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# YOUTH EMPLOYMENT CHANGES IN RURAL AREAS OF LITHUANIA

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**Abstract**. The importance of agricultural sector and the significance of employment in rural areas are directly related with the security of a country, manifesting through these security levels: economic security (consisting of output volume, employment, private and global goods, human and social capital), ecologic (food security, bio-economy, agricultural resource efficiency) and social security. The growing export of agricultural and food products, among other indicators, characterizes rural vitality. Structural economic development changes cause employment transformations, both in rural and urban areas.

The object of this study: agriculture and the transformation of Lithuanian youth labour force market in rural areas. The aim of the study: to analyze the economic transformations of agriculture and youth labour force changes in rural areas. Tasks of the study: to characterize the changes of agriculture and the human capital as a main agricultural resource; to characterize the main problems of youth labour force market in rural areas.

The analysis shows that agricultural development causes the transformation in Lithuanian labour force market and is related with productivity growth of agricultural products. It is determined that human capital, including youth labour force, faces inside migration – "rural region-urban region" and emigration. The comparison of agricultural production by type of farming in the period of 2005-2014 showed not only the importance of farmer's and family farms but also the growing role of agricultural enterprises. The youth labour force market is compared with the youth labour force market in Latvia and other European Union Member States (EU). The youth labour force participation rate in Lithuania in all the analysed period is significantly lower than in Latvia or the EU but the unemployment level of youth labour force is more positive in Latvia and Lithuania in comparison with the EU.

**Key words:** economic development, agriculture, labour force, rural areas, youth.

**JEL code:** J11, J21, O13, O18

## Introduction

The Strategy of European Commission "A Strategy for Smart, Sustainable and Inclusive Growth" promotes employment, seeking to create more work places and to improve the quality of life. In the EU, including Lithuania, this would allow smart, sustainable and inclusive growth. This growth is characterised by various indicators, which can be analysed on many levels, e.g.: administrative/manifestation on a local level – country/national, regional, economic sectors, urban or rural development; population age group level – youth, middle aged, senior employment; gender based – male, female employment and quality of life, increasing the gender equality. Agriculture is a strategically important part of Lithuanian economic development, because the population of Lithuanian rural territories account for 33.4 % of total population of the country. Furthermore, the growth of agriculture is significantly related with a country's security as a multidimensional phenomenon (Gylys P., 2008), occurring though these security levels: economic security (consisting of private and public goods, human and social capital), ecologic (food security, bio-economy, agricultural resource efficiency) and social security.

The importance of changes of agriculture development in Lithuania, including the impact of demographic factors, was analysed by V. Averjanoviene et al. (2008), J. Zukovskis (2009), V. Stankuniene, A. Sipaviciene, D. Jasilionis (2012), B. Gruzevskis, R. Zabarauskaite (2012), G. Kuliesis, L. Pareigiene (2014), D. Vidickiene, R. Melnikiene (2014). The intensive factors of agricultural development, including the labour market problems, their positive and negative aspects are described by M. Leon-Ledesma, P. McAdam (2004), R. Melnikiene (2015). G. Kuliesis, L. Pareigiene (2015), Hart, Baldock, (2011) emphasize the importance of the indicators that characterize the vitality of agriculture, such as the average number of rural population, average population density and its average changes and V. Averjanoviene et al. (2008) give significant attention to its productivity.

One of the most important problems of the rural population is unemployment, especially present for the youth. The employment of a country's population, including rural population, determines the flow of income and economic prosperity significantly depends on it. Scientific literature (Okuneviciute-Neverauskiene L., Pocius A., 2008, Ciburiene J., 2014) states that because of constant changes in youth labour resources

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it is complicated to precisely evaluate the unemployment in this age group. Studies show that rural areas are becoming more of a residential than an employment place. Because of this, the possibilities to get a job there are decreasing. This is due to the transformation of the countryside: the rural areas near the big cities are expanding and the countryside in more distant areas is receding (Kriauciunas E., Ubareviciene R., Pociute-Sereikiene G., 2014; Vidickiene D., Melnikiene R., 2014). More favourable and higher opportunities to get a well-paid job are in big cities in Lithuania, so the biggest emigration comes from distant rural areas (Ubareviciene R., 2014).

The scientific research trends show the significance of agriculture and rural development, the importance of employment motives and the quality of living. Transformations of society and of economy, including agriculture sector and its labour market, must be oriented to affect the problems on the internal and global levels, such as unemployment, especially youth unemployment, social exclusion, low quality of living, famine etc.

The object of this study: youth employment in rural areas in Lithuania.

The aim of the study: to analyze the economic transformations of agriculture and youth labour force changes in rural areas.

Tasks of the study: to characterize the demographic situation of population and labour market and the human capital as a main agricultural resource; to show the influence of agriculture to economic development; to discuss the main problems of youth labour force market in rural areas of Lithuania.

The methods of research: analysis of scientific literature, statistical data classification and comparison, logical comparative analysis and synthesis. The year 2005 was chosen as a base year for the comparison and evaluation of different processes in agricultural sector and youth employment problems in the period of 2005-2014.

## Research results and discussion

Integrated economic growth is substantially related with employment, activity of the labour force, including youth labour force. The growth of employment is related with the increase of disposable income and the enlargement of a country's gross domestic product (GDP), including agricultural sector. The growth of common agricultural output volume in all types of farms, both farmer's and family farms and both agricultural enterprises, shows its importance and demand. The growth of agricultural output of Lithuania's export structure shows an increase in demand on an international level. The problem of agricultural food quantity and quality is important for each country, so the country's food sufficiency and changes in the employment trends are always discussed.

Scientific literature (McConnell C., Brue S., Flynn S., 2011) distinguishes pessimistic and optimistic attitudes towards food sufficiency. The pessimists focus on the problem of food shortage because the demand for food is rising faster than the supply. They argue that the land suitable for agricultural activities is limited; in addition due to the expansion of cities, a part of the agricultural land is constantly on urbanization. Optimists argue that part of the land has not even been started to be used for agricultural production purposes. Therefore, agricultural production is expanding because of the continuous increase in labour productivity. The country's economic development is adversely affected by the negative natural population growth, increased migration within the country, translocation from the countryside to the city, and emigration, mainly when the emigration is from rural areas, especially if the population consists of young people (Civinskas R., Genys D., Kuzmickaite D., Tretjakova V., 2011).

The utilized agricultural area and human capital are the main agricultural resources (Melnikiene R., 2015). In Lithuania the trends of agricultural land changes were different, as shown in Table 1. In the period of 2005-2009 the agricultural land decreased by 5.3 % but in the period of 2010-2014 it increased by 6.5 %. Therefore, in the period of 2005-2014 the agricultural land increased by 3. 9%. Rural population and its share in Lithuania's population decreased in the period of 2005-2009 as well as in the period of 2010-2014, by 0.6 % and by 0.9 % respectively and the relative value of the urban population increased. Employment fluctuated during the analyzed periods: in the period of 2005-2009 it decreased by 42.9 %, while it increased in the period of 2010-2014. The tendency of employment decrease in agriculture occurred in the long term period of 2005-2014 - the decrease was by 34.3 % and the index of aging increased by 35.5 %.

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Table 1

**The main characteristics of agricultural sector development in Lithuania in the period of 2005-2014**

| Indicator/Year | 2005 | 2009 | Change 2005-2009, % | 2010 | 2014 | Change 2010-2014, % | Change 2005-2014, % |
|---|---|---|---|---|---|---|---|
| **1.Utilized agricultural area, thou. sq.km** | 28.4 | 26.9 | -5.3 | 27.7 | 29.5 | 6.5 | 3.9 |
| **2.Rural population of average annual population, %** | 33.4 | 33.2 | -0.6 | 33.2 | 32.9 | 0.9 | -1.5 |
| **3.Population density, beginning of the year, %** | 51.4 | 48.8 | -5.1 | 48.1 | 45.1 | -6.2 | -12.3 |
| **4.Total age-dependency ratio** | 49 | 49 | 0.0 | 48 | 50 | 4.2 | 2.0 |
| **5.Index of ageing** | 93 | 98 | 5.4 | 116 | 126 | 8.6 | 35.5 |
| **6.Share of employees, engaged in agricultural and related activities in the total number of employees, %** | 14.0 | 8 | -42.9 | 8 | 9.2 | 15.0 | -34.3 |
| **7.Employment in second job by kind of economic activity, %:- in agriculture, hunting, forestry and fishing, in %** | 10051.1 | 10056.2 | -110.0 | 10046.5 | 10035.0 | --24.7 | --31.5 |
| **8.Structure of agricultural production by type of farming:- on farmer's and family farms- in agricultural enterprises** | 76.923.1 | 73.526.5 | -4.414.7 | 72.727.3 | 72.727.3 | 0.00.0 | -5.518.2 |
| **9. Export of agricultural products and food in total export, %** | 14.0 | 16.6 | 18.6 | 18.0 | 19.1 | 6.1 | 36.4 |
| **10.Total export growth, billion EUR** | 9.5 | 11.8 | 24.2 | 15.6 | 24.4 | 56.4 | 56.8 |

***Source: author's calculations based on the World Bank Group Data; Lithuanian Statistics data***

One of most important indicators of the agricultural sector in Lithuania, as given in Table 1, is the structure of gross agricultural production produced by a type of farming. The analysis of statistical data, according to Table 1, shows that the share of agricultural production produced on farmer's and family farms in the period of 2005-2014 was contracted by 5.5% and the share of agricultural production produced in agricultural companies and enterprises increased by 18.2 %. Otherwise, employment in agriculture, hunting, forestry and fishing is popular in Lithuania as a second job by kind of economic activity, which had increased in the period of 2005-2009 by 110.0 %. In the period of 2010-2014, the employment in agricultural activity as a second job decreased by 31.5 %. The growth of labour productivity determined that the share of employees, engaged in agricultural and related activities in the total number of employees, decreased in the period of 2005-2009 by 42.9 % but increased by 15.0 % in the period of 2010-2014. As a result the share of employees engaged in agriculture and related activities decreased by 34.3 % in the period of 2005-2014.

The importance of agricultural sector is characterized by the growth of share of agricultural products and food in total export. Export increased by 18.6 % in the period of 2005-2009, by 6.1% in the period of 2010-2014 and by 36.4 % during all analyzed period. It is important that the growth of total Lithuanian export in the period of 2005-2014 was 56.8 % and the growth of agricultural products and food in the same period was 36.4 %.

The changes, which occur in Lithuanian agricultural sector in the period of 2010-2014 (Table 1), as the increase of share of employees, engaged in agricultural and related activities in the total number of employees, show the rural vitality and importance of agricultural sector (Hart K., Baldock D., 2011). Scientific literature (Kuliesis G., Pareigiene L., 2014) determines that the main indicators characterizing the vitality of agriculture are the average number of rural population, average population density and its average changes.

Significant growth of total age-dependency ratio and index of ageing, decrease of the share of rural population and population density, are related with the

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negative effects of world financial crisis and with the decline of aggregate demand and employment and job seeking opportunities abroad. The decline of population, especially young people, in rural areas is associated with the rise of local migration and international emigration. The number of youth living in rural areas is 2 times smaller than living in the city. Studies (GruzevskisB., Zabarauskaite R., 2012) show that when young people are leaving to work abroad, the donor countries experience a multipartite loss: firstly, by losing people who create value added, GDP, gain income and pay taxes; secondly, by losing family creating youth, which is the demographic potential. Declining employment opportunities in rural areas increase social problems: alcoholism, depression, social isolation and so on. It is expected that in the future the number of employees will decrease in low-quality and low productivity farms, which is often characteristic of small family farms (Averjanoviene et al., 2008).

Table 2

**The main characteristics of youth labour force in Lithuania, Latvia and the EU in the period of 2005-2014**

| Indicator/Year | 2005 | 2007 | 2009 | 2011 | 2013 | 2014 | Change 2005-014, % |
|---|---|---|---|---|---|---|---|
| 1.Labor force participation rate for ages 15-24 in the total number of this age group, % | | | | | | | |
| -Latvia | 38.0 | 42.9 | 41.4 | 37.7 | 40.9 | 41.4 | 8.9 |
| -Lithuania | 26.0 | 27.6 | 30.8 | 29.8 | 32.3 | 32.5 | 25.0 |
| -EU | 44.8 | 44.8 | 44.3 | 42.9 | 42.6 | 42.8 | -4.5 |
| 2.Early leavers from education and training aged 18-24, % | | | | | | | |
| -Latvia | 15.4 | 15.6 | 14.3 | 11.6 | 9.8 | 8.5 | -44.8 |
| -Lithuania | 8.4 | 7.8 | 8.7 | 7.4 | 6.3 | 5.9 | -29.8 |
| 2.1.Males early leavers from education and training aged 18-24, % | | | | | | | |
| -Latvia | 19.0 | 20.6 | 17.6 | 15.8 | 13.6 | 11.7 | -38.4 |
| -Lithuania | 11.0 | 10.1 | 11.6 | 10.0 | 7.8 | 7.0 | -36.4 |
| 2.2.Females early leavers from education and training aged 18-24, % | | | | | | | |
| -Latvia | 11.8 | 10.5 | 11.0 | 7.5 | 5.8 | 5.1 | -56.8 |
| -Lithuania | 5.7 | 5.5 | 5.8 | 4.6 | 4.7 | 4.6 | -19.3 |
| 3.Unemployment total, % | | | | | | | |
| -Latvia | 8.9 | 6.0 | 17.1 | 16.2 | 11.9 | 10.0 | 12.4 |
| -Lithuania | 8.3 | 4.3 | 13.7 | 15.4 | 11.8 | 11.3 | 36.1 |
| -EU | 8.9 | 7.1 | 8.9 | 9.6 | 10.9 | 10.2 | 14.6 |
| 4.Unemployment of youth labour force for ages 15-24, in % (of labour force age group 15-24) | | | | | | | |
| -Latvia | 15.1 | 8.4 | 29.6 | 31.0 | 23.2 | 19.6 | 29.8 |
| -Lithuania | 15.6 | 8.5 | 18.4 | 32.6 | 21.9 | 19.3 | 23.7 |
| -EU | 20.0 | 16.6 | 20.8 | 23.0 | 23.8 | 22.2 | 11.0 |
| 4.1. Unemployment of youth male labour force for ages 15-24, in % (of labour force age group 15-24) | | | | | | | |
| -Latvia | 11.9 | 11.3 | 37.8 | 31.2 | 21.7 | 19.0 | 59.7 |
| -Lithuania | 16.0 | 6.9 | 35.2 | 34.1 | 23.0 | 22.4 | 40.0 |
| -EU | 19.4 | 15.8 | 21.5 | 22.9 | 25.8 | 25.4 | 30.9 |
| 4.2.Unemployment of youth female labour force for ages 15-24, in % (of labour force age group 15-24) | | | | | | | |
| -Latvia | 16.2 | 10.1 | 28.5 | 30.7 | 24.9 | 19.7 | 21.6 |
| -Lithuania | 15.4 | 10.1 | 21.6 | 29.1 | 20.4 | 20.4 | 32.5 |
| -EU | 20.7 | 17.4 | 20.2 | 23.1 | 25.8 | 24.9 | 20.3 |

***Source: author's calculations based on the World Bank Group data***

In scientific literature the definition of youth is described differently, because there is no unified definition on a global level. Youth is described as young persons, whose age differs in distinct publications and ranges from 14 to 34 years. According to the united Eurostat method for the EU in employment research, youth should be seen as individuals in the 15-24 year range (Ciburiene J., 2014). This allows comparing youth's employment/unemployment situation on the rural and urban levels. This age group of population will be adopted as youth in the article. The main characteristics of young labour force, such as

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participation in the labour market, early leavers, early leavers from education and training and unemployment, are given in Table 2. The labour force participation level was smallest in the period of 2005-2014 in Lithuania, in comparison with Latvia and the EU. Despite this, the biggest growth rate of labour participation rate was in Lithuania and it achieved 25.0 %. Labour force participation rate in Latvia increased by 8.9 % and decreased by 4.5 % in the EU.

The data show that Latvia, Lithuania and the EU successfully decreased unemployment level until the year 2007 but the financial crisis significantly reduced economic activities and increased unemployment. In Latvia and Lithuania positive tendencies in youth labour market began to occur from the year 2011, when the indicator of early leavers from education and learning market (both male and female) began to decrease, accordingly, 44.8% and 29.8%. The smallest level of unemployment in the year 2005 was in Lithuania – 8.3% but the highest level – 18.7% - was in Latvia in the year 2010. The highest unemployment rate in Lithuania – 17.5% was in the year 2010. The most significant rise of unemployment during the analysed period was in Lithuania – 36.1%, in the EU – 14.6% and in Latvia – 12.4%.

The smallest unemployment level of youth labour force age group 15-24 was in Latvia – 14.6% in the year 2005. The unemployment level of youth labour force in the year 2005 was bigger in the EU than in Latvia and Lithuania, and reached 20.0%. Later the unemployment of youth labour force for ages 15-24 in Latvia and Lithuania changed similarly. Due to the financial crisis, unemployment significantly rose and in the year 2011 it was 31.0% in Lithuania and 32.6% in Latvia. The unemployment level of youth labour force in the year 2011 in the EU was 23.0%. The data show that this indicator in the period of 2005-2014 mostly increased in Latvia – by 29.8%.

The unemployment level according to gender differs in Latvia and Lithuania. Male unemployment in the year 2005 was the smallest in Latvia (11.9%). Unemployment also fluctuated because of the economics fluctuation during the financial crisis. Unemployment level of youth male labour force in the year 2014 in Latvia stayed the smallest – 19.0%, however this indicator rose the most in Latvia – by 59.7% in comparison with the year 2005. In Lithuania male youth unemployment during the financial crisis rose from 16.0% in the year 2005 to 35.2% in the year 2009 but during the post-crisis period it did not reach the level before the crisis. In Lithuania the unemployment level of youth male labour force in the year 2014 was 22.4%. The biggest unemployment level of youth male labour force – 19.4% in the year 2005 was in the EU. In the year 2014, it stayed the largest – 25.4%, although the growth rate during the year 2005-2014 was smallest – 30.9%.

Unemployment level of youth female labour force was smallest in the year 2005 in Lithuania and reached 15.4%. In Latvia it was 16.2% and in the EU - 20.7%. The unemployment level of female youth mostly increased in Lithuania by 32.5% and was 20.4% in the year 2014. In Latvia, the increase was less intensive – 21.6% and in the year 2014 unemployment level of female youth was 19.7%. The highest unemployment level of youth female labour force in the year 2005 was in the EU and reached 20.7%. In the EU, the increase was less intensive – 20.3% but in the year 2014 it was the biggest among the analysed countries and was 24.9%.

The situation of labour force market in Lithuanian urban and rural areas significantly differs, as shown in Table 3. The unemployment level in urban areas in Lithuania in the year 2005 was 8.6% and was bigger than the unemployment level in rural areas, which was 7.6%. Unemployment level both in urban and rural areas in Lithuania decreased in the period of 2005-2009 by 33.7% and 11.7%, respectively. Unemployment rate in the year 2010 during the financial crisis increased in urban areas more than 1.8 times and in rural areas – about 3 times in comparison with the year 2005. Implementation of government policy caused a decrease in unemployment in urban regions from 8.6% to 8.4% during the year 2005-2014. The unemployment level in rural areas in the year 2014 was 16.1%. During the period of 2005-2014 it increased by 111.8%. People, mostly previously employed in agriculture, forestry and fishing, were added to the ranks of unemployed people in rural areas. In the year 2005 the percentage of unemployed people, previously employed in agriculture, forestry and fishing, in rural areas were 13.2% and in urban areas – 4.7%. The share of unemployed people previously employed in agriculture, forestry and fishing decreased in the period of 2005-2009 and in the period of 2010-2014. This shows that employment places are decreasing in rural areas because there are more use various machinery that lower the need for low quality labour force.

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Table 3

**The main characteristics of unemployment in urban and rural areas in Lithuania in the period of 2005-2014**

| Indicator/Year | 2005 | 2009 | Change 2005-2009, % | 2010 | 2014 | Chang 2010-2014, % | Change 2005-2014, % |
|---|---|---|---|---|---|---|---|
| 1.Unemployment total, %-- urban areas-- rural areas | 8.67.6 | 5.7*6.7 * | -33.7-11.7 | 15.922.7 | 8.416.1 | -47.2-29.1 | -2.3111.8 |
| 2.Unemployed, previously employed in agriculture, forestry and fishing, % | | | | | | | |
| -- urban areas-- rural areas | 4.713.2 | 4.09.8 | -14.9-25.8 | 3.510.7 | 1.77.5 | -51.4-29.9 | -63.8-43.2 |
| 3.Unemployment of youth labour force age 15-24, % | | | | | | | |
| -- urban areas-- rural areas | 15.616.8 | 29.332.7 | 87.894.6 | 31.443.0 | 19.924.6 | -36.6-40.0 | 27.646.4 |

** - data of year 2008.*

***Source: author's calculations based on Lithuanian Statistics data***

Unemployment level of youth labour force age group 15-24 in the year 2005 in Lithuanian urban areas was 15.6% and rural areas – 16.8%. The unemployment of youth labour force in rural areas in the period of 2005-2009 increased by 94.6% and reached 32.7%. The unemployment of youth labour force in urban regions in the period 2005-2009 increased less – by 87.8% in comparison with rural areas and reached 29.3%. During the financial crisis period the unemployment level of youth labour force increased significantly and in the year 2010 in the urban areas was 31.4% and rural areas – 43.0%. The unemployment of youth labour force age group 15-24 in the period of 2005-2014 in urban and rural areas increased, accordingly, by 27.6% and 46.4% and was 19.9% and 24.6% in the year 2014.

Due to different transformations of particular economic sectors unemployment levels are different in the urban and rural areas. The labour market of youth labour force, as shown in Table 3, faces a higher unemployment level. The unemployment of youth labour force in the year 2005 was twice bigger than total unemployment in rural areas, however this difference in urban regions was big too and reached about 1.8 times. The unemployment of youth labour force in rural areas in the period of 2005-2014 increased by 46.4% and was 24.6%. The unemployment of youth labour force in urban areas increased by 27.6%, and was 19.9%. The comparison shows that the unemployment of youth labour force in rural areas in the year 2014 was by 23.6% bigger than in urban regions in Lithuania.

## Conclusions

1) The utilized agricultural area and human capital are one of the main agricultural resources. The utilized agricultural areas in Lithuania increased by 3.9% in the period of 2005-2014. The rural population decreased by 1.5% and the population density decreased by 12.3%. Share of employees engaged in agricultural and related activities in the total number of employees decreased by 34.3% during analysed period. These changes characterise, firstly, the changes of the quantitative factor of agriculture as economic activity development, and secondly, the changes of qualitative factors related with the growth of the export share of agricultural products and food in total export, which directly is related with the growth of productivity.

2) The export of Lithuanian agricultural products and food sector is characterised as smart, because in this sector the export increased while the employment decreased. In the period of 2005-2014 Lithuanian export of agricultural products increased by 36.4% in total country export. The share of export of agricultural products and food sector in total Lithuanian export in the year 2005 was 14.0%. In the year 2014 it increased to 19.1%. The tendency of export of agricultural products and food sector growth was permanent during all analysed period: from the year 2005 to the year 2014. In the period of 2005-2009 the growth was 18.6% and in the period of 2010-2014 the growth was 6.1%. The growth of the export share of Lithuanian agricultural and food sector products shows that this sector is a strong competitor on the international agricultural and food products market and its products successfully compete in the global area.

3) The youth labour force market in rural areas faces with inside (migration) and outside (emigration) problems, which are based on the internal (economic activity transformations) and global factors (open market, financial crisis and free

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movement of labour force). These reasons cause youth unemployment hysteresis, even when the financial crisis is over the unemployment rate stays high and does not reach the pre-crisis level. Lithuanian youth labour force participation rate for ages 15-24 in the total number of age group 15-24 in the year 2014 was the smallest – 32.5% in comparison with Latvia – 41.4% and the EU – 42.8%. The unemployment of youth labour force in the period of 2005-2014 in rural areas increased by 46.4% and in the year 2014 it reached 24.6%. However, on the positive side the youth unemployment level decreased from 43.0% to 24.6% in the year 2010-2014. This shows that the economic policy has a positive effect on the youth employment rate in the rural areas.

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