

STRATEGIES FOR EMPLOYMENT INCENTIVES IN THE COMMON AGRICULTURAL POLICY



Strategies for employment incentives in the Common Agricultural Policy (CAP)

The markedly reduced implementation of the European agricultural policy towards acreage subsidies has resulted in social and economical imbalances. Up to the present time, there has been an absence of strategies concerning socially justified and employment-related policy design.

Consequently, union social partners from five European countries have come together to discuss and analyse an approach to the restoration of agricultural subsidies in cooperation with

farmers, representatives of agricultural organisations, and scientists.

Over a period of a single year, this project, "Strategies for employment incentives in the Common Agricultural Policy," has been undertaken within the EU programme, "Progress." The project's goals originate from a very current event: CAP reform is a significant component of the 2013 EU agenda. The current propositions by the European Commission emphasise the promotion of employment in rural areas and the implementation of social standards. The requirement is directly connected to a fair distribution of direct payments among different types of farms.

Backgrounds: The EU's conventional agricultural approaches are insufficient for safeguarding employment and labour

The EU's conventional policy already includes the indirect promotion of measures for safeguarding employment in agriculture and rural areas such as rural renewal, encouragement in the establishment of businesses, and diversification in rural areas. By means of agricultural investment subsidies, employment can be secured on affected farms, although the trends toward structural change and job losses within agriculture have been accelerated.

The discussion concerning CAP reform focuses upon either the balancing of payments between member states or promotion of public goods.

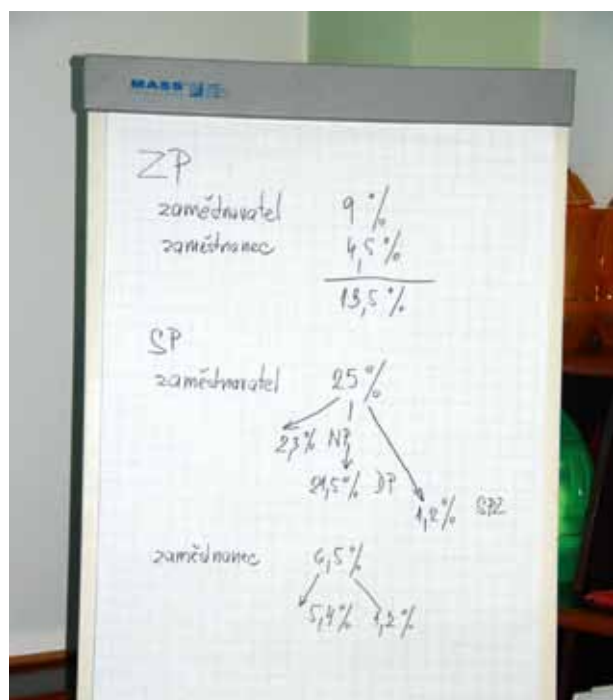
However a subsidy policy for public goods would only deal with ecological sustainability criteria (environment, biodiversity, climate, and cultural landscape). Labour and employment – as important social elements in the concept of sustainable development – are currently not seen as public goods and remain suppressed.

There is a general lack of awareness that public goods such as cultural landscapes biodiversity, only come into being through human agricultural labour.

There must be a direct social and employment-related initiative in EU agricultural policy in the future. The current practice of agricultural subsidies does not contribute to the solution of any of the following problems:

- Improving the health and safety of those employed in agriculture, thus securing their employment
- Combating decreasing employment on farms with labour intensive production techniques
- Reducing economic imbalances caused by relatively low acreage subsidies for family farms with labour intensive production as well as for large, labour intensive, East European farms
- Acreage related subsidies facilitate already existing competitive advantages of large, streamlined, labour extensive farms

According to current practice, very few farms receive very high shares of agricultural subsidies. This practice is especially unjustified in the cases of farms that are very labour extensive.



Analysis and comparison of three possible reform approaches

How can approaches concerning facilitation of employment be transferred in practical agricultural policy?

Up until the present, there has been discussion of five proposals of five European member states. In general, these proposals consist of three different approaches for creating employment references for direct payments, and two of these three reform approaches demand a fundamental adjustment of the very foundations of direct payments.

The first approach is related to labour time, the second to labour costs, and the third maintains its computations on the basis of farmed acreage. Here, a fairer distribution is achieved through an employment related correction factor.

Three basic approaches of coupling direct payment to employment		Desired goals / impact
(1) Coupling payment to time: assessment bases are indicators for labour time		
Germany	a. Direct payments according to imputed labour input of farms; currently applied by Germany's agricultural Accident Prevention & Insurance Association	<ul style="list-style-type: none"> Redistribution of direct payments from large to labour intensive production techniques (used on dairy farms, versatility structured farms on a regular/sideline basis with animal husbandry, organic farms) Balancing of injustices between farms Contribution towards an area-wide farming of grassland Maintaining agricultural production in less favoured areas
Austria	b. Direct payments according to standard labour times required for different crops, animal husbandry, etc.; data provided by Germany's KTBL (Association for Technology and Structures in Agriculture)	
Italy	c. Subsidies according to proven labour units	
(2) Coupling payments to costs: assessment bases are indicators for labour costs		
Germany	<ul style="list-style-type: none"> The coupling of direct payments to farm contributions to national social insurance 	<ul style="list-style-type: none"> Redistribution of direct payments from capital-intensive to labour-intensive farms Employment incentives through cutting the costs of labour Positive impacts on labour markets, rural development, the environment, and soil markets
(3) Employment related corrections at acreage related direct payments		
Germany	a. Direct payments up to a limit of 150,000 Euro and correction of cut-back by crediting 50 % of actual labour costs	<ul style="list-style-type: none"> Keeping previous regulations with correctionsn Reducing the impacts of grading (setting limits on direct payments) through the inclusion of social balance calculations in the cases of farms with high labour costs high direct payments awarded only in event of respective employmentg only few farms are affected (only in case of a.) Preservation and promotion of employment in rural areas
Frankreich	b. Decrease in acreage-related direct payments from 15,000 Euro. From 15,000 Euro increase of cut-back with increasing direct payments. Correction by proof of existing workers	
Czech Republic	c. Coupling of 70 % of direct payments to farmed acreage, 30 % of payments for employment distributed according to number of workers and self-employed farmers	

In a preliminary phase of the project, an analysis was undertaken according to the methodologies of the previously mentioned proposals for reforming the redistribution of direct payments to specific groups of farms.

The preliminary results indicate:

- Direct payments on the basis of standard labour time (1) aim at a strengthening of labour intensive production techniques. They account for farms without wage-related workers (family farms). Inequitable distribution of payments between differing types of farms is corrected. The income conditions of labour intensive farms (e.g. dairy and specialised crop farms), both on regular and ad hoc bases, are improved relative to other farms.
- Direct payments on the basis of labour costs (2) facilitate labour intensive farms regardless of size. In this case, payments generate direct employment incentives, preserve employment, and help combat illegal employment and low wages. Family-run dairy farms are strengthened, as are other farms with animal husbandry and farms with animal and environment-friendly production techniques.
- The correction models (3) provide important social components for larger, labour-intensive farms and inhibit discrimination against such farms in the cases of grading or overall caps on direct payments. These models address the disadvantages facing labour intensive, larger farms with animal husbandry and/or co-ops, especially in East European countries and East Germany, as distinguished from labour extensive crop farms.

Discussion and information: Why promote labour instead of acreage and capital?

An important goal is the analysis of the impact of these three reforms, especially in the light of the different national settings. Furthermore, practical feasibility will be evaluated. For this reason, the reform proposals will be discussed in four regional workshops. Additionally, their different effects will be estimated on the basis of national experiences, and suggestions will be developed for the practical execution of these reforms. Participants at the workshops will be agricultural trade unionists and selected experts from practical agriculture, politics, associations, administration and the sciences, from each of the five EU member states. Subsequently, the ideas suggested by the participants will be introduced into the larger debate and communicated among different social lobby groups.



Developing and Checking: From national concepts towards an European perspective

The success of the above concepts depends upon their feasibility at the level of the EU. For this reason, the project develops proposals for further advancements of these approaches in Europe.

An important future task is to clarify whether the discussed approaches

- can be matched to the structure of other member states,
- provide solutions for respective country-specific problems,
- can be realised practically (data collection, unbureaucratic execution).

Currently a determination is being made as to whether or not sufficient information is extant and applicable for the undertaking of these approaches, e.g. via the EU's Farm Accountancy Data Network (FADN) and its database.

Exemplary analyses have been performed by selected partner countries in the project, and the strengths and weaknesses of these approaches will be considered in direct relation to the agrarian structural situation in the different EU states.



Challenges and action: Building networks and political alliances

Labour and employment still play secondary roles in agricultural policy discussions; however, there are good arguments for bundling these approaches in the future. A setting must be established and a political strategy needs to be developed in order to introduce these ideas into the agricultural policy discussion. Employment will have a high priority in the EU, and it will play an increasingly important role in policy discussions.



Problems in the labour market and their negative demographic impacts are especially grave in peripheral rural areas. In these settings, the importance of farms becomes prominent. By means of employment incentives in agriculture, the labour market is promoted stimulating development in these regions. Stabilising the labour market, maintaining incomes at appropriate levels, and the securing of social security can be achieved through these policies with the additional positive impact of promoting labour intensive but ecologically friendly production.

The Common goal is to strengthen labour in agriculture and in rural areas. In this context, labour needs to be included strategically in approaches that address both pillars of the Common Agricultural Policy.

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Contact

IG BAU – Department of agriculture and environment

Holger Bartels

Luisenstrasse 38

10117 Berlin, Germany

Telephone: +49 30 24639 310

Email: holger.bartels@igbau.de

Website: www.igbau.de

Editor

IG Bauen Agrar-Umwelt

Editing

Kasseler Institut e.V. / Dr. Karin Jürgens

Compilation

PECO-Institut e.V./ Dipl. Ing. Thomas Hentschel

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Carsten Stooß

Partners

PECO Institut e.V. / DE

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