

The Impact of Agricultural Policy on Agricultural Employment in Slovenia

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The creation and maintenance of jobs in agriculture and in rural areas has been a traditional Common Agricultural Policy (CAP) target, an objective recently restated and emphasised by several European Union (EU) official documents. Dries et al. (2012) investigate job creation and destruction in EU agriculture revealing the importance of diversity in regional distribution, farm structure and farm types. However, the effectiveness of subsidies in maintaining the labour force in the agricultural sector is actually unclear and the empirical evidence is still largely inconclusive. In the literature, there are papers that find a negative impact of subsidies on out-farm migration, others that find no effect, and even papers that find a positive effect of subsidies on out-farm migration. In addition, the results highlight that the magnitude of the economic effect has been quite moderate and heterogeneous across policy instruments.

We investigate the employment effects of the entire portfolio of CAP measures (including Pillar 1 and Pillar 2 subsidies) in Slovenia between 2007 and 2015 using Farm Accountancy Data Network datasets. We estimate our models separately for total agricultural labour, family labour and hired labour. We employ static fixed effect panel models. We control for time-, sector- and regional fixed effects. Our calculations show that total agricultural employment has declined during analysed period, both family and hired labour has decreased.

We find that total subsidy, Pillar1 and Pillar2 subsidies have positive impacts separately on total agricultural employment. However, the effects of specific Pillar 2 supports are heterogeneous on total agricultural labour. Whilst, agri-environmental schemes and investment subsidies positively influence the total agricultural labour, the less favoured area (LFA) payments and other rural development subsidies have not significant impacts on it. In addition, regional population density positively associated with total agricultural employment. We find similar results for family labour, except that the LFA payments have positive impacts on family labour. However, the agricultural subsidies have different impacts on hired labour. While total subsidies and Pillar1 payments are positively associated with hired labour, the rural development supports and their specific programs have not had significant effects on hired labour.

Keywords: agricultural employment, agricultural policy, panel data analysis

Reference

Dries, L., Ciaian, P., and Kancs D. (2012). Job creation and job destruction in the EU agriculture. *Food Policy*, 37(6): 600–608.