	21.8	:	:	15.7	11.4	:	:	13.3	11.1	:	:
<b>IE</b>	29.1	29.2	29.2	<b>29.3</b>	17.5	17.3	17.3	<b>17.2</b>	10.3	11.1	11.2	<b>11.4</b>
<b>EL</b>	36.3	46.6	:	:	11.4	16.3	:	:	17.7	22.3	:	:
<b>ES</b>	43.0	48.3	49.0	<b>49.6</b>	20.1	22.1	22.5	<b>22.8</b>	20.8	22.9	23.0	<b>23.0</b>
<b>FR</b>	23.0	22.8	23.3	<b>23.8</b>	9.0	9.1	9.2	<b>9.3</b>	10.3	10.2	10.3	<b>10.3</b>
<b>IT</b>	28.4	29.2	29.2	<b>30.1</b>	7.2	7.4	7.9	<b>7.6</b>	9.4	9.6	9.3	<b>9.9</b>
<b>CY</b>	15.3	23.1	:	:	5.7	8.4	8.8	<b>9.2</b>	6.4	8.5	8.8	<b>9.1</b>
<b>LV</b>	30.8	29.9	:	:	18.7	16.8	:	:	15.2	12.7	:	:
<b>LT</b>	33.9	31.1	:	:	20.0	17.5	:	:	14.7	13.1	:	:
<b>LU</b>	14.9	15.3	14.4	<b>14.7</b>	3.6	3.7	3.7	<b>3.7</b>	6.1	6.5	6.3	<b>6.4</b>
<b>HU</b>	25.4	26.1	26.1	<b>25.9</b>	11.3	10.9	10.9	<b>10.7</b>	10.7	10.7	10.7	<b>10.7</b>
<b>MT</b>	13.5	13.9	14.1	<b>14.3</b>	6.8	6.0	6.0	<b>6.1</b>	6.8	7.0	7.0	<b>7.1</b>
<b>NL</b>	8.4	8.0	8.2	<b>8.6</b>	4.3	4.5	4.7	<b>4.9</b>	4.5	4.6	4.8	<b>5.0</b>
<b>AT</b>	8.1	7.5	8.7	<b>8.3</b>	4.2	3.8	4.0	<b>3.8</b>	4.3	4.0	4.1	<b>4.2</b>
<b>PL</b>	23.8	26.4	27.2	<b>27.8</b>	9.2	8.9	9.0	<b>9.1</b>	10.0	10.9	11.0	<b>11.0</b>
<b>PT</b>	27.2 e	30.1	30.4	<b>30.7</b>	12.1 e	12.5	12.6	<b>12.9</b>	12.6 e	13.1	13.3	<b>13.5</b>
<b>RO</b>	23.3	23.4	:	:	8.0	8.2	8.1	<b>7.7</b>	6.5	7.0	6.4	<b>6.7</b>
<b>SI</b>	14.5	15.2	:	:	7.9	8.2	8.3	<b>8.4</b>	7.4	8.1	8.0	<b>8.0</b>
<b>SK</b>	33.3	33.9	34.5	<b>35.1</b>	14.0	13.4	13.5	<b>13.6</b>	14.1	13.4	13.4	<b>13.3</b>
<b>FI</b>	20.8	19.9	19.7	<b>19.6</b>	8.6	8.3	8.2	<b>8.1</b>	7.5	6.9	6.8	<b>6.7</b>
<b>SE</b>	22.6	22.2	22.3	<b>23.2</b>	7.9	7.3	7.6	<b>7.5</b>	7.7	7.2	7.3	<b>7.4</b>
<b>UK</b>	20.2	22.0	:	:	8.4	9.0	:	:	7.0	7.5	:	:

Source: EUROSTAT, 5/2012 – 6<sup>th</sup> January 2012, Brussels

The world market demands have been less and narrow since 2008, when the world economic crisis started, which stimulated the continuous increasing trends of the youth unemployment rate in the EU-27 (see Table-3). In highly developed economies including EU-27, the youth unemployment trend has increased since 2000 from 13,5% to 18,2% in 2010, because labour force market demands decreased and in general the youth human resources were less skilled and educated for jobs offered by companies. (ILO, 2010a; ILO, 2010b). The economic growth is estimated only at the end of 2013 or at the beginning of 2014, when probably the youth unemployment rate can decrease.

There are strong correlations among the unemployment rates, GDP per capita and AIC per capita, foreign trade, balance of EU-27 current account with employment conditions, which can be described based on the SWOT analysis, which are as follows:

*The employment based on SWOT analysis in EU-27*

**Strengths:**

- Mostly before the world economic crisis the increasing trend of employment strengthens the *purchase power standard of consumers* based on the extending investments and creating jobs.
- The *export oriented economic policy* helps to extend market positions of EU-27 on the world market, to which foreign economic cooperation of Hungary with South Korea and India can contribute, as successful examples (see in detailed in Neszmélyi, 2001; Neszmélyi, et al, 2007).
- The human resource national policy stimulates transnational corporations and large companies to use *educational activity* for improving and *increasing efficiency* and skill level of employees.
- *Decrease the poverty* at social level.

**Weaknesses:**

- *The wholly employment decreases the efficiency of human resources.*
- *Under educated and skilled workers in employment are unfavourable for EU-27 to obtain competitiveness on the market.*
- *The highly level employment conditions make affects on increasing the inflation rate and decreasing PPS per capita.*

**Opportunities:**

- Influences of the *trans-national corporations (TNCs)* on increasing and fixing *favourable employment conditions.*
- *TNCs have positive influences* on the creating *diversification* of the economic structure and labour force in EU member states to become more flexible demands of the world economy and the world market. Also the TNCs realise the FDI (foreign direct investment) to increase the employment level in EU member states. The FDI can strengthen the employment conditions by setting up the vertically integrated product channel to use high-tech and ensuring products to supply single market in EU (see in detailed in Zbida Adel et. Al., 2011; Zsarnóczai, 2003 in case of Denmark; Zsarnóczai, J. S., 1996 in case of Germany).

**Threats:**

- Negative influence of the world economy, sharply energy increase on activities of firm in field of human resource management *less market demands for labour forces.*
- From point of view of input: *cheaper foreign labour force* can also press the EU-27 domestic labour force market out of the labour market and employment possibilities. The *cheaper foreign labour force* can inflow from out of the EU, but also the free labour force flow among EU member states can result restructure of employees in each member state.
- The foreign direct investment (FDI) can be favourable for the domestic economic growth in EU-27, but sometimes this FDI can focus on the increasing foreign human resources instead of domestic-national workers-employees (WEF = World Economic Forum, 2010).
- The global warming resulted by the *gas emission* of human activities extends *dessert areas* with considerable low level of density in EU-27, mostly in Mediterranean member states. This strengthens and results in unfavourable separation of human resources. Also this

global warming resulted in increasing illness and considerable damages for human resources from point of view of *health care*.

Also the decreasing trends of population in whole EU will lead to restructure the employment conditions, because the foreign workers will increase and can be dominate on labour force market of EU either in their number or their skilled level even for the near future.

## Conclusions

The high level of unemployment rate can contribute to increasing the labour efficiency at the trans-national corporation (TNC) level, but this can not solve the economic and social difficulties concerning the narrowing market positions for companies and decreasing life standard for wider social groups and the extending poverty at social level (Laskai - Zéman, 2013).

There is a considerable world-wide side competition among new emerging economies and former developed economies to obtain more share of the world market. Also the competition became stronger among economies and firms, transnational corporations and small and medium scale enterprises in field of developing and obtaining innovation and R&D (Research&Development) process. *The cheaper labour force can not ensure long-term competition on the world market.*

*Increasing population of the world economy* can grow the qualified labour force demands based on the innovation development and unemployment rate on the world market, finally the poorness. Also this increasing population results the increasing energy consumption and price level of energy, therefore the consumption structure changes at house hold or family units from dominant food consumption to dominant energy consumption, also less highly value added and developed product-consumption. In this case the narrow world market provides less market positions for the EU-exporters resulting in decreasing employment, first youth employment in EU-27. The higher level of youth unemployment rate resulted in less number of weddings and borning of children in EU-27, which leads to more pension difficulty in the future. Also in spite that the high level of unemployment can decrease the *inflation growing trends*, the less level of employment decreases PPS per capita finally selling products on the market.

In consequence of the increasing population in the world economy, the consumption increases at level of national economics, firms and house holds or family units, which can leads to increasing state debt based on the emerging spiral later on with decreasing consumption of population. Also the increasing state debt results heavy personal and firm-profit tax burdens on tax payers, as named consumers, therefore the production and consumption decrease and the producers should decrease the export of the EU-27.

The regional development can be implemented by through of decreasing gap among developed levels of different regions based on the increasing employment level. The governments should also help the small and medium enterprises (SMEs) to create better and more favourable work separation among the SMEs and corporations owning and using high-tech and research-development (R&D) based on education and financial supports.

The sustainable employment and economic conditions of EU-27 need for increasing investment activities to meet market demand, to increase highly value added products and to increase the AIC of population and strengthening the PPS of population of the EU-27 based on the extending employment rate. The best way is to increase the highly value added products within vertically



integrated product channel (see in detailed in Zsarnóczai, J. S., 2000 in case of Finland; Zsarnóczai, J. S., 2003 in case of Denmark). The successful moderately economic growth by increasing the employment can decrease the poverty at social level.

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