

CAP's impacts on regional employment: A multi-modelling cross country approach

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Abstract

Effectiveness and impacts of CAP, and CAP reforms, attract the interest of public more than anytime as the EU economy reels amid an unprecedented crisis. Now that industries throughout Europe are shedding jobs, studying the impact of CAP reforms on employment levels sheds fresh light on a crucial issue. Impacts resulting from the introduced CAP reforms can be expected to be felt beyond the agricultural sector and affect entire regional economies. Impacts on employment levels within the farming sector have influences on non-agricultural sector regional labour demand. The influence of CAP reform on employment has not been thoroughly and comprehensively investigated using an approach, which accounts for agricultural and non-agricultural effects and covers the diversity of EU rural regions. The research reported in this paper refers to five EU selected regions [Emilia Romagna (IT), East Wales (UK), Anatoliki Makedonia and Thraki (GR), Östergötland (SWE) and Kassel (GER)] to identify and measure CAP's effects on employment throughout the regional economy. A framework of three different approaches (mixed-method case study investigation, positive mathematical programming, input-output analysis) was developed and then applied to those five EU regions to trace out the current and anticipated employment effects of Pillar I and II changes. The main focus of this work is on consolidating the conclusions derived from different models applied in the five EU regions to deduce valuable policy generalizations and to derive conclusions which might guide policymakers making decisions related to regional and rural development. Results demonstrate that CAP funding, particular Pillar II, contributes to employment maintenance in farming sector but also to non-farming sector serving as a permanent regional "stimulus" package.

Keywords: CAP reform, employment, rural development

1. Introduction

In the mindset of this unprecedented economic crisis the impact of CAP on general employment levels, either increasing or sustaining employment, attract the interest of the public and media, since today all policy tools devised and introduced throughout Europe target directly or indirectly employment. Further output shrink and consequently increase of jobless rate will hurt the economy and it might cause social discontent. Nowadays that the effectiveness of various “stimulus” packages is discussed and argued, CAP funding might play a raw model of the effectiveness of such policy since it has been employed for a long time and reformed several times.

Thus far, CAP reforms rarely mention employment objectives as a primary goal, since the premise that the free market system is irreplaceable and never leads to any faults was indisputable. Nevertheless, maintaining high employment levels in the economy, and particularly in rural regions of EU, remains a highly priority and would be of extreme interest to see how the last CAP reform could affect the employment, not only for the agricultural sector, but for the whole rural area.

Since 1992, CAP reforms have been streamlined several times culminating with the 2003 reform, which brought striking changes on the fundamental structure of CAP design and philosophy. Most of the studies of CAP reforms’ effects focused on certain agricultural sectors and certain countries (Colman et al., 2002; Gohin, 2006; Goodman and Mishra, 2005; Hennessy et al., 2004; Ooms and Peerlings, 2005; Serra et al. 2005a; Woldehanna et al., 2000) and they offered substantial contributions on further improvement of the introduced policies. Certainly, changes in employment levels are strongly associated with several other parameters (output growth, investment trends, technology adoption, human capital) studied by others: Ahearn et al.,

2005:2006, Alasia et al., 2009, El-Osta et al., 2004, Woldehanna et al., 2000, but a focus solely on rural employment levels can offer insights in assessing CAP's effectiveness and facilitate the introduction of more effective policies. Understanding how and why CAP (Pillar I and Pillar II) influence rural employment constitutes a challenge as CAP measures target a wide range of objectives causing counterbalanced and complex effects.

This paper addresses the relationship between CAP reform and rural employment in a multi-modelling and cross country context, possibly providing a representation of the general EU case. The paper tries to reflect in a comprehensive way a few of the findings emerging from a FP6 EU funded project. To achieve this main objective five rural areas have selected, scattered throughout Europe, and then Pillar I and Pillar II effects on the region's economy and on employment were studied. Whereas by applying different approaches results can be influenced and vary, they can also offer a more comprehensive picture of the region studied. Therefore, case studies primarily based on in-depth interviews, Positive Mathematical Programming (PMP) and Input-Output model were employed in all the regions, coupled with local observations on the regions outlook and performance.

The paper is organised as follows: the next session provides a general background of the methodologies applied, followed by a further section describing the major characteristics of the selected regions. In the third section, a cross-region assessment is made, based on the outcome from the application of the methodologies identified above, and the closing session provides recommendations for future policy modifications and revisions.

2. Methodological background

The complexities of rural economic relations, combined with a diverse range of interdependent CAP measures, limit the effectiveness of a single methodology approach study to

the relationship between CAP reform and employment. Thus, here several methodological approaches have been employed to assess the CAP's impacts and to estimate the probable employment effects. Applying more than one approach may enrich the results and provide a detailed picture of the anticipated changes from different angles, but may also end up with contradictory findings. The methodological approaches, applied in five EU countries, are mixed-method case studies, Positive Mathematical Programming and Input-Output analysis. In addition, certain other methodological approaches (productivity analysis and an econometric model for choice experiments) have applied in some of the regions under investigation. While details on the methodologies applied can be found in the relevant literature (Langstaff et al., 2008; Arfini and Donati, 2008; Loizou et al., 2008) for our purposes a brief description is provided:

Analysis of documentary evidence and representative in-depth interviews. Pillar II measures have always considered as a means for reconfigure regional structure (Shortall, 2008) representing a change from an agri-centric policy view to a broader multi-sectoral one (Scott, 2004). The current approach is mainly focused on the effects of Pillar II and is a mixed-method case study intended to provide an understanding of the impacts on predominantly rural regions. The approach tries to explain how the Pillar II interacts with the structure and performance of the local rural economy (Yin, 1994) instead of identifying effects on rural employment. Applied in all five EU regions, the method followed a coordinated two-stage of data gathering process; an investigation of secondary data, offering a contextual framework for the overall study, and an in-depth semi-structure interview of representatives of different interest groups.

First, a regional profile was developed to provide the context in which key informants operate and to inform the process of analysis. Then, key informants were identified and interviewed to explore their perspectives on policy issues. Participants in the interview process – drawn mainly from policy makers, business managers, regional NGO officers and LEADER

group managers - were invited to respond to and interact with a set of pre-drafted thematic questions. Finally, analysis proceeded by exploring patterns within the multiple data sources, which provide support for explanations of the casual relationships (Midmore et al., 2008).

Positive Mathematical Programming (PMP). PMP was applied to identify and measure policy-induced changes at individual farm level and then upscaling at regional level. The methodology was common to all case regions and FADN data were used. Regional models allowed the assessment of the main effects of two different policy scenarios; full decoupling and full decoupling plus price variations. A special sub-model, implemented within the PMP model, captured labour allocation inside the farm with respect to new production plans induced by CAP reform (Arfini et al., 2003; Heckelei, 2002; Júdez et al., 2001; Paris and Arfini 1995).

The Input-Output Analysis. This approach was selected to assess impacts on output, household income, and employment on the whole regional economy of the regions selected. Input/Output (I-O) analysis constitutes an analytical tool, which can be used to show how industries are linked together through supplying inputs for the output of an economy. Thus, by building a regional I-O table a clear picture of the structure of the economy is given and the relationship existing among various regional sectors can be identified. First, regional input-output tables were constructed using the accurate and widely adopted Flegg-Weber technique (Flegg et al., 1997). Second, following the GRIT (Generation of Regional Input-Output Tables) approach (Jensen, 1990) these constructed non-survey regional input-output models were hybridized with the addition of survey data on key rural economic transactions. The application of the model allowed the estimation of various I-O linkage coefficients (multipliers) for each region involving the Chenery and Watanabe direct linkages, the Rasmussen and Hirschman linkages (output, income and employment multipliers), the Mattas and Shrestha I-O elasticities (output, income and employment elasticities), and the Papadas and Dahl supply multipliers (supply-driven

multipliers) (Chenery and Watanabe, 1958; Hirschman, 1958; Mattas and Shrestha, 1991; Papadas and Dahl, 1999; Rasmussen, 1956). This facilitated the identification of the most important economic sectors (as regards their potential to enhance regional employment, income and output levels), the estimation of indirect and total economic impacts and ultimately, comparison results among the selected regions. The estimated coefficients pinpoint the sectors with the highest linkage relations in each region, whereas results from PMP model were also fed into input-output model to observe the indirect and induced changes for the whole economy (Mattas et al., 2005; Miller and Blair, 1985).

3. A brief background of the case study regions

The five EU regions (all, apart from Östergötland in Sweden, at NUTS II level), have been selected from across the EU on a range of criteria to represent the diversity of the European rural regions. The regions are Emilia Romagna, Italy; Anatoliki Makedonia and Thraki, Greece; East-Wales, UK; Kassel, Germany and Östergötland, Sweden. The main characteristics of each region are illustrated in Table 1.

The selected regions are relatively large and internally diverse, representing different types of rural conditions within the EU. Main differences, identifying particular regions, include: a growing population and a large number of cooperatives in Emilia-Romagna; a high percentage of employment in agriculture and semi-arid production conditions in Anatoliki Makedonia and Thraki; a shortage of affordable rural housing and relative under-funding of Pillar II in East Wales; severe demographic problems in Kassel region; and focus on rural entrepreneurship and SME development along with high standards of IT infrastructure in Östergötland. The mountainous areas of East Wales are characterised by high rainfall and large areas that can only support extensive livestock production. Kassel region is predominantly arable, whereas

Östergötland contains a mixture of more remote forested areas, inaccessible islands within the region's archipelago, and, containing the most productive arable lands in Sweden, the open plains area.

Table 1.
Economic structure and employment levels of the regions

	Emilia Romagna	Anatoliki Makedonia and Thraki	East-Wales	Kassel	Östergötland
Land use	Mountainous in south-west, fertile arable flatlands in the north-east	Mountainous and semi-mountainous, with arable land on coastal plains, some irrigated	Large areas of upland with high rainfall predominantly used for livestock	Predominantly arable, grassland along rivers and in former border regions between W and E Germany	Fertile central open plains, semi-open and forest in north and south, archipelago in the Baltic Sea to the east
Area (km²)	22,123	14,157	7,634	8,288	9,987
Population	4169.5	607.7	1075.1	1255.7	416.3
Population density p/km²	189	43	145	152	39
GDP/capita (euros)	29,670	11,799	28,954	26,668	27,824
Employment in rural sector	4.4%	12%	10.7%	2%	2%
Unemployment	3.4%	5.1%	2.4%	10.3%	7%
Accessibility	Good transport infrastructure	Potentially a major route to new EU countries, currently peripheral	Peripheral in central area	Centre of Germany, good new road and rail infrastructure, but perceived locally as remote	Peripheral, especially archipelago
Infrastructure	Good	Insufficiently developed	Poorly developed in central area	Good	Good overall
Economic development	Good	Poor	Medium	Good	Medium

Overall population densities vary greatly between the regions, from 43 inhabitants per square km, in Anatoliki Makedonia and Thraki, to 189 per square km, in Emilia-Romagna. High variations in population density also exist within the regions, with the majority of populations being concentrated around main cities. As regards the economy of the regions, the significance of agriculture's contribution to the regional economy and employment varies noticeably. Significant variations between regions exist with regard to infrastructure - especially transport links, health, education and information technology provision. Disparities also exist in terms of economic development ranging from low levels for Anatoliki Makedonia and Thraki to very

good conditions for Emilia Romagna and Kassel. A key contributor to this diversity relates to the degree of RDP measures implemented, ranging from Italy, where all permitted measures were implemented in the 2000-2006 period, to Greece, where only a minimal number of the voluntary measures were adopted.

4. A cross-region assessment

This section develops a cross-region assessment to identify the main impacts of the CAP and RDP reforms on economic structure and employment levels of the five regions. The assessment is based on results from the application of the three separate methodologies which aimed to identify the main existing differences and similarities between regions and consequently to draw conclusions relating to policy effectiveness.

4.1. Qualitative assessment of the CAP impacts

Evaluating the impacts of Pillar II reforms upon farm and non-farm employment was undertaken through a qualitative research that included a detailed initial desk-based documentary analysis, in-depth interviews with stakeholders and key decision-makers in each region, followed by cross-case comparison. The main inferences drawn from this research can be divided into three broad themes: i) the effects on the rural economy of the CAP and RDP reforms, ii) the interaction of these reforms with other policies and iii) consequent impacts on farm and non-farm employment (Table 2).

Unanimous views were revealed regarding relations of the rural economy and RDP reform: development of the rural economy depends specifically on the degree of support received through RDP. The support of agriculture is disproportionate to its importance for the rural economy. CAP reforms have not increased jobs in the regions; at best they manage to just maintain the existing level. A negative consequence of the reforms is the unequal distribution of

support from Pillar I, supporting income rather than the employment level of the region. In addition, the need for further CAP changes is emphasized in all regions, suggesting that key measures of CAP are ineffective and inappropriate to safeguard future development. For example, views that current Pillar I support helps to create a subsidy-dependence culture among the farmers have widely expressed. Finally, in all regions most interviewees wanted to gradually diminish the scope of Pillar I and correspondingly strengthen Pillar II.

Table 2.
Qualitative results on CAP's impacts

Main Themes	Perceptions agreed throughout stakeholders and decision makers
Rural Development Programmes upon rural economy	<ul style="list-style-type: none"> • Agricultural sector receives disproportionate support • RDP determinant for the development of the rural economy • Retains labour in agriculture rather than increases labour • Creates unequal income distribution • Needs streamlining but not abolishing • Needs more effective and appropriate measures • Gradual move towards Pillar II
Interaction between CAP and other policies	<ul style="list-style-type: none"> • Lack of coherence • Bureaucracy further deters RDP participation • RDP poorly managed • Waste of scarce resources
Rural Development Programmes upon employment	<ul style="list-style-type: none"> • Sustains current employment levels or at least suspends further decline • Preserves environment to a large extend • No significant effect on women's employment • Diversification and infrastructure support can enhance employment opportunities

Respondents expressed a variety of views relative to their own region. In Östergötland, interviewees emphasized economic dependency relations between urban and rural areas, which they believe determines future development of a rural region. In Emilia Romagna, respondents frequently mentioned that the lack of cooperation among farmers arises as a result of insufficient impetus from the CAP reforms. However, the fundamental conclusion was that while RDPs do

serve as unique development and employment tool for any EU region, this effectiveness can be enhanced further by changes that allow flexibility according to the regions specific needs.

On the interaction between CAP/RDP reforms and other policies expressed a lack of coherence leading to confusion, which is exacerbated when combined with bureaucratic procedures. This lack of coherence and coordination between the CAP/RDP measures and other policies can result in a waste of scarce resources. In addition, focusing on specific actions and leaving out important regional dimensions waken the dynamics of the RDPs.

Throughout the case study regions, respondents concede that RDPs have indeed played a significant role in maintaining employment levels or at least in decelerating the rate of employment decline. Notably, however, respondents raised the issue of women's employment. By enhancing female job opportunities, more stable demographic development can be maintained; but it was argued that current RDPs have little to offer for broadening women's job opportunities, since only few programmes relate to women's labour (e.g., agro-tourism). Refocusing RDPs on activities such as child care, training, and improved social structures can provide new incentives for women to stay in rural areas and to find a job. In addition, supporting general infrastructure was felt to be essential for a vibrant rural region. It is worth mentioning that LEADER+ is perceived as a programme that reinforces the labour market and must be extended by broadening its effectiveness.

4.2. Positive Mathematical Programming PMP – changes on farming activities and employment

CAP reform will definitely affect the enterprise mix and changing the enterprise mix at farm level affects on-farm employment too, as adopting new activities could require more or less labour and could also change the input requirements and output flows. To trace out the course of anticipated changes at farm level and then to aggregate them to regional level, a Positive

Mathematical Programming (PMP) model was applied in all case study regions. This model, utilizing mainly FADN data provided by the EU Commission, simulated the post-reform conditions at farm level, and envisioned two scenarios: the first (S1) concerns the option of total decoupling for all the agricultural products (including milk); the second (S2) includes the first scenario and also anticipates product prices changes as they are recorded in the EUROSTAT database. The baseline scenario reflects the farm structure before the application of the horizontal Regulation EC 1782/2003, based on observed conditions in farming prior to 2005. The simulation results indicate significant changes of different indicator variables in each region (land allocation, livestock structure, economic impact of the reform and farm employment), which have resulted from the 2003 CAP reform.

Land allocation is predicted to be the primary change in farming activities due to policy reforms, especially following the introduction of decoupled payments. As can be seen from Table 3, farmers in all case study regions more likely will reduce land allocated to cereals. The magnitude of this land reallocation varies among the case study regions depending on the importance of cereals production. Fodder crops will gain ground, as the new regime provides better opportunities and higher returns. Nevertheless, cereals production will continue, mainly on highly efficient farms, and assuming, of course, the continuation of the current supportive regime. This behaviour of farmers could be justified under a strategy of minimizing costs and responding to market signals.

Table 3.

Land use effect of the CAP reform

Crops	Emilia Romagna		Anatoliki Makedonia and Thraki		East Wales		Kassel		Östergötland	
	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)
Wheat	-15.9	-9.3	-4.0	-8.9	-68.4	-74.4	-28.1	-39.8	-21.2	-51.9
Barley	-24.9	-22.2	9.3	-5.4	-83.3	-82.7	-24.1	-43.2	-27.4	-10.4
Other cereals	-28.7	39.0	-73.3	-73.1	-64.9	-63.4	-8.7	8.2	-34.0	-1.9
Fodder Crop	14.8	11.7	-	-	4.0	4.0	13.1	15.3	13.8	14.1
Oilseed	-6.3	-49.6	-	-	-31.2	-41.5	-12.9	19.5	-7.8	20.9
Tobacco	-	-	-58.7	-64.4	-	-	-	-	-	-

In the livestock sector, due to initiated changes in subsidies and in the production cost of feeding crops, shifts among activities are anticipated. Generally, dairy cows and sheep will remain at the same levels of production, while the beef production will drop and a positive effect on overall gross margins is expected (Table 4).

Table 4.

Economic Impact of the CAP reform

	Emilia Romagna		Anatoliki Makedonia and Thraki		East Wales		Kassel		Östergötland	
	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)	S1 Variation (%)	S2 Variation (%)
Gross Saleable Production	-5.3	-8.8	1.3	6.8	-15.8	-34.8	4.5	7.0	-2.0	-15.3
Net subsidy	83.2	83.2	-5.6	-1.7	31.5	31.5	19.7	19.7	8.5	8.5
Variable costs	-5.3	-6.1	29.3	33.7	-24.4	-39.5	3.8	4.3	-6.5	-19.4
Gross margin	22.3	3.4	-2.9	2.4	383.8	351.0	52.1	74.4	101.6	129.3

Furthermore, an attempt is made to extrapolate those changes in enterprise mix to anticipate employment changes at regional level (Arfini and Donati, 2008). The employment changes are depicted in Table 5 by region and farm type. The two types of labour considered in the PMP analysis - family and hired workers – show a decrease in all case study regions due to

decoupling. This is attributed to a reduction in the production costs by substituting farming activities (cereals and industrial crops) with fodder crops and other good practices. Thus, overall, a significant reduction in employment levels in the farm sector is expected that may be gained later if the farm sector will turn out as more efficient and competitive.

Table 5.
CAP impacts on farm and off-farm employment according to farm types

Farm type ^a	Type of Labour	Emilia Romagna		Anatoliki Makedonia and Thraki		East Wales		Kassel		Östergötland	
		S1 Variation %	S2 Variation %	S1 Variation %	S2 Variation %	S1 Variation %	S2 Variation %	S1 Variation %	S2 Variation %	S1 Variation %	S2 Variation %
FT 1	Family	-0.1	-0.5	0.0	0.0			-5.2	-5.2	-0.3	-0.3
	Extra-family	-3.8	-1.0	-1.4	-1.3			-26.4	-26.4	-21.9	-21.9
FT 3	Family	-0.9	-0.8								
	Extra-family	-3.9	-4.5								
FT 4	Family	-6.2	-3.1	-13.1	-12.0	0.0	0.0	-0.4	-0.1	0.0	-0.2
	Extra-family	-48.4	11.0	-67.9	-46.8	-35.1	-37.0	12.2	26.0	-19.6	-19.4
FT 5	Family	-0.2	-0.3								
	Extra-family	-0.6	-0.6								
FT 6	Family	-1.2	-1.2					-0.4	-0.4	0.0	0.0
	Extra-family	-8.0	-2.5					-9.0	2.0	-24.4	-23.7
FT 7	Family	-1.7	-1.0					-0.3	-0.1		
	Extra-family	-32.6	-22.2					-34.6	-6.1		
FT 8	Family	-1.2	-1.2	-0.1	0.0	0.0	0.0	-2.7	-2.7	0.0	0.0
	Extra-family	-26.7	-22.6	-50.2	-35.8	-22.8	-22.9	-14.4	-14.4	-22.3	-22.2

^a FT1: field crops, FT2: horticulture, FT3: permanent crops, FT4: animal production, FT5: granivores, FT6: mixed cropping, FT7: mixed livestock, FT8: mixed crop-mixed livestock

4.3. Input-Output analysis: economic and employment effects

Finally, an attempt is made to translate the output and input change in the farming sector to total output and employment change at regional level encompassing the whole economy. In this particular analysis, I-O is applied to represent structural rural economic relations and to examine impacts in terms of output, household income and employment which have resulted from CAP changes. A hybrid regional I-O model was constructed, applying the GRID

regionalization technique for all case study regions, offering the opportunity to compare the structure and dynamics of their economies.

A careful inspection of the case study regional I-O tables reveals some profound differences in the structure of the regional economy, which are reflected more clearly when I-O multipliers are calculated. The importance of similar sectors and their dynamics, (reflected in terms of multiplier's size), varies substantially among case study regions; such significant differences raise important issues for the design of RDPs. Sectoral diversity among case study regions demands flexibility in Pillar II programmes in order to effectively improve regional economic prospects. Table 6 illustrates such diversities depicting the employment multipliers for five sectors. It is clear that employment stimulating sectors vary significantly among regions.

Table 6.
Employment multipliers (Rasmussen and Hirschman Linkage Coefficients)

	Emilia Romagna	Anatoliki Makedonia and Thraki	East Wales	Kassel	Östergötland
Textiles	1.807 (13) ^a	5.828 (1)	1.157 (63)	1.282 (15)	1.068 (47)
Agriculture	1.295 (23)	1.069 (35)	4.444 (1)	1.122 (20)	1.076 (46)
Food products and beverages	2.866 (3)	3.407 (4)	-	2.010 (3)	1.471 (14)
Coke, refined petroleum products	1.105 (28)	4.130 (3)	-	-	1.836 (4)
Chemicals and chemical products	3.151 (2)	1.604 (13)	1.293 (37)	1.687 (4)	1.486 (13)

^a in parentheses is the rank order of the sectors for each region. Rasmussen and Hirschman Linkage Coefficients demonstrate the direct and indirect backward linkages of the economic sectors.

The potential impact of CAP reforms was evaluated utilizing information from the Positive Mathematical Programming model (PMP) related to crop and livestock production changes. Feeding the results of scenario S2 into the I-O structure the total (output, income and employment) effects were tracked and they proved miniscule (Table 7). In particular, the

adoption of decoupling causes only minor losses to the regional economies in terms of output, income and employment.

Table 7.

Total output, employment and household income impacts in the regions

	Output		Employment		Income	
	million €	(%)	persons	(%)	million €	(%)
<i>Scenario 2</i>						
Total effect^a						
Emilia Romagna	-8.016	-0.002%	-18	0.00%	-0.479	0.00%
Anatoliki Makedonia and Thraki	-7.144	(-0.06%)	-388	(-0.18%)	-0.418	(-0.03%)
East Wales	-11.436	0.038%	-167	0.036%	-2.816	0.034%
Kassel	1.112	0.002%	133	0.02%	1.393	0.01%
Östergötland	-82.393	-0.04%	-57	-0.03%	-16.139	-0.03%

^a in parentheses are the relevant shares compared to the regional total output, employment and household income.

In addition, potential impacts of Pillar II measures have been evaluated for the specific case of the Greek region. Implementation of these measures stimulates regional economies as they cause significant fund inflows to rural development activities that finally generate output, income and employment for the whole region (Table 8). Thus, Pillar II measures transmit employment benefits beyond the farm sector and causing substantial effects on other economic sectors too. This substantiates somehow the general trend, followed by the health check, to shift funds from Pillar I to Pillar II. Hopefully, the structural change caused by the shift will generate permanent employment benefit for the economy.

Table 8.

Output, income and employment impacts due to RDP (the Greek case)

	Output		Income		Employment	
	(mn EURO)	(%)	(mn EURO)	(%)	(persons)	(%)
<u>Rural Development Program 2007-13 (funds inflows 507.8 million Euro)</u>						
Primary	35.150	5.10%	2.604	2.98%	1914	16.30%
Secondary	538.882	78.13%	62.475	71.50%	6381	54.35%
Tertiary	115.709	16.78%	22.298	25.52%	3447	29.36%
TOTAL^a	689.741	6.01%	87.377	5.45%	11742	5.32%

^a Shares (%) show the relevant contribution to the current regional total output, employment and household income. (RDP): Rural Development Program 2007-2013

5. Concluding remarks - Policy recommendations

Nowadays that policy interventions to save the economy from an unprecedented meltdown are being devised throughout Europe and are challenged, a paradigm of the effectiveness of supporting policies can be provided by studying the CAP case. In addition, CAP effects on employment would be of a prior interest when jobless rates skyrocket throughout Europe and any policy that keeps the employment engine running constitutes a lifesaving action. This paper offers a comprehensive view on the employment impacts of CAP reform (Pillar I and II) reflecting the findings of an EU funding project in a cross-country comparison. The results offer a clear message about how the reform has affected farming activities and rural employment generation. The longer-term consequences of the reform may be difficult to precisely evaluate; however the research evidence indicates that the rural sector is moving towards a more competitive farm structure, less people are employed in agriculture, and agriculture is becoming more sensitive to price signals from world markets. In this context, the effective implementation of policy measures becomes important for regions characterized by rural and economic diversities. Policy action should respond to regional disparities, taking advantage of market trends and prospects to create competitive advantages for farms and support development opportunities. Flexible adaptation of rural policies to local requirements is the recommended strategy; primarily in realistic terms as concerns the scale of endeavours relative to outcomes.

The cross-region comparison revealed first, that the effect of Pillar II measures is considered modest, highly bureaucratic in nature, and it seems to work better through support for improved farm business efficiency if combined with Pillar I reforms. This could result in

stabilising employment levels in the farming sector or at least stem their decline. Pillar I reforms create changes in the mindset of farmers who adopt a strategy of alterations in land use aiming to reach the maximum level of revenue. This has negative consequences for rural employment. Certain sectors have the potential to enhance output, income and employment and therefore a policy promoting their expansion is indispensable.

Certainly, the methodologies applied in this study may have shortcomings in evaluating the exact impacts of the CAP reforms on rural employment in different contexts. However, the results indicate clearly that Pillar II measures can mitigate any negative impacts from Pillar I. The former need to play a more effective role, especially in more peripheral and less accessible territories, and should be better combined with other mechanisms of economic development (especially regional policies). This is not the case so far, and the degree of coherence between rural development policies requires a more integrated perspective to provide desirable results.

The reform allows Member States considerably leeway to design their own version of the CAP that will better correspond to their vision of agricultural policy. Such Member States' policy actions coupled with an efficient combination of Pillar II measures with structural funds spending may have positive effects on rural employment. Particularly, modulation appears desirable, but views on the pace of this kind of funds transfer seem polarized. One perspective infers that agriculture is the main element of rural activity and therefore, indirect employment created by agriculture logically explains the focus on farm-based development. Another standpoint emphasizes supporting employment in sectors outside agriculture, taking into account the needs of all rural businesses. Nevertheless, the consensus is that Pillar II policies have the potential to contribute to the maintenance and creation of rural employment. The integration of Pillar II measures along with stimulation of the environmental features of production and socially responsible farming systems underpinned by agri-environmental schemes could result in

enhanced employment in rural areas. These policies, though, should be distinguished relative to different circumstances and specifically they should be more flexible taking into account the particularities (economic, cultural, and social) affecting the specific contexts they are applied.

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