

Evaluation of the Employment Effects of the Rural development under the regulation 1257/99 in comparison with CAP-compensatory allowances and premiums

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Abstract

The impact of the Common Agricultural Policy (CAP-regime) on the farm holdings (and the family labour force) has been ambiguous since its establishment in the 1950ies. On the one hand the market orientated funding policy focused on incentive to raise productivity and speed up the movement out of agriculture. On the other hand, particularly since CAP reform in 1992 it softens the driving out forces by accompanying, (agro) structural funding policies.

The shift from price-regulation towards direct payments with the CAP-reform 1992 has marked the beginning of a new era. The fact that direct payment support rather people than products is a strong point in favour of the argument that in theory and practice they have a strong impact on farm labour. This shift therefore clearly indicates the employment effect of the CAP-regime. The council regulation No 1257/1999 underlined this new approach. It made the rural development the second pillar of CAP. Rural development policy should henceforth contribute more directly to the maintenance and creation of employment in the Rural Areas.

An analysis of the termini used in the text of the regulation shows that the employment issue is mentioned most explicitly in connection with the instruments for "Less favoured areas", "Modernisation of agriculture", "and "Rural development measures". Less weight is given to the measures "Agri-environment", "Processing and marketing", "Forestry" and "Vocational training".

The priorities of action formulated in the RDP in Austria do not translate the framework of the regulation into a coherent cross-sectoral employment aim. The programming is overwhelmingly orientated towards the prime-sector. The main impact of the RDP in Austria lies therefore on the family holdings and on preserving the labour force there. 134.117 family-holdings are participating in at least one of the measures. Less or no decisive impact is made however on the creation of new jobs.

The RD subsidies contribute significantly to the incomes of the agricultural and forestry holdings in Austria. The share ranges between 49 % (market crops holdings) and 86 % (extreme mountain farmers) of the total subsidies per holding.

The empirical results of an analysis and assessment of the allocation of the RD indicate that in absolute figures the highest inflow of the Rural Development funds go to the big market-crop holdings due to high agri-environmental payments. This unequal distribution is strengthened by the heavy funding under the CAP-payments title they got.

Mountain farmers and particularly those with extreme handicaps receive support above the average but cannot reach the support level of the big market crops farm holdings in favoured areas. This result is accentuated by the higher family labour force.

Keywords: Common Agricultural Policy, Rural development, effects on employment/workforce, effects of subsidies, Austria

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1 Introduction

During the last decades the employment aspect of agricultural policy was a non-issue. All efforts were made to increase the quantitative output of foodstuff. The post-war period has been characterised by rapid industrialisation and modernisation of the sector in general and farm holdings in particular. These developments have been accompanied by a substantial loss of labour force in agriculture, which resulted in a sharp decrease of agricultural employment. In the past 25 years the European farm labour has fallen from 13 million to just 7 million. It is hard to justify spending half the EU budget on CAP, when less than 5 per cent of the workforce is employed in agriculture.

The continuous move from agriculture and forestry to manufacturing, trade, services and public sector activities lead to the situation where less than 5 percent of active population is engaged in agriculture in industrialised countries. This decrease of the economic performance of agriculture may be seen even more pronounced with its shrinking contribution to GDP. Even in the most rurally structured regions agricultural employment hardly exceeds 20 per cent in Europe and 10 percent in Austria (Dax 2003).

With the tightening of labour markets during the 1980s and 1990s the former somewhat smooth adjustment through the high rate of disposal of labour to other sectors has become more harsh. The absorption capacity of agricultural downstream branches and other sectors of the rural and urban economies have been exhausted. Therefore the employment-potential of the sector has been “re-discovered”.

For decades agricultural policy did not emphasize its interrelations to other sectors and services to the rural economy. On the contrary within and through the CAP the EU has developed a far-reaching support system – at the moment still nearly half the EU-budget is spent for agriculture. Beginning with the CAP reform 1992, prolonged and strengthened by the Agenda 2000 and the decoupled “single farm payments” there has been a shift from price regulation to direct payments. Actually, the direct payments are an essential part of farm income and therefore indirectly linked to the workforce.

Since about one decade the need for an integrated policy approach for rural areas has been acknowledged in Structural Funds policies and Agricultural Policy, too. However, the question of employment has mostly been addressed as indicators for Structural Funds programmes and has not been included into the assessment of CAP itself. With the result of the Amsterdam summit in 1997 there exists an “employment-objective”, which was repeated in the draft of the European constitution.

More and more the impact on the workforce of farm units of different farming practices by agricultural support is questioned. It can be assumed that different kind of measures will have different effects on labour and capital input. Thus, with employment objectives gaining weight in the framework of EU policy it is essential to sort out those agricultural measures having a positive impact from those with no substantial impact on employment.

Although there is profound interest assessing the impact of the CAP and its policy measures on farm labour less expertise exists about this. The cross-cutting question: “To what extent has the programme been conducive to securing employment both on and off holdings” was evaluated in the Mid-Term-Review of the Austrian RDP (Tamme 2004)². The explanations may contribute to close the existing scientific gap and aim to start further research and discussion.

² This paper draws on the results of the evaluation of this cross cutting question (Oliver Tamme 2004).

2 The CAP-regime and employment

The main elements of the CAP were determined by the circumstances surrounding its introduction in the late 1950s. The Treaty of Rome provided for a common agricultural policy that would: 1) guarantee food supplies at stable and reasonable prices; 2) ensure a fair standard of living for farmers, and 3) improve agricultural productivity through technical progress and develop more rational production systems that would employ resources (one of them: labour) more efficiently.

From the beginning of the CAP this has put the pressure overwhelmingly on the labour input and down-grade consequently the potential use of labour force in the holdings. Since then 6 million of farmers have quit the sector. Nowadays in some areas the perspectives for the preservation of typical landscape elements include scenarios with a marginalised countryside hardly being managed by farmers anymore.

During its more than 40 years, the CAP has achieved much towards its original objectives. Those successes and other changes in agricultural, political and other circumstances have changed fundamentally the nature of EU agricultural policy deliberations. Most important has been a technological revolution that greatly increased production. Ample EU food supplies have been assured. However, because CAP mechanism generally controlled prices, chronic surpluses also have resulted. Structural surpluses led to significantly changed political circumstances as budget costs increased rapidly and international conflicts arose with other agricultural exporters.

The technological revolution also has brought specialization and concentration in EU agriculture, and four decades of general economic growth have greatly reduced the role of agriculture in overall EU income and employment. Collectively, these changes have eliminated the post war "peasant" character of EU agriculture in most regions.

The portion of agriculture in total EU income and employment has declined dramatically since the inception of the CAP. The farm population has declined on an average of 3 percent annually since 1968, all over the EU and the decline has been even more rapid in recent years, 4,5 percent annually from 1986 to 1996. At the same time agriculture's contribution to GDP also has continued to decline, faster than employment (in percentage terms). EU agriculture employed just over 5.1 percent of the EU-15 work force in 1996, but accounted for only 1.7 percent of GDP. Nonetheless, EU farm household incomes, including agricultural subsidies and income from non-agricultural activities, have been raised to parity or better in relation to non-farm incomes in almost all EU countries, increased off-farm employment has played an important role, but the contribution of transfers associated with the CAP remains decisive.

With the treaty of Amsterdam employment objectives have gained weight in the framework of EU policy. Contradicting to these goals the whole framework and the specific guidelines of CAP (after Agenda 2000) remained overwhelmingly production-based, linked to the land or livestock factors or area related calculation. Even the single decoupled farm income payment from 2005 onwards based on this historic reference quantities.

Actually, the impact of the CAP on the holdings and the family labour force is mixed. On the one hand the market oriented funding policy set incentives in order to raise productivity and speed up the movement out of agriculture. An important side-effect has been the rise of on farm income per head. This policy was at first based on internal (fixed) prices for unlimited quantities of many farm product regimes and, after 1992, by shifting it to more direct producer support prolonged the high level of sector support. This policy, illustrated by the fact, that about 70 per cent of CAP money goes to 20 per cent of the largest farms in Europe, whereas small farmers account for nearly 40 per cent of EU farms, yet receive only 8 per cent of subsidies, favours indeed the most productive regions and farms (CAFOD 2004).

On the other hand, it softens the driving-out forces by accompanying, (agro)structural funding policies. These policies contribute to keep the number of agricultural holdings (mainly in less-favoured areas) on a level well above the potential effect without such action. As a consequence the actual rural development framework as successor of the agro-structural accompanying measures reduces only the damaging effect of a hypothetically free market regime.

3 Assessment of council regulation 1257/99 regarding its employment relevance

The Agenda 2000 established rural development as the second pillar of the CAP. In the definition of the EU rural development is branded as a major challenge for the future and suggests three main objectives for a rural development policy at EU level. It facilitates the structural adjustment of the farm sector, favours the integration of environmental concerns into agricultural activities, and promotes the diversification of on- and off – farm activities. The regulation brings all relevant existing measures into one policy framework and makes them available – at least in principle – in all rural areas of the EU (horizontal measures) (EC 2002).

Integral part of the regulation is the monitoring of rural development programme implementation and an evaluation of the measures. Programming of the rural development included also an assessment of the expected economic, environmental and social impact, including employment effects. This may prove as evidence, that the potential effects on farm labour have been taken into account from the very beginning of the program.

Part of the evaluation was an analyse and assessment of the council regulation No 1257/1999 *“on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations”* according to mentioned “employment”- cross references that has been made (Tamme 2004).

The initial consideration describes that rural development policy (beside other aims) should contribute to the maintenance and creation of employment in those areas.

Even if the term employment is often not mentioned explicitly there are a lot of indirect references given to the issue. Table 1 sums up the relevant phrases and terminology to be found in the regulation which may be interpreted as items most clearly focused on the employment aspect.

Table 1: References to “employment” in regulation 1257/1999

Priority areas/measures of the program	Phrases in reference to "employment" ¹⁾
Modernisation of agriculture	"ensure a fair income and living conditions for farmers and their families" (17), "modernise agricultural holdings, improve viability" (18) "facilitate the establishment (of young farmers)" (19), "reduce production costs" (II/4) "improvement of agricultural incomes" (II/4), "promote the diversification of farm activities"
Early Retirement	<i>not implemented in Austria</i>
Vocational training	(help to initiate) "appropriate level of general, technical and economic training" (20)
Less favoured areas	"maintaining the countryside" (24) "help to maintain and promote low-input farming system" (I/1), "ensure continued agricultural land use", "maintenance of a viable rural community" (V/13) "appreciable increase in the cost of working" (V/18) "low or dwindling population dependent on agricultural activity" (V/19)
Agri-environment	"support for agricultural production methods designed to protect the environment and to maintain the countryside" (VI/22) "additional costs, income foregone from the commitment given (VI/ 24)
Processing and marketing	"facilitate the improvement and rationalisation of processing and marketing, contribute to added value" (VII/25)
Forestry	"investment to improve and rationalise the harvesting, processing and marketing of forestry products" (VIII/30) "promotion of new outlets for the use and marketing of forestry products" (VIII/30)
Rural development	"basic services for the rural economy and population" (IX/33) "development and improvement of infrastructure" (IX/33) "conversion of farming activities in non-agricultural activities", "reverse the trend towards the economic and social decline and depopulation of the countryside" (40), "maintenance and creation of employment with the aim of ensuring a better exploitation of existing inherent potential" (I, 2)

¹ the following phrases are drawn from the council regulation (EC) No 1257/1999,

Source: European Commission 1999

An analysis of the termini used in the text of the regulation shows, that the employment issue is mentioned most explicitly in connection with the measure "Less favoured areas", "Modernisation of agriculture", "and "Rural development measures". Less weight is given to the measures "Agri-environment", "Processing and marketing", "Forestry" and "Vocational training".

4 Farm structure and farm labour force in Austria

The agricultural employment on the national average in Austria is already quite low (1997: 4.5%) and new opportunities are vital to the viability of remote communities. The share on the GDP is 1.4% (1997). The large majority of farm labour force in Austria is family labour force. Only a small share is regular non family labour force. This situation is specific for Austria (BMLFUW 2003).

The majority of agricultural holdings in Austria are running by farm families and of small/medium size (51% of holdings: 0-10 ha; 41.3%: 10-50 ha).

Pluriactivity, based on agricultural and non-agricultural activities is the reality of the Austrian agriculture: 66 % are part-time farms with predominant non farm income. Only about 78.000 farms are full-time farms.

According to the last survey of the structure of agricultural holdings (1999) there are about 217 508 agricultural and forestry holdings (down from 239.099 1995) (Table 2), which manage all in all about 80 per cent of the federal territory.

After the accession to the EU in 1995 the structural adjustment has speed up significantly (see table Table 2). Even if the latest figure after implementation of the RD-programme is not available, it is remarkable that the categories with higher production difficulties (and more labour force) remain more intact than the other. This indeed may be an effect of efforts in Austria being made to preserve the mountain farmers through the mountain farmers special programme before the entry to the EU (Hovorka 1998). This special mountain area policy has been adapted after the accession within the framework of the Rural Development programme.

Table 2: Agricultural and forestry holdings in Austria

Category	number		down absolute	down by %
	1995	1999		
CPD 1 ¹⁾	28.744	26.690	2.054	7,2
CPD 2	24.715	23.226	1.489	6,0
CPD 3	30.466	29.123	1.343	4,4
CPD 4	6.581	6.380	201	3,0
without PD	148.593	132.089	16.504	11,1
LFA (incl. MA) ²⁾	164.748	153.104	11.644	7,1
MA ²⁾	120.085	112.068	8.017	6,7
Austria	239.099	217.508	21.591	9,0

¹⁾ Category - minor (1), medium (2), major (3), extreme (4) of Production Difficulties

²⁾ LFA: Less Favoured Areas, MA: Mountainous Areas

Source: Agrarstrukturerhebung 1999, Statistik Austria 2001

The last farm survey 1999 took evidence of 168.968 family labour force measured by standardized units (AWU) working in the sector (see Table 3). This figure had dropped significantly since 1995. The large majority worked only part-time.

On an average the family labour force per holding in Austria amounts at 0.81. The range is between 0.71 and 0.97. It is reflected by the site specific production difficulties (the proportion of agricultural area of the holding that has a gradient of at least 25%, climatic conditions etc.) the size (UAA) and the farm-type. Keeping of dairy cows on steep meadows therefore needs the highest labour-input (apart from horticultural and permanent crops). Mountain-

farming with extreme production difficulties (3+4) is extreme labour intensive. On the contrary the highly rationalized crop production in favoured areas (without PD) needs far less work, which is actually only partly reflected in the data.

Table 3: Family labour force (FLF) in AWU for selected categories 1999

category	Family labour force	Holdings of natural persons	FLF per holding
CPD 1 ²⁾	26,020	26,690	0.97
CPD 2	22,003	23,226	0.95
CPD 3	27,547	29,123	0.95
CPD 4	5,449	6,380	0.85
without PD	87,950	124,291	0.71
LFA (incl. MA) ³⁾	116,090	146,577	0.79
MA	86,438	106,116	0.81
Austria	168,968	209.710	0.81

¹⁾ Category - minor (1), medium (2), major (3), extreme (4) of Production Difficulties

³⁾ LFA: Less Favoured Areas, MA: Mountainous Areas

⁴⁾ predominant standard gross margin

Source: Agrarstrukturerhebung 1999, Statistik Austria, own calculations;

5 Implementation of the Rural development programme in Austria

Rural areas have always been a topic of prime importance in Austria's spatial development policy. Due to its low population density Austria is a rurally structured country. Austria has a population of 8 million citizens. According to the OECD classification about 42% of the population are living in predominantly rural areas. Between 1991 and 2001 the share of people living in the areas defined as "predominantly rural" has increased by 0,4 %. However, this population rise is only partly reflected in the values of job statistics-the situation on this field is more inconclusive. The most remarkable is the slumping share of people working in agriculture. Between 1981 and 2001 it dropped from 18% to 9% (Dax 2003).

The majority of rural areas are fully integrated into Austrian society and the economy, making them attractive places to live and work. The natural handicaps to agriculture in much of Austria have caused environmental problems through either abandonment of land or over-intensive farming. The remoteness of some areas is a barrier to new economic developments and co-operative initiatives in marketing farm produce. The infrastructure costs of maintaining rural communities are high (EC 2000).

The rural development programme for Austria aims to promote a competitive and environmentally sustainable agricultural sector, while maintaining the importance of family farms. Three sets of objectives are defined: compensation for special services by farmers, preservation of assets with regard to the maintenance of holdings, and improving competitiveness (EC 2000).

From the overall objective of the maintenance of an agricultural and forestry sector based on environmental principles and small family farms" may be concluded that the programme as a whole has an intention in favour of farm employment".

The expansion of opportunities for combining jobs between agriculture and other commercial sectors" as described as operational objective might be a further indication for embedding the sector through the programme in the rural and regional cross-sector economy, although this assumption is not supported by the praxis of the programme.

5.1 Funding of RD in Austria

The total public cost of the programme for the years 2000-2006 is 6.896,074 million Euro, including an EU contribution of 3.208,10 million Euro from the European Agricultural Guidance and Guarantee Fund, Guarantee Section (EAGGF/Guarantee)³. The programme covers the whole territory of Austria. However, it does not include the measures co-financed by the EAGGF/Guidance in Objective 1 regions of the Structural Funds, which includes the Austrian region of Burgenland.

Table 1: Financial allocation per priority (in million euro) 2000-2006

³ In terms of budget expenditure, the weight of the traditional market and income support remains overwhelming as compared to the budget foreseen for rural development. In Austria (annual CAP-payments between 500-600 Mio. €) the proportion between these headings is more balanced in comparison to the EU in general.

Priority areas/measures of the program	Total public expenditure	From which EU contribution/EAGGF	Financial weight in %
Modernisation of agriculture	421.27	178.07	6.19
Vocational training	61.04	25.30	0.88
Less favoured Areas	1,841.19	704.34	24.49
Agri-environment	3,510.86	1,725.42	59.99
Processing and marketing	107.57	43.31	1.51
Forestry	170.75	70.15	2.43
Rural development	312.55	129.53	4.50
Gesamt	6,425.23	2,876.12	100.00

Source: http://europa.eu.int/comm/agriculture/publi/review00/full_en.pdf; own calculations

Given the financial weight of the measures the priority is laid on the two measures – the Austrian agri-environmental programme-ÖPUL and the compensatory allowance applied in the less favoured areas. Almost 85 percent of the financial weight is going to these measures.

5.2 Description of RD-measures

The programme has 7 priorities along the according measures (BMLFUW 2003, EC 2000).

Priority 1: Modernising agriculture

Investment aid represents a key element to improve competitiveness and to ensure well-functioning agricultural structures. The co-financed investment programme has contributed considerably to the maintenance of the substance of the participating farms. It effects in particular the improvement of liquidity and profitability as well as, via the lowering of risk, rationalisation and development steps in the segment of agricultural production otherwise impossible.

Investment aid is available for non-residential buildings and on-farm technical facilities, such as machinery, constructional facilities (e.g. livestock-housing), roads, biomass plant and food preparation/processing equipment. So far, the predominant portion of the funds spent has been used for investments concerning the construction of stables.

The installation premium for young farmers is requested in the form of a single payment upon the taking over of the agricultural holding and represents an additional aid granted to young farmers.

Priority 2: Vocational training

Training is available for agricultural or forestry related skills, such as increasing product quality, diversification and technical skills. The funds spent so far have mainly been used for education and training projects (farm management), higher qualification, and special programmes.

Priority 3: Less Favoured Areas and areas with environmental restrictions

The maintenance of mountain farming is vital both for the areas of living and the economic areas of mountain areas. The compensation payments are based on area, land type, holding type and the level of natural handicap. According to the objectives and the design of the compensatory allowance, in the case of the mountain farms the average amount of support granted rises remarkably with increasing severity of disadvantages and handicaps (and with the required labour input).

Priority 4: Agri-environment measures

As opposed to environmental programmes in some other EU countries the Austrian Agri-Environmental Programme pursues an integral, horizontal approach. About 136.000 holdings, which are almost 75 % of all agricultural and forestry holdings, with an area of about 2,25 million hectares, which are about 88% of the utilised agricultural area, participate in the Austrian programme. Since Austria's accession to the EU the Austrian Agri-Environmental Programme ÖPUL has become the most important subsidy programme for the Austrian agriculture. It offers for the participating holdings an important income contribution

New measures are targeted more at whole farms than individual areas and are based on five different types of action: a basis measure, extensification, preserving landscapes and traditional farming methods, soil and water protection, and project-linked measures on individual plots.

Priority 5: Processing and marketing

The subsidisation of processing and marketing activities aims at strengthening the competitiveness of the food and raw material processing industries in Austria. As a result of the expansion of the storage, marketing and processing capacities, the optimal harmonisation of the individual steps of treatment and processing, the improvement of the extent of utilisation, the optimisation of logistics and process innovations the production and cost structures have been further improved.

Project-linked equipment and real estate support is eligible for investment aid, providing evidence is given of the economic benefit to primary product producers through price and delivery contracts.

Priority 6: Forestry

In Austria the share of forests in the total area amounts to about 47%. In particular in the Alpine region settlement could not be developed without the protective function of forests cannot be settled. Therefore not only economic measures, measures in the field of agricultural policy, and integrated policy measures, but also forestry measures have high priority in Austria.

This priority allocates aid solely to privately owned forests. Measures include afforestation and initiatives to preserve and enhance the economic, ecological and social value of forests.

Priority 7: Rural development

The promotion of the adaptation and development of rural areas comprises a wide range of subsidy instruments, which aim at safeguarding and improving the vitality of rural areas. The primary goal is to open up, by means of Article 33 measures, new opportunities for additional sources of income and types of pluriactivity of agricultural activities and close-to-agriculture activities in the trade and the service sectors, as well as to safeguard existing jobs and to create new employment opportunities in rural areas.

5.2.1 Assessment of the RD-measures

A first descriptive assessment of the measures concludes that the main impact lies on the family holdings and on preserving the labour force there. The keeping on the farm through the RD is achieved successfully. 134.117 farm managers are participating in at least one of the measures. Less or no decisive impact is made however on the creation of new jobs (see Table 4).

- From the point of view of creating and keeping employment in the prime sector the investment aid is a core part because of its maintenance effect.
- The vocational training has twice an effect in favour of employment. First this measure offers working possibilities for the employed staff, secondly more indirect and in the long run it aims at improving the performance of the participating farmers, thereby leading to more sustainable farm management.
- Processing and marketing has a double effect on the gainfully employed persons within the foodstuff-industry on the one hand and the farm holdings on the other hand.
- Even if the Austrian ÖPUL, the agri-environmental programme has its focus on a shift towards more environmental sound farming and recognition of such methods, its side-effect on security appropriate income to farmers might add to the greatest employment effect.
- The compensatory allowances for less-favoured areas promote farms with natural handicaps which resulted in significant higher labour costs. Without the income-distribution the mountain farming and the permanent settlement of some mountainous areas or peripheral locations would have been under threat in Austria.
- Due to the specific Austrian structure mixed agricultural and forestry holdings are common. The promoted establishment of associations of forest holders in order to improve the management may be an example of effective creation of new jobs.
- The different measures, which are subsumed under the title of “adaptation and development of rural areas” link more than other measures for the rural, regional economy and their employment potential for the farm sector.

Summing up, the evaluation shows that there is a strong evidence of direct and indirect positive impact on farm-employment by specific measures, it must be noted that the priorities of action in the program do not include a coherent cross-sectoral employment aim. The programming is overwhelmingly orientated towards the prime-sector.

Table 4: employment effects of Rural Development Programme

Measures	EAGGF	Financial weight in %	Participating holdings 2000-2002	Family holdings	Downstream-industry	Cross-sectoral
Modernisation of agriculture	178.07	6.19	15,771	✓		
Vocational training	25.30	0.88	12,238	✓		
Less favoured Areas	704.34	24.49	115,605 ¹⁾	✓		
Agri-environment	1,725.42	59.99	136,200 ²⁾	✓		
Processing and marketing	43.31	1.51	224 ³⁾		✓	
Forestry	70.15	2.43	30,708 ⁴⁾	✓		
Rural development	129.53	4.50	2,574	✓		✓
	2.876.12	100.00	134,117⁵⁾			

¹⁾ figure for 2002

²⁾ figure for 2003

³⁾ figure for 2000-2006 - amount of projects;

⁴⁾ estimate

⁵⁾ amount of participating farm-managers (only natural persons) 2002;

✓ Impact is given

Source: Tamme 2004

5.3 Employment effects of RD

The fact that direct payments support rather people (and their labour craft) than products is a strong point in favour of the argument that in theory and practice they have a strong impact on farm labour. The employment effect of the CAP-regime is evident.

The following figure from the representative Austrian sampling of farm accounts (LBG) offers the possibility to assess the income effect of the RD in comparison with the CAP-compensation payments and premiums distributed among family labour force.

The RD subsidies contribute significantly to the incomes of the agricultural and forestry holdings in Austria. The share ranges between 49 % (market crops holdings) and 86 % (extreme mountain farmers) of the total subsidies per holding.

The highest inflow of the RD goes to the big market-crop holdings (MCR-Holdings 4th quarter) due to the high share of agri-environmental subsidies⁴ to this farm type (see Table 5). This unequal distribution is strengthened by the heavy funding under the CAP-payments title they got.

Mountain farmers and Mountain farmers with extreme handicaps (CDP 4) are well above the Austrian average of rural development funds but cannot reach the peak level of the large market crops farm type in favoured areas. This result is accentuated by the high family labour force (see subsidies per family labour force).

Table 5: Public support measures 2002 in € for selected farm types

⁴ Within ÖPUL 2000 very diverse extensification grades and measures are subsumed. It must be mentioned, that the high quality measures (such as organic farming, keeping the cultivated landscape on sloping sites open etc.) are far more applied for mountain farmers than for non-mountain-farmers.

Measures	Austria	in %	MF ¹⁾	in %	CPD 4 ²⁾	In %	NonMF ³⁾	In %
Agri-environmental	5,991	38.7	6,164	37.5	6,418	36.8	5,839	40.0
Compensatory allow- ances	2,378	15.3	4,331	26.3	6,794	39.0	675	4.6
Forestry	41	0.3	62	0.4	-	-	23	0.2
Investment aid	1,298	8.4	1,650	10.0	1,313	7.5	991	6.8
Other subsidies	205	1.3	201	1.2	500	2.9	209	1.4
Rural development ⁴⁾	9,914		12,408		15,025		7,737	
CAP-payments	5,581	36.0	4,048	24.6	2,396	13.8	6,917	47.2
Subsidies per holding	15,495	100.0	16,456	100.0	17,421	100.0	14,654	100.0
Subsidies per family labour force (FAK)	9,933		9,737		11,312		10,176	

¹⁾ Mountain-farmers

²⁾ Category of (mountain farmers with) Production Difficulties 4

³⁾ Non-Mountain-farmers

⁴⁾ without vocational training, processing and marketing;

Source: representative sampling of Austrian farm accounts (LBG), own calculations;

Table 5 Continuation

Measures	MCr- hold- ings ¹⁾	in %	MCr- Holdings 4 th quarter	in %	FGr- Holdings ²⁾	In %	FGr- Holdings 4 th quarter	In %
Agri-environmental	9,360	42.9	15,627	46.3	5,501	37.2	8,247	36.2
Compensatory allow- ances	487	2.2	523	1.5	3,083	20.8	4,282	18.8
Forestry	21	0.01	-	-	41	0.3	-	-
Investment aid	602	2.8	1,158	3.4	1,503	10.2	3,843	16.9
Other subsidies	302	1.4	553	1.6	124	0.8	162	1.3
Rural development ³⁾	10,772		17,861		10,251		16,534	
CAP-payments	11,038	50.6	15,894	47.1	4,554	30.8	6,222	27.3
Subsidies per holding	21,810	100.0	33,755	100.0	14,805	100.0	22,756	100.0
Subsidies per family labour force (FAK)	18,175		24,284		8,708		12,435	

¹⁾ Market-Crops-holdings

²⁾ Forage growing holdings

³⁾ without vocational training, processing and marketing;

Source: representative sampling of Austrian farm accounts (LBG), own calculations;

It is remarkable that the structure of the RD for the different farm types is highly diverse. For the mountain farmers and the extreme mountain farmers the contribution of the compensatory allowances is considerable, up to 40 % for mountain farmers with extreme handicaps. But simultaneously mountain farmers and forage growing holdings in general can profit far less by the CAP-payments—an effect of the CAP-regime, which subsidizes some products others not: e.g. grass land meadows and arable feed crops were not grant-aided.

This situation and the very unequal distribution will be perpetuated through the introduced “single farm payments” and its application in Austria. The regional implementation option (with uniform per-hectare entitlements), which would have offered the possibility to balance the disparities between different farm types was in Austria not applied.

6 Conclusions

The impact of the Common Agricultural Policy (CAP-regime) on the agricultural holdings (and the family labour force) has been ambiguous since its establishment in the 1950s. On the one hand the market orientated funding policy focused on incentive to raise productivity and speed up the movement out of agriculture. On the other hand, particularly since CAP reform in 1992 it softens the driving out forces by accompanying, (agro) structural funding policies.

The shift from price-regulation towards direct payments with the CAP-reform 1992 has marked the beginning of a new era. The fact that direct payment support rather people than products is a strong point in favour of the argument that in theory and practice they have a strong impact on farm labour. This shift therefore clearly indicates the employment effect of the CAP-regime.

The council regulation No 1257/1999 underlined this new approach. It establishes the rural development as the second pillar of CAP. Rural development policy should henceforth contribute more directly to the maintenance and creation of employment in the Rural Areas.

An analysis of the termini used in the text of the regulation shows that the employment issue is mentioned most explicitly in connection with the instruments for "Less favoured areas", "Modernisation of agriculture", "and "Rural development measures". Less weight is given to the measures "Agri-environment", "Processing and marketing", "Forestry" and "Vocational training".

The RD subsidies contribute significantly to the incomes of the agricultural and forestry holdings in Austria. The share ranges between 49 % (market crops holdings) and 86 % (extreme mountain farmers) of the total subsidies per holding.

The empirical results of an analysis and assessment of the allocation of the RD indicate however, that in absolute figures the highest inflow of the Rural Development funds go to the big market-crop holdings due to high agri-environmental payments. This unequal distribution is strengthened by the heavy funding under the CAP-payments title they got.

Mountain farmers and particularly those with extreme handicaps receive support above the average but cannot reach the support level of the big market crops farmers in favoured areas. If the CAP-payments are added the distance is growing even more. This result is accentuated by the higher family labour force.

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