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## SOCIO-ECONOMIC GAP WITHIN THE EUROPEAN UNION

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### Abstract

*The article presents socio-economic development patterns in the European Union by analyzing sector economical agricultural indicators. The analysis is following a precise diagnostic of socio-economic development in the European Union.*

**Key words:** *sector; agriculture, rural*

The attention of the European Union regarding the socio-economic development in its territory quantifies by rural and regional programs initiation, programs that are monitored with a well-defined frequency, by analyzing several indicators.

### Socio-economic development in the European Union

In the European Union, rural areas (predominantly rural and intermediate regions, as per NUTS 2 classifications) represented 90% of the territory and 56% of the population in 2006. The corresponding shares for predominantly rural areas were 54% of the territory and 19% of the population. Rural areas are therefore particularly important in terms of territory.

### Socio-economic situation in rural areas

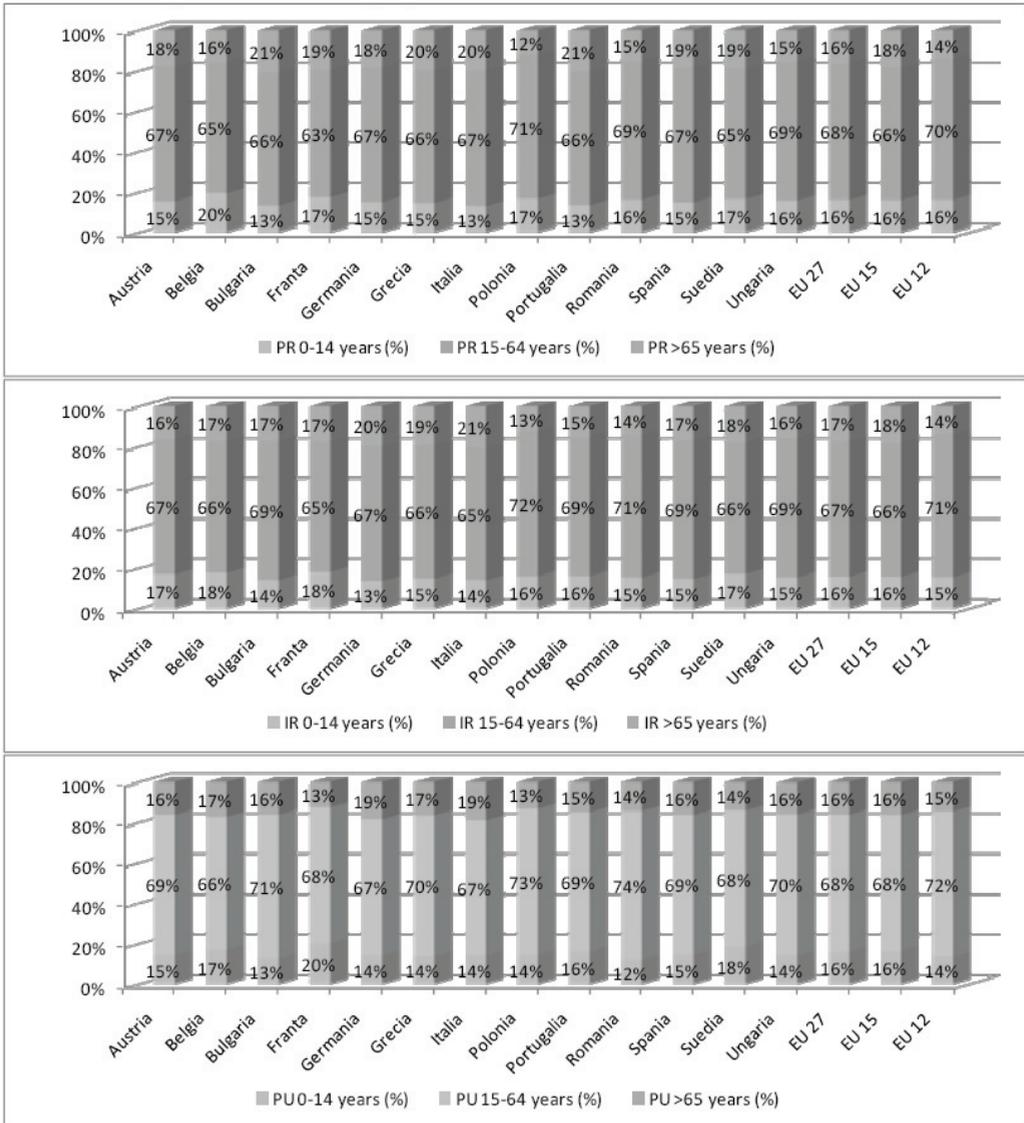
In most rural areas, a first characteristic is the low level of concentration of the population: at European Union level, population density varies from 41 inhabitants/km<sup>2</sup> in predominantly rural areas to 561 inhabitants/km<sup>2</sup> in predominantly urban areas.

At European Union level, the age structure of the population does not vary significantly between different types of areas, as shown in Table 1. However, the share of population between 15 and 64 years old is always significantly higher in urban areas and the proportion of old people (65 years old and more) is often slightly higher in predominantly rural areas. It seems that age structure is more influenced by differences in demography between Member States.

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Table 1: Age structure of population under NUTS 2 Classifications



(Source: Eurostat Database)

\*PR=predominantly rural, IR=intermediate rural, PU= predominantly urban

Income and inequality between regions but also between rural and urban have much to do.

Countries with low levels of economic development have relatively equal distributions of wealth. As a country develops, it acquires more capital, which leads to the owners of this capital having more wealth and income and introduce inequality.

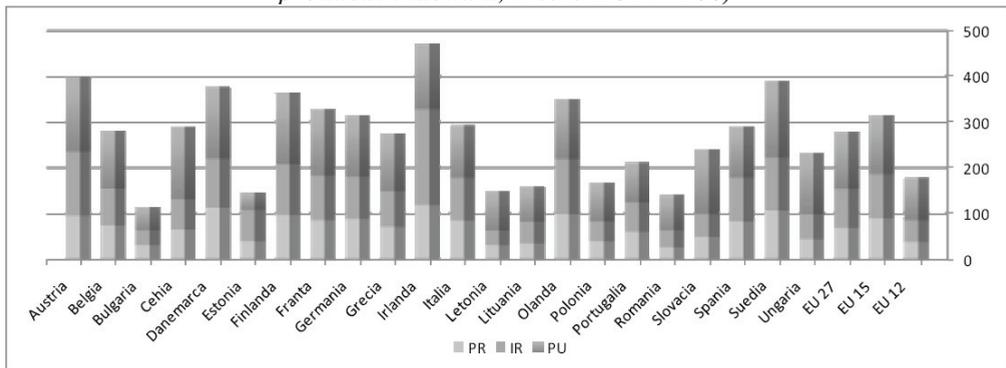
Population growth and technological change are often blamed for economic inequality.

Trade liberalization has had a measurable effect on the rising inequality between new and old EU member states. Increased trade with less developed countries and the fragmentation of the means of production resulted in low skilled jobs becoming more appealing.

At European Union level<sup>2</sup>, the income per habitant is 21% to 62% lower in rural areas and generally increases with a higher urban character, as shown in Table 2 presented below. In the new Member States where the general level of income is less than half of the EU-27 average, the gap between predominantly rural areas and predominantly urban areas is accentuated. However, while the relative income per inhabitant in rural areas of the EU12 remained globally unchanged between 1999-2005, it has slightly improved in rural areas of new Member States (for predominantly rural areas, the relative position increasing from 34% to 38% of the EU average and from 41% to 48% for intermediate regions).

The solution for limiting development gaps might rely on various possible redistribution mechanisms such as social welfare programs or more developed countries moving back to lower levels of inequality.

Table 2 Economic development in European Union member states (Gross domestic product/inhabitant, where EU27=100)



(Source: Eurostat Database)

The primary sector still represents 9% of the employment and only 3% of the gross value added in rural areas of EU-27. This situation is more marked in the new Member States, with the corresponding shares standing at 17% and 6% respectively. In general, even in rural areas, the majority of the economic activity depends more and more on the service sector. This trend should increase in the coming years as, between 2000 and 2006, the relative importance of the primary sector in the economy of the rural areas in EU-27 decreased by 4.2 percentage points in terms of

<sup>2</sup> General Directorate for Agriculture and Rural Development – “Rural development in the European Union” – Statistical and economic information, [http://ec.europa.eu/agriculture/rurdev/publi/index\\_en.html](http://ec.europa.eu/agriculture/rurdev/publi/index_en.html) accessed at April 2<sup>nd</sup> 2010, page 61

employment and by 1 percentage points in terms of value added.

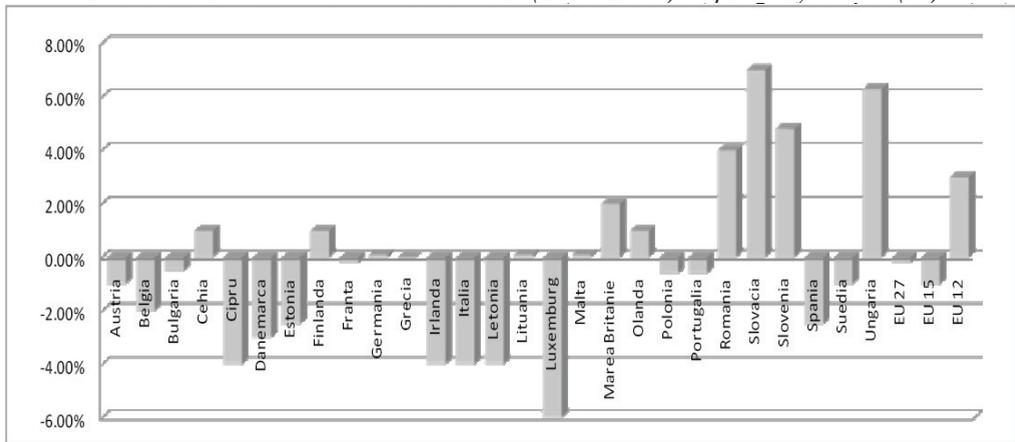
Although population growth is generally declining, it is unlikely that the majority of the rural population will be able to find adequate income and employment in the primary sector, in particular if education levels continue to rise.

The employment rate is slightly lower in rural areas for EU-27 as a whole (64.8% in predominantly rural areas against 66.5% for all areas in 2007). Development between 2000 and 2007 is different in new and old Member States. In EU-15, employment rate has generally increased more in rural areas than in urban areas, whereas in EU-12, rural areas are revealing lower increase of their employment rate or even a decrease (particularly significant in Romania). At EU-27 level, the unemployment rate (including long-term unemployment) is globally slightly higher in rural areas, but as for the employment rate, this is not observed in all Member States.

### Sector economic indicators

With around 12.9 mio. persons employed in 2006 in EU-27, the primary sector (agriculture, hunting and forestry) represented an important part of the EU economy in terms of employment: 6% for EU-27, ranging from 1% in United-Kingdom to 30% in Romania. In terms of gross value-added, the EU-27 primary sector reached around 179.5 bio Euros in 2006 and accounted for 1.7% of Gross Domestic Product, ranging from 0.4% in Luxemburg to 8.8% in Romania. Agriculture has always been a low-value-added low-income industry and for diminishing the economic gap between EU member states it is necessary to develop industry and services in rural areas.

Table 3: Gross value added evolution (2005-2006) in primary sector (%)



(Source: Eurostat Database)

The importance of primary sector in EU-27 is declining. Between 2000 and 2006, its share diminished by 1.2% in terms of employment and by 0.6% in terms of

gross value-added. The number of jobs decreased by 2.2% per year ranging from -9% in Poland and Romania to +4% in Luxembourg.

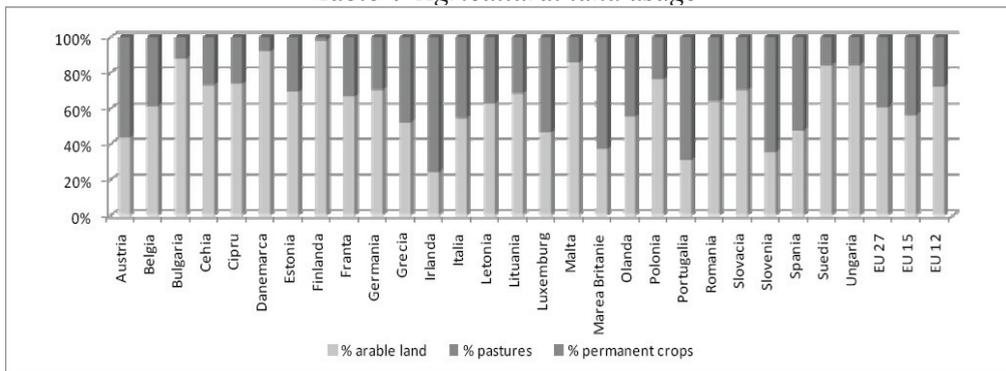
Urban areas have the advantage of economies of scale, while the terms of trade favour the urban areas as producers of industrial goods over the rural areas as producers of primary commodities.

### Agriculture

In 2007, agriculture utilized 172.5 mio. hectares in EU-27 of which 60.5% were dedicated to arable crops, 33% to permanent pastures and 6.4% to permanent crops. As the distribution depends mainly on natural conditions, there are major variations between Member States, as shown in Table 4.

In order to get to more clear results of the land usage, land multifunctionality and multipurpose land management strategies must be applied. The need to adapt land and landscape use to the new social, economic and ecological demands create different approaches for the primary sector between EU member states.

Table 4 Agricultural land usage



(Source: Eurostat Database)

There were 13.7 mio. farms in EU-27 in 2007, with an average size of 12.6 hectares, varying from 1 hectare in Malta to 89 hectares in Czech Republic. In general, farm sizes are higher than the average in EU-15 and lower in the new Member States (with the exception of Czech Republic). The total labor force in agriculture represents around 11.7 mio. annual work units for EU-27.

Seeing this, in order to diminish the gap between different EU regions, it is necessary that EU new members states focus on a broader spectrum of the rural economy (industry and services), not just on agriculture. The development of various non-farm activities offers great potential for creating additional rural jobs and hence for stimulating the further growth of rural economies. The establishment of rural-based industries, in particular, has often been very effective in creating new job opportunities and providing supplemental income. Diversified production and trade

activities have also offered rural communities better employment prospects and accordingly more stable growth of their economies, as seen in the more developed countries in the EU Region.

## Conclusions

From the indicator based analysis perspective, we can observe a high disparity between European Union New Member states compared to older Member States. A cohesion policy tends to diminish the gap between different regions, more precisely between less-favored regions and affluent ones. Financial solidarity and economic integration are main objectives for the EU future strategies.

Rapid economic development, income disparity between individual residents in various geographic areas have been continuously widening gap between urban and rural areas in particular.

Rural development programs initiated at European Union level are following to limit the disparity of socio-economic development between Member States and the life improvement in rural areas.

EU funds granted to new member states seem the right solution at the moment because it can lead to the industrialization and to the decrease of primary sector employment. However, the full absorption and efficient use of the EU Cohesion and Rural Development funds can create the premises for employment increase and diversification in the rural area. Funds are seen as an opportunity for the development of agriculture and of the rural area, as it might contribute to the increase of output, income and employment.

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