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LABOUR DEMAND AND LABOUR MARKET INSTITUTIONS IN RURAL AREAS

Petri Kahila, Daniel Rauhut *

Norwegian Institute for Urban and Regional Research
Gaustadalléen 21, N-0349 Oslo, Norway.
E-mail: daniel.rauhut@nibr.hioa.no
* Corresponding author

Biographical Notes

Petri Kahila is research director in the Karelian Institute at the University of Eastern Finland. He holds a PhD in Human Geography and is associate professor in economic geography. Previously he has worked at the University of Helsinki and in Nordregio, Stockholm. His specialisation is regional development, regional and local governance, urban-rural interaction, policy evaluation, and regional labour market dynamics.

Daniel Rauhut is associate professor and works as senior researcher at the Norwegian Institute for Urban and Regional Research in Oslo, Norway. He has a PhD in the economic field from the University of Lund, Sweden, and has previously worked in Sweden at e.g. the Swedish Institute for Growth Policy Studies, Nordregio, Malmö University, the Royal Institute of Technology (KTH) and University West. His research interests are covering the regional aspects of labour market issues, welfare and institutions.

Abstract

A well-functioning rural labour market is crucial as it contributes to a more effective division of labour in the economy. Rural policy in all its forms must address rural regions according to their characteristics and state of development. Even if regionally differentiated policies can be created to promote and facilitate a more efficient labour market policy the crucial issue is not the level at which policies should be implemented. Rather than solving existing policy rigidities, the discovery and promotion of new and more flexible solutions to the problems faced in rural labour markets is what is really required. There is clear need to abandon a uniform policy structure for all rural regions, namely, policy based on national averages, as this is neither desirable nor effective. This paper aims at discussing the impact of structural change in the rural economy and its positive effects on labour demand and on the renewal of rural labour market institutions. In line with conventional economic theory, unemployment is seen as an indicator of the demand for labour. We will thus focus on the labour market institutions, formal and informal which are crucial to counteracting unemployment and stimulating job creation.

Keywords: Unemployment, rural, labour demand, institutions

JEL: R11, O18, J23, E24

1. Introduction

Traditionally, rural areas have produced agricultural products and other raw materials for wider market areas with employment in rural areas based primarily on the utilisation of natural resources. This is still the case in some regions, but this conventional picture is generally changing across most rural areas in the EU and the prevailing trend has seen a decline in the importance of agriculture to rural economies. Rural diversification constitutes a high level policy target for the EU comprising, in the main, measures to promote tourism and alternative products. A wider approach beyond agriculture and related economic activities is needed in order to focus on non-agricultural activities. Rural labour markets are thus clearly changing and playing host to new immigrants who are creating new sources of livelihood (Copus and de Lima 2014, Findlay et al., 2000).

As a result of socioeconomic and political differences Europe’s rural regions are quite heterogeneous. They share one basic feature: the rapid reduction of employment in agriculture and related businesses. Rural regions have thus become increasingly diversified in relation to a new set of challenges focusing on competitiveness, the notion of the sustainability of the ‘wider rural economy’, and thus the need for investment rather than subsidies. This process has shifted sectoral (agricultural) development attitudes towards a focus on a more integrated approach to rural and urban development in a regional context (Ward and Brown, 2009).

The ‘rural turn around’ process alluded to above has resulted in a strengthened role for ‘consumption’ in the rural economy. The ‘consumption countryside’ is now a well-established definitional label reflecting differentiated production in agriculture as well as new forms of commodification of the countryside for urban consumption, (Marsden, 2003; Lowe and Ward, 2009). This development has not weakened the strength of the rural restructuring process, but rather has helped to transform the traditional rural economy while fostering the development of new sources of livelihood. Notwithstanding such developments however it is clear that rural regions will retain an important production role for the foreseeable future.

Current understandings are profoundly informed by the realisation that rural and urban cannot be considered independently, but rather they are integrally or dialectically connected to one another as two parts of a whole. Nevertheless, we can however observe a clear distinction between the difficulties faced by rural labour markets located in close proximity to urban centres and those faced by more remote rural areas. In these circumstances economic actors are often constrained in their ability to act rationally (Marini and Mooney, 2006). It is, moreover, possible that this kind of setting generates fundamental differences in economic behaviour and institutions in rural areas. Basically this means that economic activities in rural environments are probably connected more intensively in their social than in their economic connections with their immediate urban surroundings. This however does not mean that rural localities are isolated from their urban counterparts. Rural areas have at the same time become more diverse but the traditional dichotomy still prevails in some rural areas.

In the light of these trends, this paper discusses the development of rural employment in the five EDORA structural types of territory in the European Union and Norway by using a discourse analysis. The EDORA structural typology with five types – predominantly urban, agrarian, consumption countryside, diversified with strong secondary sector and diversified with strong market services – will be used to analyse unemployment for young adults and women. The analysis of the data identifies the commonalities and differences across rural areas in the EU. The intention here is to emphasise the constraints that distinguish rural areas both from each other and from urban areas on the basis of the EDORA structural typology. The fact that unemployment is considerably higher in rural regions than in urban regions highlights the predominantly demand side characteristic of rural regions.

The overall focus of this paper is on the impact of structural change in the rural economy before the economic crisis in 2008 and its positive effects on labour demand and on the renewal of rural labour market institutions. In line with conventional economic theory, unemployment is seen as an indicator of the demand for labour. We will thus focus on the *labour market institutions*, formal and informal which are crucial to counteracting unemployment and stimulating job creation. The CEC (2010c) states that Cohesion policy should play a critical role in difficult times, in order to deliver smart, sustainable and inclusive growth, while promoting harmonious development of the Union and its regions.

The labour market and its institutions play a key role in the promotion of economic growth and job creation; the demand for labour and the level of economic growth varies depending on how efficiently these labour market institutions function (Begg et al., 1988). Hence, dynamic labour market institutions are required to reduce unemployment and create new jobs. Dynamic labour market institutions can provide employers with the labour they require during times of expansion, while also helping labour to find new employment in times of recession. According to Krugman (1991) the bigger the labour market is, the more efficient it will be. In this broad context the EUs Cohesion policy has advocated the advantages of capital regions and metropolitan areas have over other kinds of territories.

2. Research on rural labour markets

In recent decades the literature in the field of rural development has dealt predominantly with development problems and possibilities (Hoggart and Paniagua, 2001). More recently however rural research has focused increasingly on the identification and documentation of various challenges and opportunities in a broader context, such as the different types of capital and endogenous potential that rural areas have (Copus and de Lima, 2014; Tocco et al., 2012, Horlings and Marsden, 2010). Terluin and Post (2000), Bryden et al. (2004) and Copus et al. (2010) have attempted to address the issue of why some rural areas consistently demonstrate a better level of economic performance than others. These studies reveal that economic performance is multi-dimensional and affected by the multifaceted relationship between social, economic, human, environmental and cultural capital (Agarwal et al., 2009).

These studies on rural employment however have an implicit assumption, namely, that the rural labour market operates differently than that in urban areas (Monk and Hodge, 1995; Zonneweld and Stead, 2007). In general it has been noted that rural labour market challenges include a relative shortage of highly skilled professions in business (Huggins, 2001), restricted opportunities for training and education (Lindsay et al., 2003), and while also encompassing various factors associated with accessibility and mobility (Hodge et al., 2002). In addition there are also a number of other issues mentioned in the research literature that differentiate rural labour markets from urban ones. The restricted nature of employment possibilities in rural areas is further reinforced by limited opportunities for professional development and advancement and by the fact that most employment opportunities are both low skilled and low paid (Hardill and Green, 2003).

Terluin and Post (2000) argue that the increase in self-employment and part-time employment accounts for a significant share of the employment increase in rural areas. The findings by Copus et al. (2006) also support this conclusion. According to ECORYS (2010), both GDP/capita and the employment rate in rural regions have shown a positive trend from the mid-1990s onwards. The growth in the employment rate in rural regions for the period 2005-2007 remains, on average, lower than the growth in all EU27-regions as a whole. Nevertheless, the employment rate in rural regions in 2007 is much higher than in the period 1995-2004.

The diversification of the rural economic structure has generated a structural change in many rural areas. The primary sector activities have experienced a decline, while secondary and tertiary sector activities have experienced an increase. The result of this process has seen rural labour markets become less distinctive and thus less easy to differentiate from urban labour markets. Cernic Istenic and Copus (2009) note that this transformation has taken place within a context shaped by both counter-urbanisation, and the rise of the ‘consumption countryside’.

> Some new forms of employment, which are distinctively rural, are increasingly important in rural areas. These include a range of tourism and leisure-related activities

> which derive competitive advantage from landscape, environment or cultural public goods. They also include social service occupations to meet the needs of an increasingly ageing population. It must be recognised, however that both of these tend to be just as much associated with the 'secondary segment' as the more traditional rural activities. (Cernic Istenic and Copus, 2009: 119).

In a study by Findlay et al. (2000) the labour market impact of in-migration to rural areas is analysed. The job multiplier for each self-employed in-migrant is estimated to be 0.77, i.e. for each self-employed in-migrant to a rural area an additional 0.77 jobs are created. Hence in-migration generates a demand for labour. As Copus et al. (2010) note, structural changes in the rural economy and the diversification of rural economies has led to an employment increase in non-agricultural activities in general. The employment increase is mostly in the tertiary sector and predominantly in the secondary sector. This employment increase is also a result of the demand for labour in the expanding sectors in rural areas. This trend in employment is also reported by Findlay et al. (2000) who note that the new jobs generated by in-migrants are to be found in trade, retailing and local services as well as in professional services (e.g. architecture and financial services).

Milbourne (2007) argues that too much focus has been placed on the well-off middle classes moving to rural areas, e.g. on the gentrification process, given that about 20 percent of the in-migrants to rural areas in the UK are low-income earners. Similarly, a significant share of the in-migrants to rural areas in the USA move from "persistently poor rural areas" while in France the government seeks to reallocate socially excluded persons from urban to rural areas (Milbourne, 2007:383). According to him, there is now a discernible trend with regard to low-income migrants moving to rural areas to take up jobs in the low-wage sector of the rural economy. Not only international migration, from low-income countries to high-income countries, is addressed here.

Employment in the secondary and tertiary sectors has expanded significantly in rural areas, indicating that a diversification of the rural economy is currently taking place. Educational and skill demands of employers are sometimes difficult to meet, indicating problems of matching labour demand to supply in rural areas (Lee et al., 2010). Women and younger people have benefitted from this employment increase, especially in the tourism sector and the secondary labour market sector (Cernic Istenic and Copus, 2009). The tourism sector is highly seasonal and little is known about what proportion of the labour force is local and what proportion is based on migrant labour.

These new economic activities in rural areas have effectively paved the way for the transition from primary activities to the growth of market services. The central issue here centres on the context in which these changes have taken place and the extent to which these have resulted in the diversification of rural areas. The absence of employment opportunities generates outmigration and restricted succession on farms. The key question here then is what kinds of labour market incentives or structural changes are required to pave the way from agrarian economies to a diversified consumption countryside?

3. Labour Market Institutions

When discussing territorial cohesion policies labour market institutions, formal and informal, play an important role: they are the key to job creation, economic growth and social welfare. According to North (1990:3), institutions "are the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction". Furthermore, institutions "reduce uncertainty by providing a structure to everyday life", and include both formal rules such as laws and constitutions and informal constraints such as conventions and norms. March and Olsen (1989:22) also emphasise the importance of rules when defining institutions: "routines, procedures, conventions, roles, strategies, organizational forms, and technologies around which political activity is constructed. We also mean the beliefs, paradigms, codes, cultures, and knowledge that surround, support, elaborate, and contradict those rules and routines."

It is common to distinguish between "formal" and "informal" rules or constraints, but this distinction is drawn in a variety of ways. The term "formal" is often taken to mean that the rules are made explicit or written down, particularly if they are enforced by the state, whereas informal rules are implicit; another interpretation is that formal rules are enforced by actors with specialised roles (Milgrom et al., 1990), whereas informal codes of behavior are enforced endogenously by the members of the relevant group. "Informal constraints", as North (1990:36-40) notes, "defy, for the most part, neat specification", but include "codes of conduct, norms of behavior, and conventions" as well as "extensions, elaborations and modifications of formal rules", and "are a part of the heritage that we call culture". In other words, labour market institutions should facilitate an efficient matching of vacancies and labour and self-employment/entrepreneurship as well as offer educational opportunities for labour to increase its human capital and hence become more attractive. By so doing harmonious development can be promoted in more than just the capital regions and metropolitan areas thus contributing to development which is in line with the ambitions of cohesion policy.

In this paper we consider labour market institutions to include the formal and informal rules around which labour market policy is constructed, drawing on the definitions provided by North (1990) and March and Olsen (1989). This definition is very broad, which is necessary. Such a broad definition also includes trade unions and employers' organisations.

4. Labour market policies in rural areas

In 1993 the European Union introduced a new emphasis on employment issues and policies (CEC, 1993). Since then, employment has received greater attention and rhetorically at least has exerted greater influence at the EU level. The Lisbon strategy (CEC, 2005) is a widening of the European Employment Strategy (CEC, 2003) first developed in 1997. The Lisbon Strategy emphasised the importance of innovation and knowledge but also sought to address the need to increase employment rates across the EU. Specific targets were defined in respect of overall employment rates (70%), employment rates for women (60%) and employment rates for older workers (50%) (CEC, 2005). The EU also identified special actions at the Employment Summit in 2009 in order to facilitate influential responses to the current economic crisis (CEC, 2009). The summit resulted in a broad consensus among participants over directing future employment policy in the member states at increasing access to employment particularly in relation to young people while also focusing on upgrading skills, matching labour market needs and promoting mobility.

Perhaps inevitably the Lisbon strategy failed to attain the ambitious targets set, not because of its context, but rather, because it did not have any clear instruments with which to achieve these (Cantillon, 2010). The successor to the Lisbon Strategy is the Europe 2020 strategy (CEC, 2010b), which five ambitious objectives: employment, innovation, education, social inclusion and climate/energy. The main target in the employment sphere is to attain an employment rate of 75% by 2020. The employment rates especially for women, as well as younger and older workers have to be raised by focusing on four key priorities: better functioning labour markets; a more skilled workforce; better job quality and working conditions; and stronger policies to promote job creation and the demand for labour.

The EU has a significant percentage of its population still working in agriculture that are concentrated in rural areas. The recent pathways of rural structural change in Europe are, and will remain, mixed. Significant structural changes have already occurred in rural economies, but several changes in agriculture and other rural economic sectors are yet to be experienced in specific regions (Woods, 2007). However, the ‘artificial breathing’ offered to agrarian regions in the form of massive economic support via Common Agricultural Policy (CAP) in the EU has further reduced the dynamics and ability to adjustment. State subsidies to the agricultural sector has been described as a part of social contract between capital and labour which considered state intervention as a necessary prerequisite for economic development (Potter and Tilzey 2005). It can be argued that CAP is an efficient tool for preserving the current agrarian economic structure in some of the EU member states, because agriculture has not shared the growth of the non-agricultural economy and has not been prime driver to stimulate rural diversification. There is a need to better understand the shifting nature of the rural development environment and its relation to CAP that comprises changing attention from weaknesses (to be compensated) towards potentials to be exploited, and the need to take account the implications of rural market policies in rural areas.

Rural areas face particular problems in relation to what can be termed the ‘operational environment’ of labour market institutions. The ‘one size fits all’ policy approach in the European Union has not given sufficient attention to the diverse economic, social and spatial circumstances prevailing in rural areas. The post-socialist New Member States (NMS) display often quite different socio-economic characteristics to the Old Member States, with farming still one of the main economic sectors in their national economies. In more accessible rural areas, commuting to the closest cities is more significant than in more remote rural areas. This development has helped to change the settlement structures in rural areas markedly as new residents have moved to essentially rural areas. In more remote rural areas with lower population densities, employment opportunities are more difficult to find and the prevailing development path is one of the outmigration of the highly skilled labour force.

These developments create specific challenges for labour market institutions in rural areas. Indeed, the inaccessibility of some rural areas appears to generate additional barriers for employment seekers over and above the traditional individual-level factors such as specific employment histories and skills development. Even for people who have an opportunity to use private transport driving beyond their immediate place of residence is problematic as they locate remote from employment opportunities. Many people are however forced to consider relocating or face a prolonged period without employment.

Malfunctioning or dysfunctional institutions can actually create barriers in relation to job creation and economic growth. For example such barriers include: restricted access to Bank loans for business start-ups; outdated labour market legislation which makes companies refrain from employing more staff; and restrictive tax rules which deter labour from commuting to other regions with vacancies, then these institutions, all of which are part of the labour market as defined above, will lose legitimacy in the eyes of both employers and labour resulting in a downward spiral of decline in economic growth and thus in the number of jobs available.

Rural areas and their labour market institutions in particular thus need to address these debilitating institutional rigidities that have emerged in some types of rural areas. They have to consider questions such as, how is the notion of ‘community’ maintained, and what is the level of institutional inertia, while also paying attention to the level of social capital accessible and the cooperation forms available. This is necessary because difficulties in accessing informal networks combined with the previously identified weaknesses in the formal service infrastructure in remote rural areas, have the potential to severely impede employment seekers (Lindsay et al., 2003). Most of the critical barriers to finding employment in rural areas relate to either disadvantaged labour market conditions or institutional imbalances. Krugman (1991) argues that labour market institutions favour large, efficient labour markets in the capital regions and metropolitan areas. Hence, labour markets in other regions are almost automatically disadvantaged. As such, the previously mentioned 'one-size-fits-all' policy does not address the different institutional contexts. Labour market policy is set at a national level in most countries, which effectively creates a barrier to economic development in rural areas (Kahila and Rauhut, 2009).

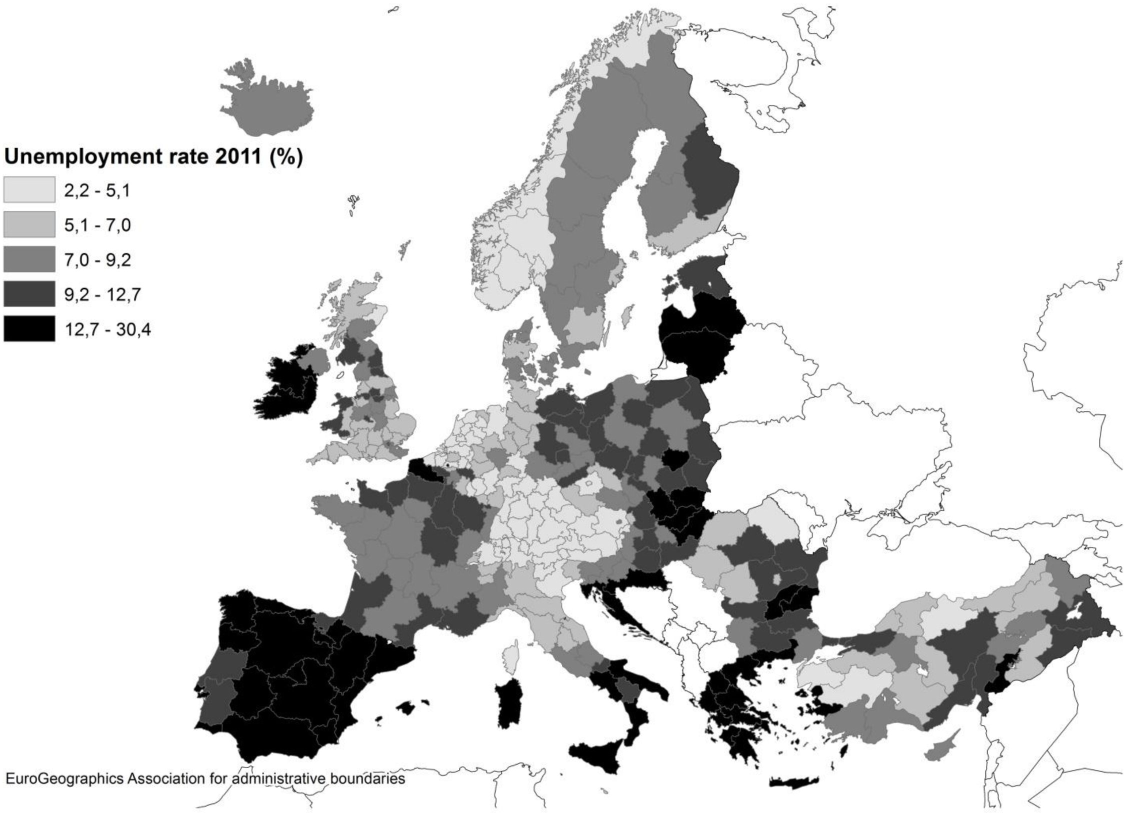
Neoclassical approaches to labour market imbalances highlight the existence of many of the ongoing disadvantages associated with rurality, such as low population density, remoteness and outmigration. It could however be argued that of even greater concern here are the broader structural changes in the economy which disadvantage those sectors that are typically associated with rural economies in promoting new economic growth patterns. The clear disparity in terms of human capital available in rural areas also sets significant challenges for labour market institutions.

5. Unemployment and the demand for labour

The demand for labour is manifested in unemployment rates as well employment rates. The share of employment in agriculture and related economic activities in rural areas for EU as a whole has declined since 1980 while over the same period the tertiary sector has increased significantly in size. Copus et al. (2006) note that, on average, about 10 per cent of total EU employment in rural Europe is agriculture-related; about 5 percent in the rural areas in the EU15 countries and about 25 percent in the New Member States. One of the employment sectors showing the highest growth rates in the rural areas since the mid-1990s is the tertiary sector. Public sector employment, employment in tourism and self-employment has also increased in rural areas. Public sector employment is however generally more important in the northern Member States than in the South and in the NMS12. Women and younger people have played an important role in employment growth in the tourism sector in rural areas. The increase in self-employment in rural areas is usually related to the primary sector (ECORYS, 2010).

Unemployment across Europe is not evenly spread geographically. The regions with the highest unemployment rates are clustered around a very limited number of countries: Spain, Portugal, Greece, and Slovakia, Ireland, the Eastern part of Germany, the Baltic countries, Poland and Bulgaria; the lowest unemployment rates are found in Switzerland and Austria. Low regional unemployment rates are also found in Germany, the Netherlands and Belgium (Eurostat, 2013).

Map 1. Regional unemployment in Europe 2011 (NUTS 2)



Source: Eurostat

It should also be noted that different types of territories experience different kinds of unemployment, for example, in respect of its magnitude and the sub-groups that are affected. In tables 1-3 the total unemployment rate, the unemployment rate for persons aged 18-24 and for women are listed. Regions with an economic structure dominated by agriculture (type 1) and diversified with a strong secondary sector (type 3) have the highest mean unemployment rate Table 1); the unemployment rate is slightly more evenly distributed in regions characterised by a diversified economic structure with strong market services (type 4) while regions with a diversified and strong secondary sector (type 3) and regions classified as consumption countryside (type 2) show a relatively higher variation in the unemployment rate when the coefficient of variation is analysed.

Table 1. Total Unemployment (%) for persons over 15 years of age at county level, 2005

		Type 0	Type 1	Type 2	Type 3	Type 4
Mean		8.90	11.08	8.81	9.40	8.71
Median		7.60	9.40	7.30	7.65	7.80
Std. Deviation		4.76029	5.86716	5.11394	5.51363	4.36988
C.V.		0.534621	0.529633	0.580206	0.586319	0.501812
Minimum		2.10	2.20[a]	2.10	2.70	2.40
Maximum		25.90	28.50	29.60	28.50	27.80
Quartiles	1	5.10	6.70	5.22	5.20	6.10
	2	7.60	9.40	7.30	7.65	7.80
	3	11.50	15.30	10.70	12.12	10.20

a. According to Eurostat the Greek region gr223 has an unemployment rate of 1.4%. This low rate cannot be regarded as reliable. The second lowest value is shown in the table.

Source: Own calculations from Eurostat

Regarding the unemployment rate for young adults aged 15-24 years, the type 1 regions (agrarian) display by far the highest mean unemployment rate. The highest unemployment rate for persons aged 15-24 - above 68 percent- is an agrarian region. The lowest mean unemployment rate for persons aged 15-24 years is found in the predominantly urban regions (type 0). Type 3 (diversified with a strong secondary sector) shows the highest relative unemployment compared to the regions classified as types 0-2 (predominantly urban, agrarian and consumption countryside).

Table 2. Unemployment (%) for persons aged 15-24 years at county level, 2005

		Type 0	Type 1	Type 2	Type 3	Type 4
Mean		16.10	26.50	16.44	18.62	18.31
Median		14.70	24.20	15.20	13.65	15.35
Std. Deviation		7.57055	12.50738	7.47514	12.01063	10.27696
C.V.		0.470129	0.471955	0.454598	0.645153	0.561135
Minimum		4.50[a]	4.6[b]	5.20	6.80	4.40[c]
Maximum		52.10	68.20	47.50	53.50	61.00
	1	10.80	17.60	10.40	10.68	11.15
Quartiles	2	14.70	24.20	15.20	13.65	15.35
	3	18.65	34.78	20.88	23.00	22.60

a. The shown unemployment rate refers for the Dutch region nl412. In the official statistics from Eurostat there are six Dutch regions with an official unemployment rate for persons aged 15-24 years given as 0.0% (nl212, nl226, nl323, nl324, nl325 and nl333). Such low unemployment rates appear doubtful.

b. According to Eurostat the Greek region gr144 has an unemployment rate of 1.3%. This low rate cannot be regarded as reliable. The second lowest value is shown in the table.

c. According to Eurostat four Dutch regions (nl111, nl122, nl131 and nl133) have an unemployment rate for this age group of 0.0%, which can be questioned.

Source: Own calculations from Eurostat

When the average unemployment rate for women is reviewed the type 1 regions (agrarian) have the highest mean unemployment rate while the type 0 regions (predominantly urban) have the lowest. The coefficient of variation shows that the mean unemployment for women in the five types of territories has a relatively even variation across all types of regions.

Table 3. Unemployment (%) for women over 15 years of age at county level, 2005

		Type 0	Type 1	Type 2	Type 3	Type 4
Mean		9.06	13.68	9.74	10.26	9.88
Median		7.70	12.10	7.90	7.50	8.30
Std. Deviation		5.04162	7.68670	5.55040	5.79586	5.83225
C.V.		0.556759	0.561758	0.569985	0.564656	0.590099
Minimum		1.50	1.30[d]	1.60[a]	3.20[b]	2.30[c]
Maximum		29.40	37.70	29.60	30.80	29.60
	1	5.40	7.28	5.50	6.25	5.70
Quartiles	2	7.70	12.10	7.90	7.50	8.30
	3	11.40	18.65	12.80	13.70	12.40

Source: Own calculations from Eurostat

The lowest total unemployment rate is found in a type 0 region (predominantly urban), while the highest total unemployment rate is found in a type 2 region (consumption countryside). The predominantly urban regions (type 0) and diversified regions with a strong private sector (type 4) have the lowest unemployment rate for persons aged 15-24 years, while by far the highest rate is found in an agrarian region (type 1). The lowest unemployment rates for women are found in Bulgarian and Romanian agrarian (type 1) regions. The only possible explanation for this may be the very low number of economically active women in these counties and those who are economically active are likely to have a job. In general, the predominantly urban areas (type 0) show very low unemployment rates for women. The highest unemployment rate for women is found in the agrarian regions (type 1).

Focusing specifically on the distribution of the quartiles in relation to the total unemployment rate the gap between the second and the third quartiles indicates that there are outliers with a significant impact on the mean values for type 1 (agrarian) and 3 (diversified with a strong secondary sector) regions: the high values for the third quartile relative to the second quartile (median) gives a higher mean value. The same result is observed for the unemployment rate for persons aged 15-24 years and the unemployment rate for women. The mean values for the type 3 regions in particular are affected by outliers indicated by the significant gap between the second and third quartiles; the gap between the first and second quartiles is however relatively narrow for the unemployment rate for persons aged 15-24 years and the unemployment rate for women in type 3 regions.

With regard to unemployment among persons aged 15-24 years and women the regions classified as agrarian and diversified with a strong secondary sector have the highest unemployment rates. The regions classified as predominantly urban and diversified with strong market services show the lowest unemployment rates. Located in the middle are those the regions classified as consumption countryside. The fact that the regions classified as consumption countryside show markedly better performance in respect of unemployment can be explained by the transformation these regions have been undergoing in relation to diversifying their economic structures. The result is that the demand for labour reaches beyond traditional employment in agriculture and related areas in the consumption countryside regions. The rural regions that have failed to diversify their economic structures continue to struggle with higher unemployment, lower levels of skills and training, a lack of suitable employment opportunities especially for women and young people, lower levels of income, and a negative demographic situation. The general trend for the regions that failed to diversify was that unemployment rates fell after 1994, but from 2002 onwards they began to rise again, especially in Greece and Portugal. In 2003 the unemployment rate was just over 19% in Extremadura and Andalucía in Spain. Job growth in Italy during the second half of the 1990s and the first years of the 2000s did not manage to bring unemployment below the 25% mark in Calabria. Many Polish regions also experienced an unemployment rate at that level as did a number of Slovakian and Bulgarian regions (CEC, 2004). These findings were also reflected in the ESPON (2006) study. Many of the regions experiencing high levels of unemployment, both in the Mediterranean countries and in the New Member States, were agrarian or dependent on a declining industrial sector. The de-industrialisation process and the decline in low-skilled employment undoubtedly raised unemployment rates in these regions (ESPON, 2006).

6. Employment and the demand for labour

During the period 1980 to 2007 employment rates developed in a generally positive direction. The economic crisis which hit Europe in 2008-2009 however changed the demand for labour and hence significantly affected employment rates in rural areas. The absence of reliable and homogeneous employment data at a pan-European level however makes comparison and analysis between regions in different countries difficult. Due to the shortcomings in the data we have refrained from any analysis of employment patterns in rural areas.

The data availability on employment is, at best, meagre. The data contained in tables 4 and 5 is sourced from the national censuses in the 28 EU countries plus Iceland, Norway and Switzerland. The definitions of who, in 2001, is included in the labour force in the various national censuses tell a rather heterogeneous story thus limiting the possibilities for comparison between different countries. In order to enable such a comparison we have chosen to analyse the share of employed persons in the population aged 15+ years.

Table 4. Share of employed persons (%) in the working age population aged 15+ years, 2001

		Type 0	Type 1	Type 2	Type 3	Type 4
Mean		52.44	42.15	45.07	50.27	45.60
Median		51.50	41.73	44.60	50.45	46.46
Std. Deviation		12.77258	6.25480	9.15191	8.39469	8.41663
C.V.		0.243580	0.148328	0.203007	0.166922	0.184472
Minimum		22.90[a]	27.80[d]	23.10[c]	33.78	26.19
Maximum		95.00[b]	66.30	72.84	67.75	69.50
	1	43.40	38.325	38.30	43.55	39.00
Quartiles	2	51.50	41.729	44.60	50.45	46.4654
	3	59.10	45.293	51.75	56.98	50.6223

a. The region de600 has 0.0% of its population over 15 years employed which is unrealistic. The second lowest value has been used instead.

b. The region de262 has a share of employed persons over the age of 15 of 115.47%, which is questionable. The second highest value has been used instead.

c. The regions de21i and pt150 have a share of employed persons over the age of 15 of 0.0%, which is unlikely. The second lowest value has been used instead.

d. The region pt200 has 0.0% of its population over 15 years employed which is unrealistic. The second lowest value has been used instead.

Source: Own calculations from the ESPON/Tipse project data

The mean share of employed persons over the age of 15 years is found in the predominantly urban areas (type 0) followed by the diversified regions with a strong secondary sector (type 3). The agrarian regions (type 1) and the consumption countryside regions (type 2) are the types of regions with the lowest mean share of employed persons. The highest share of employed persons is found in predominantly urban regions followed by consumption countryside regions; the agrarian regions show a meagre performance. The lowest share of employed persons is found in the predominantly urban regions which are, in part, explained by the fact that many universities are located there. The consumption countryside regions have the second lowest share of employed persons. Again, the level of employed persons is relatively low in the agrarian regions.

In table 5 the share of employed women is shown. The highest mean share of women employed is found in the diversified regions with a strong secondary sector (type 3) while agrarian regions (type 1) display the lowest mean share of employed women; the consumption countryside regions are located somewhere in the middle. The predominantly urban regions (type 0) and agrarian regions (type1) have the two highest values for the share of employed women, while the consumption countryside regions have the second worst of the high value. The agrarian regions (type 1) display the lowest share of employed women with the consumption countryside regions located in the middle. The diversified regions with a strong secondary sector have the highest of the lowest share of employed women.

Table 5: Share of employed women (%) in the working age female population 15+ years, 2001

		Type 0	Type 1	Type 2	Type 3	Type 4
Mean		46.40	34.09	39.65	50.28	39.50
Median		45.40	34.10	39.81	50.45	39.18
Std. Deviation		13.20937	7.85633	8.71547	8.39469	7.29205
C.V.		0.284654	0.230425	0.219786	0.232335	0.184673
Minimum		22.90[a]	15.90[b]	18.00[c]	33.78	16.80
Maximum		87.50	70.90	66.90	67.75	65.20
	1	37.69	28.95	33.80	43.55	36.28
Quartiles	2	45.40	34.10	39.81	50.45	39.18
	3	52.18	38.45	44.98	56.98	43.22

a. The region de600 has 0.0% which is unrealistic. The second lowest value has been used.

b. The region pt200 has 0.0% which is unrealistic. The second lowest value has been used.

c. The regions de21i, nl342 and pt150 have a share of employed persons of 0.0%, which is unlikely. The second lowest value has been used.

Source: Own calculations from the ESPON/Tipse project data

It should however be borne in mind that the employment data analysed here does not display employment rates but rather the share of persons over the age of 15 who are employed. Nevertheless, the data indicates that agrarian regions do not display the same poor level of performance as in the analysis on unemployment. Just as in the analysis of unemployment the consumption countryside regions performed better than the agrarian regions. Again, this may indicate the benefits associated with the transformation from agrarian to consumption countryside region status.

7. Concluding remarks

Rural economies across Europe are regulated primarily by national policies but also by the global pressures of competition. Regulatory principles are forged, in the main, within national economic structures while the global economy involves interactions between national economies and their institutions (Lipietz, 1987). Thus structural changes (or the requirements for structural change) in rural areas can be explained by particular modes of production and policies at the national level. Economic performance in Europe's rural areas has also been strongly tied to developments related to EU's Common Agricultural Policy but is not necessarily a hostage of it (Potter and Tilzey, 2005; Horlings and Marsden, 2010). There is room to manoeuvre at the national level and successful rural development in terms of labour market policies should be understood in the context of the economic performance of each individual region. Key assets in rural areas are not related solely to localised issues, such as proximity to urban areas, but also to interactions throughout the globalised space (Terluin, 2003).

The structure of rural economies are derived from political processes, land reforms and economic processes that define what kind of opportunities they have to develop or, alternatively, the constraints they face (Woods, 2007). Therefore, it is evident that the notion of spatial specificity is required in order to understand and explain the dynamics of structural change in rural areas.

Compared to urban areas and rural areas adjacent to urban areas, more peripheral rural areas follow rather more diverse development paths (Murdoch, 2000). The employment structure in rural areas is normally limited because of the restricted size of regional labour markets (Kilkenny, 2008). These characteristics not only underline the significance of specialisation or *niche* production, i.e. the processes associated with the change from traditional agrarian region to consumption countryside, they also highlight the importance of the changing character of labour market institutions. Spatial selectivity not only explains how these dynamics are changing in rural areas but also how the state has the opportunity to distribute different policy measures to specific regions. In relation to agricultural production, these policy measures are far from being solely market-based. It is also clear that the various labour market incentives promoted in rural areas have not (thus far at least) taken fully into consideration the specific needs of regulated agricultural markets, or the challenges of creating a multifunctional focus for economic development in rural areas more generally.

Rural policy in all its forms must address rural regions according to their characteristics and state of development. Even if regionally differentiated policies can be created to promote and facilitate a more efficient labour market policy the crucial issue is not the level at which policies should be implemented. Rather than solving existing policy rigidities, the discovery and promotion of new, and more flexible solutions to the problems faced in rural labour markets is what is really required. There is clear need to get rid of a uniform policy structure for all rural regions, namely, policy based on national averages, as this is neither desirable nor effective (Kahila and Rauhut, 2009).

In a study on youth unemployment, Rauhut and Kahila (2012) argue that labour market policies are designed at the national level to solve the problems thrown up by the industrial economy. As such, the challenges posed by the emergence of the post-industrial service economy however cannot be effectively addressed by these policies. In this context the question thus emerges, how can these ineffectual policies be expected to solve the labour market problems faced by post-industrial rural labour markets?

Rural areas have for too long been viewed as rather homogenous areas depending primarily on agricultural production. This is especially so in relation to agrarian regions, where primary production is highly dependent on policy measures produced at both the national government and the EU level. These transfers, designed to maintain economic activity, however, have the perverse effect of hindering structural change by keeping the old economic structures and institutions alive (Potter and Tilzey 2005). Those rural regions that have already diversified and now include a strong secondary sector, a strong market-oriented service sector and, what has been termed here as ‘consumption countryside’, have been able to forge a role for themselves in advanced industrial networks and to profit from the spin-offs associated with advanced economic markets (Copus, 2011). This clearly illustrates that regional variations will continue to develop.

Many currently lagging rural areas have already entered a period of structural change in their economies; most no longer suffer from stagnant growth, depopulation and low investment levels (Ramsey, 2010; Shortall, 2010). The Barca report advocates a region-specific policy setting: economic structures and labour markets are connected to regional specificities. Functional labour market policy should facilitate the mobilisation of labour from weakening economic sectors to strengthening ones (Barca, 2009). Regional differentiation should thus be addressed in labour market policy while national level defined ‘alternative pathways’ for regions should also be investigated (Horlings and Marsden, 2010; Kahila and Rauhut, 2009).

Three conclusions can be made from the discussion in this paper: (1) Rural labour market policies should assist in the strengthening of rural labour market institutions, constructing economically appropriate labour legislation and reforming existing labour market regulations to promote greater labour market flexibility. The main challenge here is how best to match formal labour market legislation and practices with the informal nature of inter-personal relations in rural communities.

(2) The spread of secondary and tertiary employment to rural areas has been something of an inevitable process especially in the most accessible rural regions, where urban centres provide employment opportunities for the rural population. The expansion of these sectors has not however altered the need for a structural reform process in the primary sector, which has in general lost its significance across all rural regions. Indeed, in many regions the tertiary sector represents the only growing sector in the economy.

(3) It is inherently problematic to conceptualise rural areas on the basis of traditional stereotypes, which often focus on the dominant position of the primary sector in rural economic structures. Some rural regions still retain a primary sector as their main economic branch though other rural regions are now more dependent on tourism and the various recreation industries for job creation. In these rural regions economic activity is now to a much greater extent about consumption than about production. The rural regions in which the ‘consumption countryside’ label can be attached typically have a differentiated small scale infrastructure while their employment structure does not differ significantly from that of most urban regions. And, most important of all, their labour market institutions are efficient.

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