

ENRD Workshop

Vibrant Rural Areas: Rural Jobs



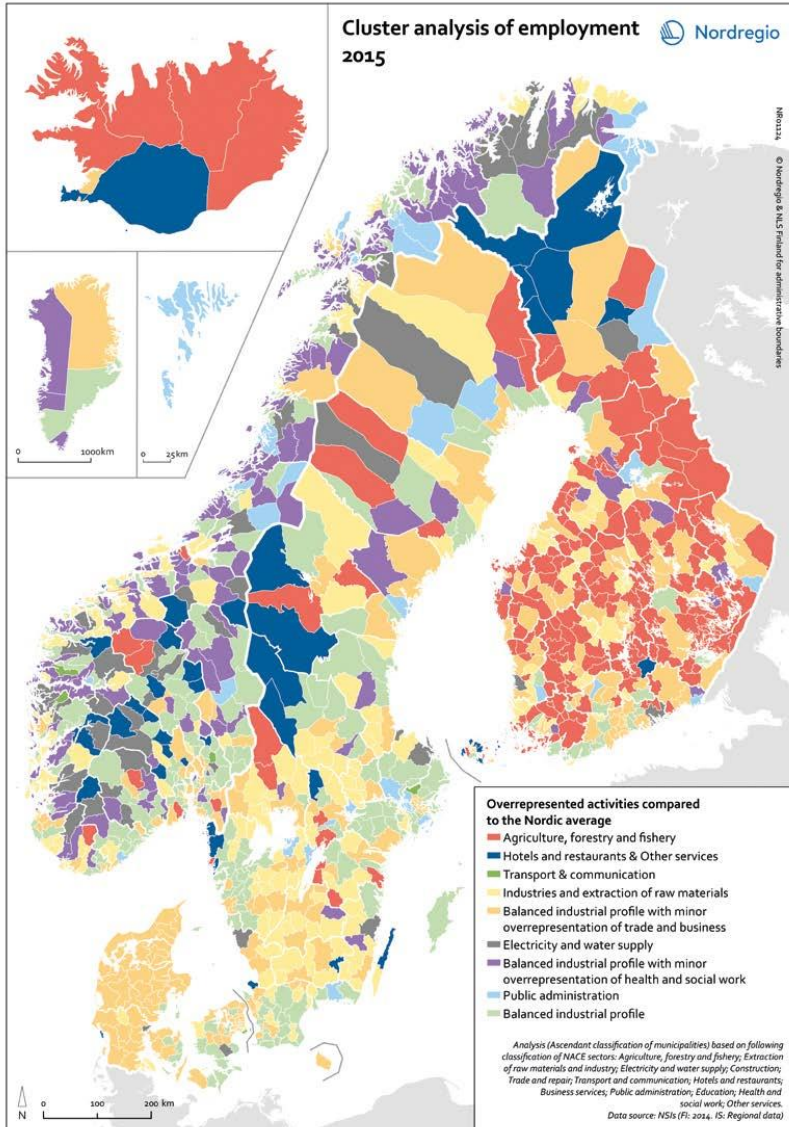
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Navigating towards future CAP

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Outlook to jobs in rural Finland



Farms

In 1995 when Finland joined EU there were 100 000 family farms. Now there are less than 50 000 farms. This shows the fact that the entrepreneurship has declined as farms have served as platforms for younger generations to grow and learn things in practice and see actual work and efforts being done.

Number of persons engaged in agriculture has declined as well. In 2000 farms employed 183 441 persons. Currently family farms employ 83 700 person (32 % women). New data will be available on 2021.

Rural enterprises

Year 2012

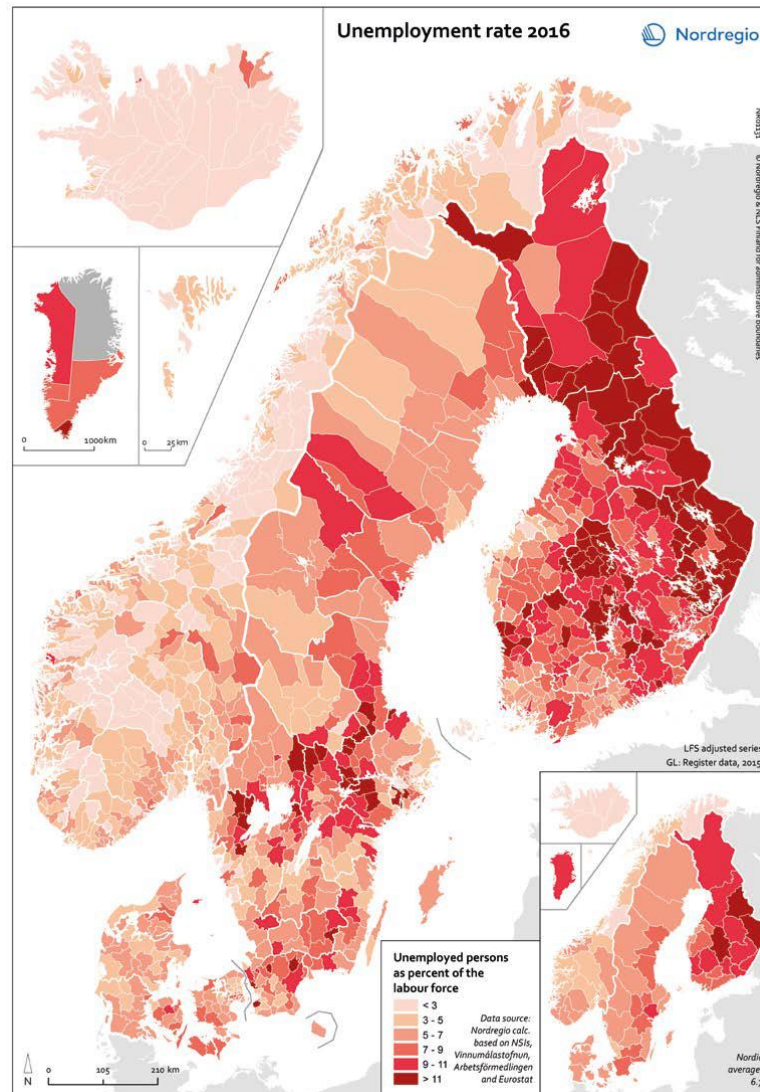
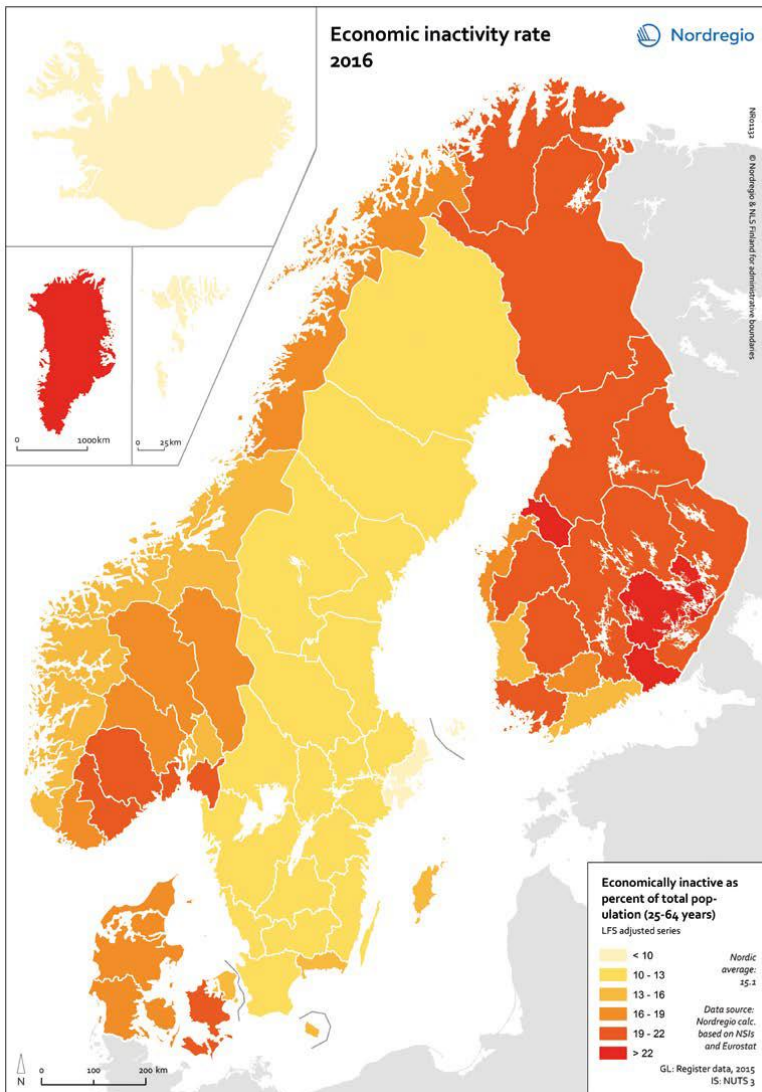
- 78 941 rural companies employing 253 311 persons.
- 177 515 urban companies employing 1 090 969 persons.

Year 2017

- **80 257 rural companies employing 247 001 persons.**
- 190 597 urban companies employing 1 095 405 persons.



Striking differences in terms of economic inactivity in the Nordic Region



Finland shows relatively high rates of inactivity alongside the unemployment rates.

Sweden has rather high unemployment rates, but a low share of economically inactive persons. For Sweden, this is mainly due to its active policy approach which aims to get more people into the labour market.

Ministry of Economic Affairs and Employment of Finland has recently commissioned a **study that outlines research-based ways and solutions to increase employment to 75 %.**

Impacts of Rural Development Programmes on regional economies and employment (2019)



State aid has been in the public discussion in Finland. Parliamentary Working Group was established to examine how to reduce public support/state aid. In the course of the process subsidies for farms and grants for rural SME's were also questioned based more on opinions than real knowledge.

Ministry of Agriculture and Forestry wanted to take part to the public debate based on knowledge. We commissioned an evaluation study about the impacts of the RDP (2007-2013) to the regional economies and employment. Impact follow-up will be done later on by using RDP (2014-2020) data.

The study considers rural development from the perspective of **how people live, work and do business**, and assesses the targeting of measures in 2007–2013 (agricultural investment aid, funding for rural enterprises and development projects) to regions and the impacts they have created.

The policy impact of public support included in funding for enterprises was positive. Regional customisation and a place-based approach are important if we wish to improve the total impact of the programme.

The multiplier effect of public support included in the funding for enterprises on jobs in regional economies is 1.51. On farms receiving structural support for agriculture economic activity and employment increased more than on farms on average. Instead, the impacts of funding for development projects are mostly indirect.

Impacts of Rural Development Programmes on regional economies and employment



The RDP as a whole had a positive impact on employment and regional economies. Funding for both individual enterprises and development projects seems to recognise and reduce disparities between the rural regions. Most of the funding for enterprises targeted growth companies.

The trend in job numbers, economic performance and impact on regional economies of companies receiving support was more favourable than in reference companies that did not receive any support.

Example of the impact of an individual company - Eno Energy Cooperative (Investment funded by RDP M06.4)

Investments also have side effects that are harder to catch. Chancing oil to renewable wood based district heating system helped local people to save money and effected positively on the employment and the regional economy.

Impacts of Rural Development Programmes on regional economies and employment; Impact analysis for the period. Publications of the Ministry of Agriculture and Forestry 2019.

<http://julkaisut.valtioneuvosto.fi/handle/10024/161759>

Regional impacts of sustainable energy in western Finland (Journal of Cleaner Production) also suggest:

Renewable energy can replace fossil fuels and keep money within the region. Renewable energy can contribute up to almost €5000 per capita to regional economies. Employment, vitality and local business add value to the regional economy.

Article available in English: <https://www.sciencedirect.com/science/article/pii/S0959652618308655>



The Missing Entrepreneurs (OECD)

Entrepreneurial society can be achieved if we open up entrepreneurship opportunities to all parts of the population. The future prosperity of regions and cities will depend not only on equipping the existing workforce with the right skills, but also on successfully engaging disadvantaged groups so that they are fully contributing to local labour markets.

OECD has examined how public policies at national, regional and local levels can support job creation, economic growth and social inclusion by overcoming obstacles to business start-ups and self-employment by people from disadvantaged or under-represented groups in entrepreneurship.

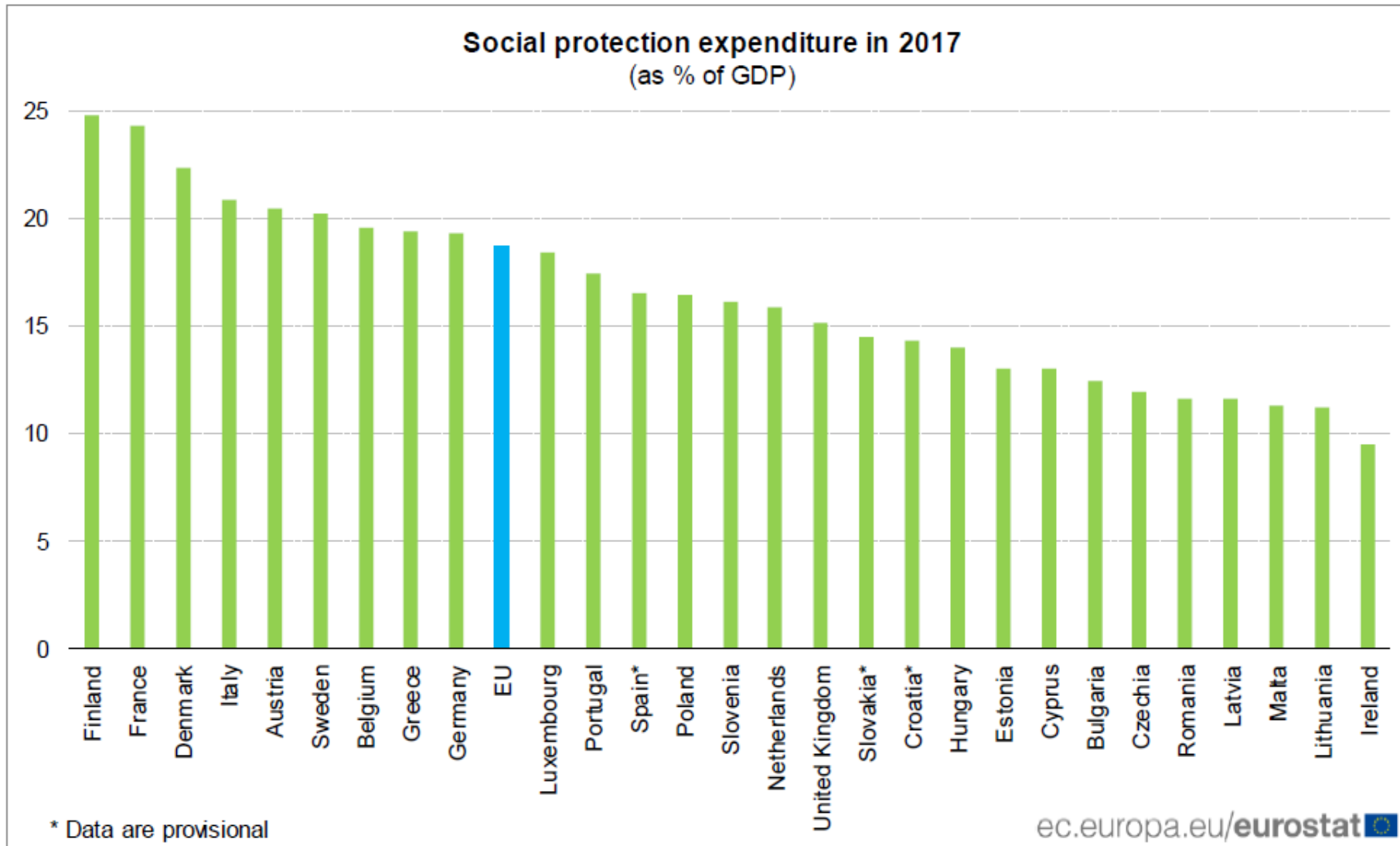
It shows that there is substantial potential to combat unemployment and increase labour market participation by facilitating business creation in populations such as women, youth, the unemployed, and migrants – the missing entrepreneurship.

Inclusive entrepreneurship trends and policies in Finland

There is a current policy debate on the role of the benefits system in facilitating or hindering entrepreneurship. Despite a number of recent changes in the regulations, the benefits regime continues to be a barrier and this is particularly important for disadvantaged groups, as they are often benefits recipients. Many potential entrepreneurs from these groups may risk losing their benefits-based income level – even if the business fails.

https://www.oecd-ilibrary.org/employment/the-missing-entrepreneurs-2017_9789264283602-en

Data supports OECD findings





Future business financing

The importance of the rural non-agricultural businesses has grown over the years/programming periods in Finland. Number of the farms keep declining which has effects on rural economy and employment.

Funding for investments, development and start-up activities in rural areas is further needed in the future while rural economy and employment lies gradually on the shoulders of rural SME's.

Rural areas face this development differently and there is variation even within the same regions. Place based solutions and adjustments would be an ideal approach.

Other funding such as Regional Funds focus on regional development with urban focus and CAP has it's own place and distinct role. Rural economy will never be the economy of the cities.

CAP is able to respond to rural needs (demand led approach). New trends create new possibilities. They might also effect rural businesses and objective areas of CAP in an unintended way:

For example **sustainable financing** in the long run might leave smaller companies out of adequate financing and effect their employment capacity. Smaller companies acting as partners, suppliers and subcontractors might not be able to comply with all the requirements that eventually come from the leading company, compliance frameworks and often costly certifications and quality standards etc.

Smaller companies don't have personnel department, accounting department, reporting department etc. when comparing to bigger companies with abundance of resources. This is good to keep in mind when preparing and designing measures/interventions that eventually should boost rural employment.



How to get all aboard?

Rural companies face multiple challenges. Currently one the biggest and concrete challenge is how to find skilled employees.

Unemployment across the OECD sits at 5.3% - the lowest rate in the last 20 years. At the same time, employers are struggling to fill open jobs — 45% of firms across the OECD say they can't find the skills they need. In Finland the unemployment sits at 5.9% (October 2019).

More global and abstract challenges are ahead such as climate change, environment and societal demands (changes in tastes and preferences). But if rural competitiveness and jobs are lost, it may lead to negative consequences. There is also a gap between the societal demand and scientific justification.

Attractiveness of farming and rural entrepreneurship are at risk, if the rural life and economic activity are seen in a negative light by the general opinion that often stems from non-stakeholders and sources that are not familiar with the rural conditions. Same applies for how to better communicate the importance and rationale of the public interventions (aid) in rural areas

Rural areas and people have an important role to play in climate and environmental issues but they need also respect.

According to the study commissioned by the Ministry of Agriculture and Forestry farmers don't like to be told that they are guilty for environmental problems while the situation is different in the regions and at the every farm. Farmers feel that they don't have access to the discussions.



How to get all aboard?

Systems need to be proportionate and economically attractive for the self-employed and smallest companies that have modest resources.

→ For example in the climate change and environmental debate it is important to note that in Finland industrial emissions are mainly from a few large plants that account about 80% of the emissions. In the light of this situation the demands for smaller companies should be in line with what they are able to do with their resources and at the same time to maintain or create jobs.

Farmers and other rural entrepreneurs make long term investments – sudden changes in politics comes with a price tag. Transformation pathways have to be sustainable in many aspects.

Positive drive is needed in order to succeed in transformation to something better and new. In rural areas there is a growing need to pursue wider job creation.

Younger generations are needed in order to keep rural areas viable. In Finland a clear majority of 18-30 year olds dream of living in a rural environment. Young people appreciate ecological and affordable housing, nature connectivity.

Young people have new and personal views on what can be done in the countryside. This drives change in the fabric of society. The entrepreneurial dream is common amongst young people.



Towards more tailored interventions

Economists say that transformational disruption is needed. Weak companies die away and new start-ups emerge. This kind of thinking is too narrow in the sense of rural realities.

One of the main differences in Finland between EAFRD and Structural Funds, is that Structural Funds emphasise growth (current economic and growth model) and internationally orientated companies and the strong presence of R&D – things that are more present in urban areas. EAFRD has a lower threshold and it allows more diversity and access for smaller ideas and innovations to grow and bring jobs.

Smart Shrinking

It is unrealistic to believe that all places can grow always. We need tools that work in a shrinking context while rural communities face demographic and structural changes. Factors are globalization, rationalization of agriculture and forestry, service sector expansion and higher demand on education on labour market.

This trend was identified in the final report of the **parliamentary working group on sparsely populated areas**: behind statistical averages, there are regions that are successful and viable, and those that are less thriving. Working group proposed measures on the following themes: well-functioning infrastructure, competitiveness factors, sustainable use of natural resources, new forms of services through partnerships, multi-local living and location independent work, taxation and regional support.

Secret to job growth is: Think Small (Harvard Business Review).

Leader Groups have a significant role in advancing entrepreneurship at the local level throughout the rural areas of Finland and they might be the ones that could take even more place based approach in their funding process. New strategic relations between interventions are needed.

Challenges



Integration of objectives

Two different set of objectives need to be applied CAP and State Aid Rules.

Measuring of results and other achievements

CAP has traditionally used **new jobs created** as one the main indicator measuring activities that concern rural non-agricultural enterprises (currently M06.2 M06.4 & Leader). M04.2 + Leader creates local and regional employment around the farming and food processing small scale industry.

New jobs don't necessarily emerge in the supported company. Results are more and more indirect: value chain, network, cluster, cooperation, subcontracting etc. Digitalisation and productivity growth means also less jobs needed.

Identification of new economic activities is harder. Statistical classification of economic activities (NACE) does not catch the latest developments happening amongst SME's such as bioeconomy and circular economy.

Other

Lengthy permit processes slow down the ideas and investments might be cancelled.

New bans and sudden changes of legislation effect especially smaller companies which invest looking further to the future.

Location of the company when operataing only online?



Thank you!