The Role of the Common Agricultural Policy in Stimulating Rural Jobs in Poland

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Iwona Nurzyńska[1]

Abstract

The creation of non-farm jobs in rural areas is one of the key challenges of rural development policy of Poland. Socio-economic processes in the Polish rural areas result in shaping the rural economy in which the role of agriculture diminishes in terms of share in both GDP and employment. New economic functions do not replace the "fading" agriculture as the main source of income in rural areas to the extent that is satisfactory economically and socially. Low diversification of local economy and limited taxable economic base are serious growth handicaps, hitting remote rural areas the most. In the view of the above-mentioned phenomena, this paper tackles the problem of quality of rural labor analyzing its characteristics and the possibility to deploy it in non-farm sectors of the economy. The objective of the paper is to explore the effectiveness of the Common Agricultural Policy instruments in stimulating off-farm job creation in rural areas over the last 12 years of Poland's membership in the European Union versus the country's needs in this area. In this context the paper argues for strategic re-orientation of the CAP objectives enabling more effective job creation in rural areas.

Key words: the Common Agricultural Policy, rural labor, human capital, non-farm jobs, rural entrepreneurship, policy instruments

JEL Code: J21, 01

1. Introduction

The promotion of entrepreneurship and creation of jobs are the focus of many public policies in such fields as regional development, labor market, economic competitiveness and rural development. The public intervention measures under those policies aim at promoting entrepreneurship attitudes and providing financial and non-financial support to stimulate businesses' development and their growth. It is expected that those instruments will strengthen sustainable foundations of socio-economic development but also improve social and territorial cohesion. Due to specific socio-demographic and economic conditions in rural

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areas, which differ from those in urban ones, supporting rural entrepreneurship and creating non-farm jobs require the adequate mix of public policy instruments. The Common Agricultural Policy of the European Union structured around two pillars offers synergies and can contribute to the achievement of those objectives via facilitating activities aimed at diversification of income sources of farm households and creation of off-farm jobs. The paper tackles the issue of barriers to rural entrepreneurship development and the role of CAP measures in addressing those barriers. The author argues for the redesign of strategic objectives of the CAP and stronger integration with other public policies in order to strengthen their role in quality rural job creation.

The article lies on the theoretical background of the role of human capital in the growth and development theories and consists of three main parts. In the first, theoretical background underlying evolution of public policies addressing socio-economic development and job creation is elaborated. In the second, the author examines the barriers for the development of non-farm jobs including the quality of rural labor resources and access to financial resources in rural Poland. In the third part, the article attempts to evaluate the effects of CAP support instruments aimed at stimulating job creation and rural entrepreneurship development. The empirical analysis deploys public statistical data, Rural Development Programs monitoring data gathered under the implementation of the instruments in the period of 2004-2013 and the author's own research results

2. Labor and human capital in the process of growth in the view of selected theoretical concepts

The interest in the role of labor can be already found in the early works of classical economists. Adam Smith differentiated labor demand from labor supply assuming that in the long run, due to free market mechanisms, supply and demand of labor would be balanced. Searching for factors causing unemployment Marks linked the increasing unemployment with the technical progress which "pushes out" workers out their jobs ignoring the civilization progress and socio-economic development which create demand for other services and goods. Historically, technical developments in agriculture and industry allowed non-farm sectors of the economy absorbing the "released" agriculture workforce (Kwiatkowski 2002: 91- 98). It has been long true and the proof can be found in Europe even in the 1960s-1970s when the growth in manufacturing and service industries was strong enough to absorb the workforce moving out of farming. In 1956 Robert Solow provided the analytical framework attributing

most of the economic growth to increases in physical capital and labor which are subject to decreasing returns. Solow's model assumed technology to be determined by forces outside the economy, and therefore is often referred to as an "exogenous" model of growth (Fagerberg 1994). Neoclassical assumptions conclude that markets are generally very competitive and usually lead to optimum levels of production and allocation of resources. They also imply that the governments have relatively limited possibilities to promote economic growth other than encouraging market competition, providing adequate education and encouraging savings and investment (Mankiw, Taylor 2016: 63-91).

Over the time there has been a growing consensus across the literature of social sciences which contends that there are other factors which „matter" more for economic growth than traditional factor-endowments. The New Growth Theory challenges the neoclassical model implying that knowledge accumulation is assumed to be an input in production that has increasing marginal productivity. Romer argues: *We now know that the classical suggestion that we can grow rich by accumulating more and more pieces of physical capital like fork lifts is simply wrong* (Romer 1986). Since then, economists have long stressed the importance of human capital to the process of growth. One might even expect that ignoring human capital would lead to incorrect conclusions (Mankiw, Romer &Weil 1992). The essential point of New Growth Theory is that knowledge drives growth. Romer indicates that the economies with lower level of human capital achieve relatively lower economic growth rates. The later can be improved via economic integration and collaboration among economies which provide for flows of human capital and accumulation of technical knowledge (*spill-over effects*).The human capital determines the scale of the technological gap conditioning the pace of technical knowledge spill-over and effectiveness of its adaptation. As the result investments in human capital are fundamental to the process of growth (Romer 1989). The quality of human capital, which fundamentally depends on educational level, is the co-decisive element shaping the labor market and the employment in a given country, particularly in knowledge-based economies.

The development of growth theories also brought about the rising interests in the importance of institutional factors and social capital. As Rodrik argues in the volume *In Search of Prosperity: Analytic Narratives on Economic Growth* (Rodrik 2003) institutions refer to the quality of formal and informal sociopolitical arrangements ranging from the legal system to broader political institutions. As an endogenous growth factor the institutions play an important role in promoting or hindering economic performance. Meta institutions (property

rights, the rule of law), "game rules", economic incentives are key for economic performance as they can facilitate or hinder collaboration, exchange and collective actions**.** "Good" and "proper" institutional structures may help set off disadvantages associated with remoteness and economic handicaps (Rodrik, Subramanian, Trebbi 2002). Institutional network or "institutional thickness" within given territory increases the potential for higher economic growth.

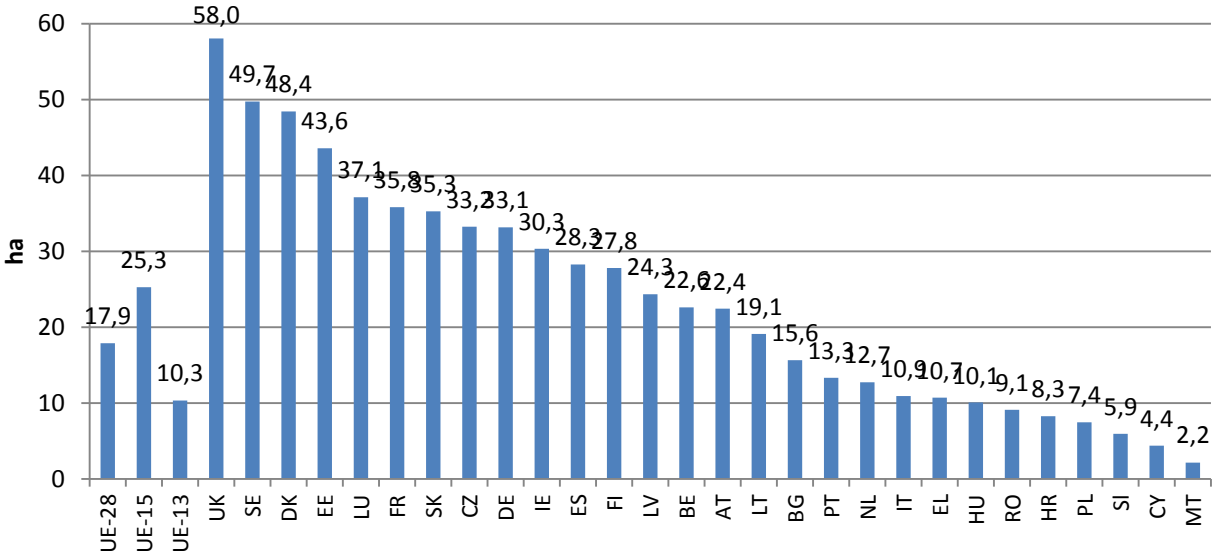
As pointed out by Gunnar Myrdal (1957) in his cumulative causation theory negative socio-economic phenomena tend to occur simultaneously in the regions lagging behind. These negative phenomena are interlinked and in a long run lead to social exclusion and marginalization. And even if underdeveloped regions offer the advantage of low-wage labor, these benefits tend to be offset by the agglomeration economies found in the industrialized regions. Most of rural areas in Poland can be classified as lagging regions except for the group of rural areas located in the close vicinity of large cities (Nurzyńska 2016). Myrdal argues that underdeveloped regions may benefit from growth in developed regions through "spread" effects resulting from the diffusion of innovations into a "lagging" region. However, these benefits tend to be offset by the "backwash" effects resulting from the flow of capital and labor from the lagging region into the developed region (Dawkins 2003: 139). Accessing growth path by lagging rural areas is difficult and without external intervention rather impossible. However, even the external support, without the mobilization of existing endogenous local capacity, might not be sufficient to overcome the development barriers (Wilkin 2003: 44-59). Rodrik argues that: *governments are constrained by limits on their resources - financial, administrative, human, and political. They have to make choices on which constraints to attack first and what kind of reforms to spend political capital on. What they need is not a laundry list, but an explicitly diagnostic approach that identifies priorities based on local realities* (Rodrik 2007:5). Employment performance depends on the opportunities offered by the local economy, the supply of skilled human capital, as well as local government policies supported by national labor market institutions and regulations (European Parliament 2016). Both the EU Cohesion Policy and the Common Agricultural Policy are based on the principle of financial solidarity between the rich regions and the poor ones but at the same time it is be driven by the choice of priorities and best value for money.

3. Rural labor market in Poland

In many European countries over the past few decades, the number of farmers in rural areas has drastically decreased. The main reason for that is the continued decline in incomes of

farmers. Over the period of 2005-2014 there was a reduction of almost one quarter (- 23.6 %) in agricultural labor input in the EU-28 (European Parliament 2015). Since systemic transformation in Poland the share of employed in agriculture has been constantly declining from 25% of the total employed in 1989 to 11.5% in 2014. Decreasing, but still important, role of primary sector in the employment structure results in mono-functional character of local economy of many rural areas. Desagrarization of employment continues but not to a satisfactory extent. Moreover, concentration and specialization in agriculture deepens the problem of "redundant" labor resources and hidden unemployment in rural areas.

In 2014 the share of Polish agriculture in the EU-28 production volume was 5.7% whereas the share of labour employed in agriculture was more than 3 times higher (19.8%) (Baer and Poczta 2016). This implies a distinctly lower productivity of labour factor in Polish agriculture (see graph 1). In reality a considerable chunk of the formally employed in agriculture finds alternative off-farm sources of income, often in the informal economy.



Graph 1. Farm land per 1 AWU in 2014
Source: Baer-Nawrocka A., Poczta W. (2016). Polish agriculture vs agriculture in the European Union. In: Wilkin J., Nurzyńska I. (eds.), Rural Poland 2016. The Report on the state of rural areas. FDPA, Wydawnictwo Scholar, Warsaw, p. 72

One of the key obstacles hampering the re-allocation of labor is relatively low quality of rural human capital and the mismatch of the qualifications demanded by the market and needed in non-farm sectors of the economy. As the result the labor surplus in agriculture cannot be absorbed to the satisfactory extent by other sectors of economy. The mismatch of market needs and rural labor qualifications is the fundamental pre-cause of the structural

unemployment in rural areas. In 2014 the total employed in Polish rural areas amounted to 6.2 million people including 4.5 million working outside agriculture. Over 2010-2014 the number of people working in agriculture was under the steady downward trend while the number of rural population employed outside agriculture was on upward trend (tab.1).

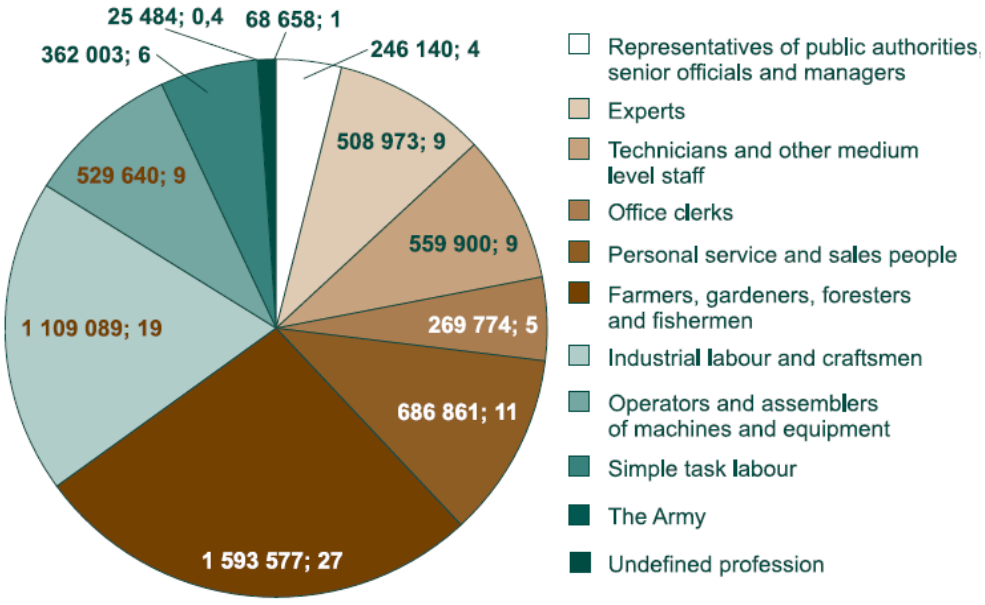
Table 1. Working population in and outside agriculture[a] including self-employed, by place of residence in 2010-2014

Year	Employed in agriculture[b]				Employed outside agriculture[c]					
	total		in RAs		total			Self-employed		
	'000	% of the total employed	'000	% of the total employed	total	urban	RAs	total	urban	RAs
					'000			% of the total employed outside agriculture		
2010	2019	13,0	1847	30,9	13455	9332	4123	13,0	13,6	11,6
2011	2008	12,9	1833	30,4	13554	9359	4195	13,0	13,6	11,7
2012	1960	12,6	1797	29,6	13631	9364	4267	12,8	13,5	11,4
2013	1867	12,0	1712	28,2	13701	9332	4369	12,8	13,3	11,5
2014	1820	11,5	1660	26,9	14042	9522	4520	12,7	13,2	11,6

[a]On average per annum (mean based on the four quarterly labor survey; [b]including forestry and fishery; [c]without forestry and fishery

Source: Frenkel I. (2016). Population of rural areas. In: Wilkin J., Nurzyńska I. (eds.), Rural Poland 2016. The report on the state of rural areas. FDPA, Wydawnictwo Scholar, Warsaw, p. 55

Despite decreasing importance of agriculture as the source of income in rural areas, the primary sector still occupies almost 1/3 of the rural employed (26.9% in 2014). In-depth examination of rural socio-economic structure shows that the qualified workers, craftsmen, operators of machines and equipment account for 28% of the rural employed; some 25% form relatively homogeneous group of medium level staff (personal service advisors, sales staff, technicians and office workers); further 13% combine executives, public servants and experts and some 6% of the employed perform simple work that does not require special qualifications (see graph 2). This group started evolving into the socio-economic category that the sociologists describe as the rural middle class (see also Halamska 2013: 91-103).



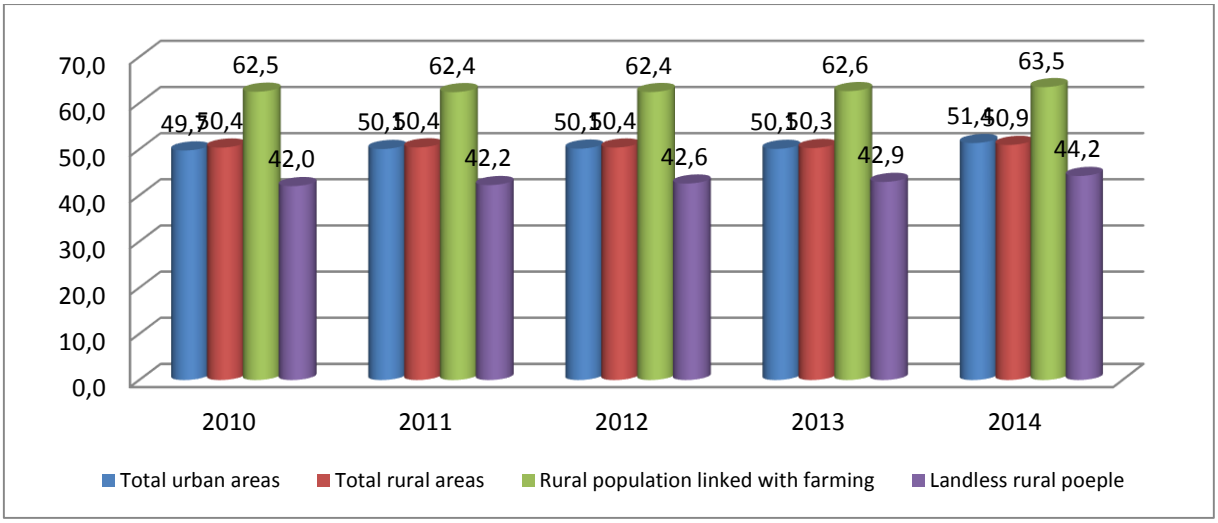
Graph. 2. Employment in rural areas by socio-economic groups (number, %) according to National Population Census 2011

Source: own work according to National Population Census 2011

Migrations constitute important factor shaping rural labor market. Rural areas become attractive to the young and active people searching for better living conditions for their families far from the city centers. Suburbs also offer affordable housing prices compared to the city centers. However, vast majority of rural areas in Poland (except for those located in the close vicinity of agglomerations and larger cities) can be characterized as peripheral and are subject to the Ravenstein Migration Laws. In this case migrants searching for better-paid jobs decide to migrate to urban areas and since the migrants are in most cases young (25-44 years old), active and better educated (including young women) this negatively affects demographic and social structure of rural areas (Górny, Kaczmarczyk 2003: 15, Demographic Yearbook 2015).

The effective use of labor resources and economic activity of a given society can be described by the employment rate. In general terms there are no considerable differences between economic activity measured by the employment rate of the urban and rural population in Poland. In 2014 general employment rate (people 15 years old and more) was at relatively low level and amounted to 50.9% and in the group of production age the rate accounted for 66% whereas in urban areas the increase it was 51.4% and 68.5% accordingly (Frenkel 2016).

At the same time there are significant differences in economic activity among the rural population itself i.e. between the employed who have agricultural holdings and the group of rural population without any links with farming. The later (also called "landless") are characterized by lower economic activity and higher unemployment rate. In 2014 the employment rate in the first group was 63.5% and among the landless - 44.2% (tab. 2, graph 3). At the same time the unemployment rate was 4.8% and 11.2% accordingly [Frenkel 2016]. This phenomenon to a great extent is explained by the structural unemployment in the Polish agriculture.



Graph 3. Employment rate in rural and urban areas (%)

Source: own work based on table 2

The family type of employment relations is an important feature which differentiates farming population from the rural employed with no links with agricultural holdings. In the second group market type of employment relations prevail (Frenkel 2016: 17-51). The downside of the family type of employment relations in agricultural holdings is that only merely 30% of the solely employed in agriculture meet the criteria of full-time employment[2] providing for hidden unemployment in the sector (Frenkel 2014: 74). This shows the scale of the problem but also indicates the social loss in the form of unproduced national income if the rural labor force was efficiently and effectively deployed by other sectors of the economy.

The question here though is if the quality of rural labor would allow finding off-farm job. The statistics prove the correlation between employment rate and educational level: the higher

[2] Working 2120 hours and more annually i.e. 265 days a year and 8 hours a day (Annual Work Unit). The others work part-time including those (more than 50%) working merely a half of full occupation time.

level of education the higher employment rate. In 2014 the employment rate among rural population with higher education was 77.9%, secondary – 61.6% and elementary – 17.7% (tab. 2).

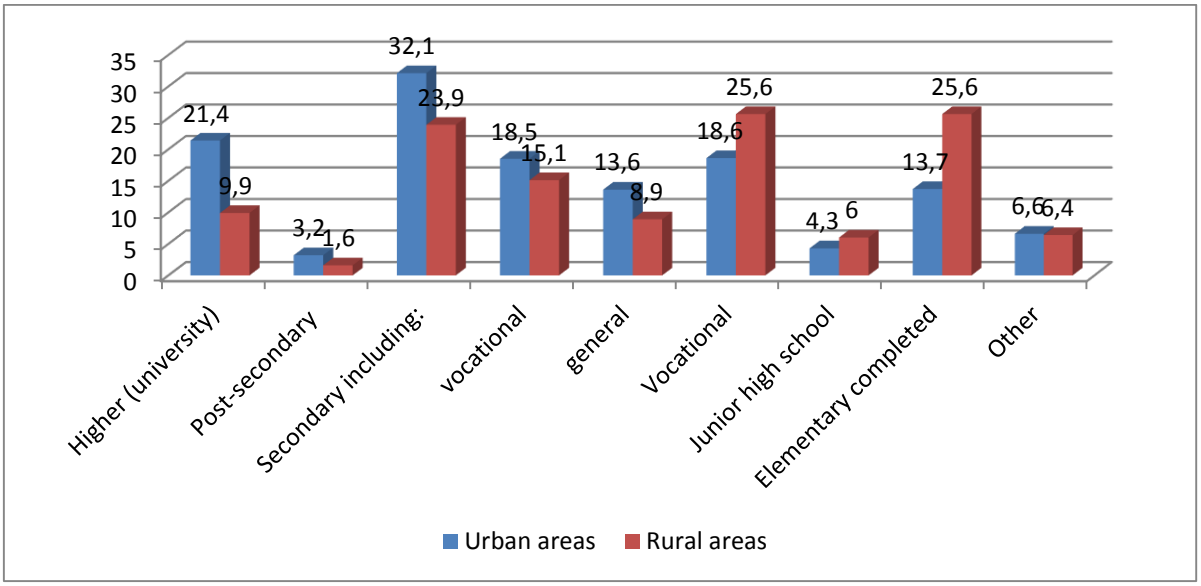
Table 2. Employment rate[a] among population aged 15 years old and more by education, place of residence and links with agricultural holding in 2010-2015[b]

Year[c]	Total	Education level					
		higher	secondary			vocational	elementary, Junior high shool completed[e]
			total	vocational[d]	general		
Urban areas							
2010	49,7	75,9	51,3	57,5	39,0	50,3	11,2
2011	50,1	75,5	51,6	57,7	39,2	49,4	11,6
2012	50,1	75,2	51,4	57,0	40,0	48,1	11,6
2013	50,1	75,1	50,7	55,8	40,5	47,0	11,1
2014	51,4	76,1	51,3	55,8	42,2	47,9	11,3
				Rural areas			
2010	50,4	78,2	62,4	67,7	47,9	64,2	20,3
2011	50,4	77,2	62,0	67,8	46,2	63,9	19,7
2012	50,4	76,5	61,6	67,4	46,2	62,4	19,1
2013	50,3	77,1	61,3	67,0	46,4	61,0	18,1
2014	50,9	77,9	61,6	67,0	47,9	61,1	17,7
	Rural areas – population with links with agricultural holdings						
2010	62,5	81,0	73,0	78,6	56,0	79,9	33,0
2011	62,4	80,2	72,8	79,4	52,9	79,6	31,6
2012	62,4	79,1	73,3	79,5	54,2	78,7	30,6
2013	62,6	80,5	73,2	79,2	55,1	78,1	29,8
2014	63,5	79,8	73,7	79,5	56,3	79,3	29,3
	Rural areas - the landless						
2010	42,0	77,0	55,0	59,8	43,0	52,1	11,6
2011	42,2	75,8	54,5	59,4	42,3	51,7	11,6
2012	42,6	75,3	53,9	58,9	41,8	50,5	11,6
2013	42,9	75,7	53,9	59,0	41,8	49,5	11,2
2014	44,2	77,2	54,9	59,6	43,9	50,1	11,5

[a]Share of the employed in the total number of a given category; [b]per annum on average; [c]data for 2010-2012; [d]along with after high-school; [e]along with uncompleted elementary and no school education; [f]by new definition of farm household

Source: Frenkel I. (2016). Population of rural areas. In: Wilkin J., Nurzyńska I. (eds.), Rural Poland 2016. The report on the state of rural areas, FDPA, Wydawnictwo Scholar, Warsaw, p. 53

Unfortunately despite significant improvements over the last decade the education level of rural population is still considerably lower compared to the urban population (graph 4).



Graph 4: Educational level of urban and rural population in 2011

Source: own work based on the Central Statistical Office GUS

Taking into consideration the fact that 1/3 of rural population is characterized only by elementary educational level it can be noted that the key instrument to improve the employment rate of the landless population is the increase in educational level of this group of the society. Hence education along with skills and experience specific for a given economic activity constitute the main characteristics of quality of human capital (Fedyszak-Radziejowska 2014: 153-174).

4. Barriers to rural entrepreneurship development

The entrepreneurial ecosystem can facilitate or hamper the creation and functioning of businesses. Such a system includes inter alia: public policy of central and local authorities, access to investment sites, technical infrastructure and business support institutions which provide training, advisory, information and financial services. As pointed by Rodrik, institutions refer to the quality of formal and informal sociopolitical arrangements ranging from the legal system to broader political institutions. As an endogenous growth factor the institutions play an important role in promoting or hindering economic performance (Rodrik 2003). The fundamental elements of the system are human and social capital. Here it is worth underlying that rural social capital differs from the urban one. Fedyszak-Radziejowska stresses that rural social capital is less formalized and refers to common but very concrete and specific actions rural communities benefit from. If the condition of rural social capital is to be

measured by the readiness (also abilities) to work together for the common benefit, trust to the others and numbers of formal non-governmental organizations thus rural people are less organized and to lesser extent trust the others; but this does not mean that rural people are not able to get involved into common and civil activities (Fedyszak-Radziejowska 2014: 158).

Institutional economists argue that the selection of „good institutions" create proper institutional environment and framework for growth and "good" development policies (Wilkin 1995; Wilkin 2004; Farole, Rodriguez-Pose&Storper 2009), and the adequate support system for entrepreneurship and innovation can contribute to overcoming peripheral disadvantageous and poor natural endowments (Rodrik 2003; Acemoglu, Johnson and Robinson 2004). And the opposite, the public choice theory delivers the proof that rent-seeking institutions or ineffective ones may cause negative implications for economic performance. The empirical research carried out by the author of this paper allows indicating some key barriers for the development of rural entrepreneurship in Poland related to the quality of rural labor and those which can be grouped into institutional handicaps (table 3).

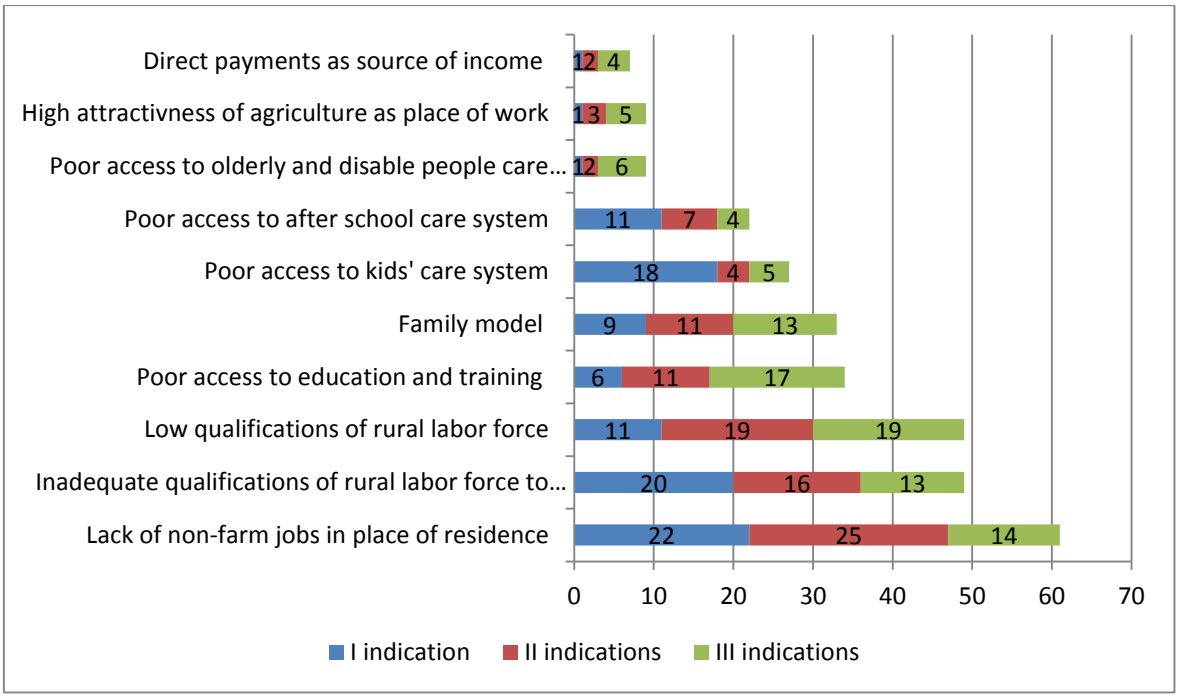
Table 3. Barriers for the rural entrepreneurship development

Quality of rural labor resources	Institutional, infrastructural and other barriers
✓ Lower quality of human capital (education and qualifications) as compared with urban areas ✓ Low concentration of labor resources in rural areas limiting access to specialists ✓ Lack of entrepreneurial models in rural areas (attitudes, family model, cultural heritage); ✓ Low level of social capital in rural areas (trust, collaboration);	✓ Inadequate legal environment (non-financial and regulatory) for small scale rural businesses ✓ Low demand and income disparity in rural areas ✓ Perypherial growth pattern ✓ Lower quality of technical infrastructure (roads, Internet, energy access) ✓ Poorer access to financial infrastructure and financial instruments ✓ Inadequate access to training and professional business advisory services and often mismatch of the offered support ✓ Poor targeting of business support not meeting the needs of rural entrepreneurs

Source: own work

The analysis of barriers for the development of rural entrepreneurship indicates that the public intervention in the field of institutional framework facilitating economic activity and more

effective use of rural labor resource are indispensable. The targeted external intervention shall be aimed at stimulating endogenous capacity of rural areas, including investments in increasing the quality of human capital. The national survey organized each year among 15,000 rural inhabitants by the Polish Ministry of Agriculture and Rural Development shows that in 2015 low or inadequate qualifications of rural people are being deemed by them as one of the key barriers to the increase in their economic activity (graph 5). Under the same survey 43% of surveyed rural inhabitants in 2015 (it was the highest indication among the possible answers) and 38% in 2014 pointed out that access to rural jobs is what rural areas need the most in the first place.



Graph 5. What are the main 3 barriers to increase non-farm activity in rural areas (% of indications)?
Source: own work based on the report *Polska wieś i rolnictwa*, Ministry of Agriculture and Rural Development, Warsaw, 2015, p. 171

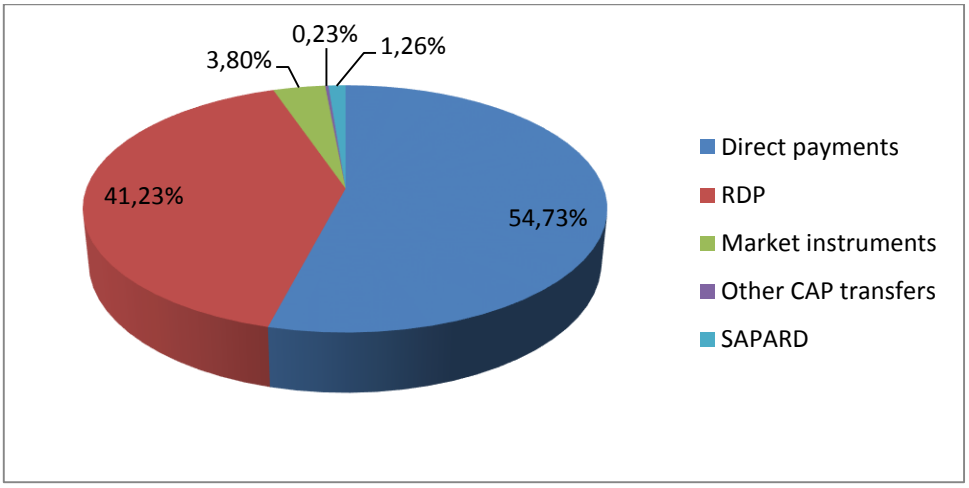
5. The CAP instruments supporting rural entrepreneurship and job creation

In the European Union the support for small and medium sized businesses is deemed as the economic growth stimulating factor. EU public policy aid offers wide range of instruments and measures aimed at: promotion of entrepreneurship attitudes; improvement of the entrepreneurship eco-system including regulatory environment; better access to education and training focused on acquiring skills and qualifications useful for entrepreneurs; access to financial resources including refundable financial instruments for setting-up and growth of businesses; eliminating non-financial barriers hampering small scale rural businesses.

Poland's accession to the EU allowed rural people and farmers benefiting from the CAP instruments including those aimed at the improvement of living conditions and creation of new sources of off-farm income in rural areas. Yet, some researchers point out that *assessing the success or failure of the CAP in terms of job creation is not a simple matter, since the effects of the CAP on rural jobs are complex, and may work in opposite directions* (Davidova, Hennessy, Thomson 2016).

In 1999 the EU adopted Agenda 2000 and created the 2nd Pillar of the CAP focused on the improvement of living conditions and diversification of income sources in rural areas. With the new objectives of Europe 2020 strategy for smart, sustainable and inclusive growth employment and job creation are very high on the EU agenda. Supporting quality and sustainable employment is one of the priorities stressed in the European Structural and Investment Funds regulations for 2014-2020.

In the period of 2004-2015 Poland received EUR 39.6 billion which accounts for over 30% of the total transfers from the EU budget. The value of the public support in the economy is significantly higher as EU funds must be co-financed by domestic budget. Almost 55% of the CAP funds were transferred to the Polish farmers in the form of direct payments which became the vital income support instrument boosting local demand (graph 6). At the same time Poland has been benefiting from Rural Development Programs (RDPs) offering investment support and creating supply effects in the economy.



Graph 6. CAP transfer structure from the EU budget to Poland over 2004-2015 (%)

Source: own work based on the data of the Polish Ministry of Finance http://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/unia-europejska/transfery-finansowe-polska-ue

RDP is a complex set of measures with dedicated budget co-financed by the EU funds which are targeted at easing and addressing problems faced by the Polish agriculture and rural areas. RDP also offers aid supporting off-farm job creation and diversification of income sources of farm households. In the years 2002-2020 under rural development programs, including pre-accession support, Poland has been allocating relatively low share of the total budgets of those programs co-financed by the EU. As the result of such intervention over 38 thousand projects targeted at job creation and income diversification were carried out in rural areas (table 4).

Table 4. Rural Jobs & Diversification of Income in 2002-2020

Program	Measure	Completed projects	Share in the total payments (%)
SAPARD (2002-2006)	Diversification of economic activity	4071	6.75%
SOP Agriculture 2004-2006	Diversification of income sources in farm households	4015	6%
RDP 2007-2013	Diversification towards off-farm income	15718	1.85%
	Creation and development of micro-business	14650	3.53%
RDP 2014-2020	Off-farm activity & Entrepreneurship development (farming services)	X	3.5% (planned)

Source: own work

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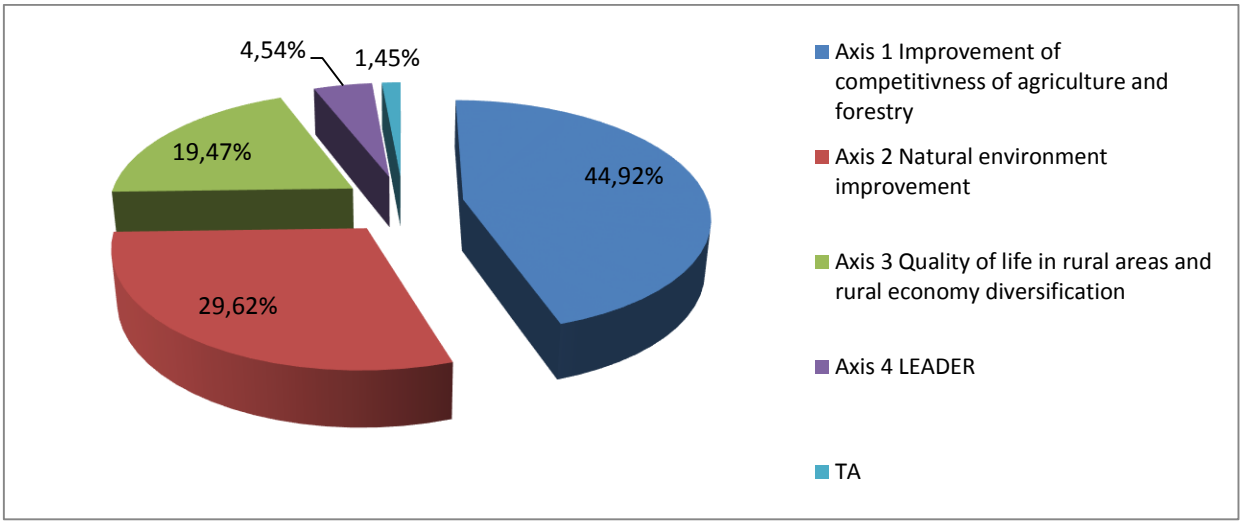
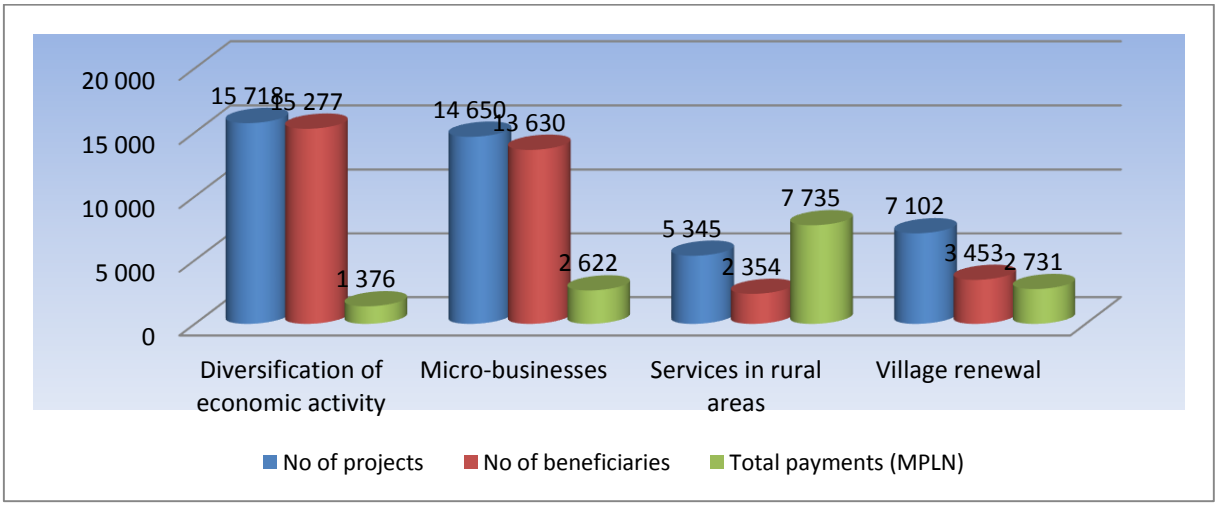
The financial perspective 2007-2013 was the first 7-year budgetary framework Poland benefited from. At the same time RDP 2007-2013 is completed now and some ex post recommendations can be formulated. One of the priority area supported under RDP 2007-2013 was the improvement of living conditions in rural areas (water supply and sewage systems, local roads, renewal of villages) as well as creation of off-farm jobs and diversification of farm household income sources (the so called Axis 3 measures). Poland allocated almost 20% of RDP 2007-2013 budget for all measures of the Axis 3 including less than 6% of funds were earmarked for measures related to job creation. At the same time social capital building measures under Local Development Strategies (Axis 4 LEADER) consumed 4.5% of the budget. The vast majority of RDP 2007-2013 budget was dedicated to the measures supporting farmers in various forms (Axis 1 and 2) – see graph 7.



Graph 7. RDP 2007-2013 payments
Source: Nurzyńska I. (2016). Polish rural areas and agriculture as beneficiaries of the European Union Funds. In: Wilkin J., Nurzyńska I. (eds.), Rural Poland 2016. The report on the state of rural areas, FDPA, Wydawnictwo Scholar, Warsaw p. 85.

Further exploration of data of the distribution of RDP 2007-2013 funds under the Axis 3 indicates that Poland spent merely 1 billion euro (out of EUR 17.2 billion of payments made to all beneficiaries) for over 30 thousand projects aimed at job creation (micro-businesses support) and diversification of income sources of farm households (graph 8, table 4). Based on the monitoring data of RDP 2007-2013 under the diversification of economic activity towards non-farm income 13.7 thousand jobs (seasonal and permanent) were created, 70% of which in the area of services provided to the farmers and forestry. In case of the creation and development of micro-business measure (the vast majority of beneficiaries represented the group of physical entities registered as self-employed) over 24 thousand jobs were created including 14.2 thousand directly linked with the supported operations and 9.8 thousand indirectly related with the EU-funded operations (Sprawozdanie…. 2016: 58-59).



Graph 7. Effects of RDP 2007-2013 implementation under the Axis 3 measures
Source: own work

In financial terms RDP is the key public intervention program which provides preferential financial conditions for the creation and development of off-farm businesses. Though taking into consideration Poland's needs in this area the RDP support is far from sufficient. Moreover, the analysis of the internal structure RDP 2007-2013 indicates that Poland spent only PLN 260 million for training and advisory support dedicated to the farming community and thus neglecting the needs of the landless rural people who need new skills and qualifications for quality off-farm jobs. Keeping in mind the results of the survey on barriers to stimulating economic activity of rural population (graph 5), lack of off-farm qualifications training programs in RDP is disappointing.

In the view of reforming the CAP and expected decrease in EU funds the role of domestic public policy strengthening rural job creation rises. Poland has to shape the complex system of rural entrepreneurial ecosystem including: elimination of regulatory non-financial barriers, access to business infrastructure via information, training and advisory network available for the existing and nascent rural businesses. The expected cuts in EU budget expenditures on the CAP requires promotion of more common use of refundable financial instruments in the process of rural job creation. In the Political Guidelines of Jean-Claude Juncker, President of the European Commission, presented in the European Parliament on 15 July 2014, one can read *My first priority as Commission President will be to strengthen Europe's competitiveness and to stimulate investment for the purpose of job creation.* The political guidelines were followed by *the Investment Plan for Europe* which calls for the mobilization of at least EUR 315 billion of additional investment over the next three years. The proposed actions are to be financed within the current Multi-Annual Financial Framework for the EU budget for 2014-2020. However, for this to happen, parts of the EU budget should be used differently, at both EU and national level: *The main idea is to provide greater risk-bearing capacity through public money in order to encourage project promoters and attract private finance to viable investment projects which would not have happened otherwise. This will make the best use of EU public resources* (Investment Plan for Europe 2014). Better access to external funds via financial instruments offers more effective use of capital in the economy which decreases the deadweight effect compared to grants and subsidies.

In Polish rural areas there has been a long experience in the use of financial services provided by micro-loan funds which primarily finance small- and micro-enterprises, also in rural areas.

In 2014 87 micro-loan funds accumulated over 2.5 billion zloty of equity[3]. At the end of 2014 these funds granted 8.6 thousand loans for the total amount of PLN 900 million. Some 40% of the total value of micro-loans were granted to the borrowers in rural areas where the access to financial institutions is more difficult and the network of banks is much weaker (*Rynek …* 2014).

6. Conclusions

Strengthening entrepreneurship and creation of jobs in rural areas in Poland require an integrated policy approach that offers a mix of aid instruments tuned to specific socio-economic conditions of rural areas. Despite the fact that job creation is not an explicit objective of the CAP, Rural Development Programs under Pillar 2 play important role providing financial support for activities focused on diversification of income sources of farmer households and creation of non-farm jobs in the Polish rural areas. The CAP also backs the changes of institutional conditions contributing to creation of job opportunities via the development of human and social capital in rural areas. Yet, this direct support is far from sufficient compared to the needs if one considers the number of "redundant" labor force in agriculture itself. Here it shall be also mentioned that the funds spent under other measures of the CAP including Pillar 1 have strong demand and supply effects in the entire economy of Poland and various indirect effects in the area of job creation shall be expected. Therefore, CAP assistance shall be seen in the broader context as a stimulus for further private and public activities in the area of off-farm job creation and promotion of economic activity of rural population. Although capturing those indirect effects is methodologically hard to extract. This however, was not the objective of this paper.

The European Union faces the strategic need for reshaping the CAP instruments towards searching for synergies with other EU and domestic public aid schemes in the area of rural job creation. Dynamic technical changes in the global world require fundamental change of the global mind-set how to address challenges related to the diminishing demand for human work in agriculture and industry.

Poland shall build on the past experiences of RDP implementation and promote its own national programs shaping and strengthening entrepreneurial rural eco-system and rural business networks, which allow minimizing negative externalities of socio-economic growth in the remote rural areas. As pointed by Myrdal accumulation of negative socio-economic

[3] In 2014 the operation activity was carried out by 87 micro-loan funds present in all 16 regions in Poland. In this group ¼ constitute funds whose individual equity amounts to 40 million and more.

phenomena cannot be overcome without „smart" and targeted state policy and engagement of private sector (Myrdal 1957: 23-24).

The paper urges for the wider implementation of revolving financial instruments in job creation in rural areas, which offers not only higher value for money (multiplier effect) but also implies stronger synergies between the EU programs, domestic development policies and private financial institutions. The government shall accommodate the establishment of institutions and creation of conditions (e.g. elimination on non-financial barriers), which facilitate economic activity in rural areas and effective deployment of unused rural labor resources in non-farm sectors.

In 2004-2020 Poland remains the largest beneficiary of the EU budget under Pillar 2. But the funds dedicated to promotion and diversification of economic activity in rural areas stay at relatively low level. It is of utmost importance that these funds trigger synergies between different aid public programs targeted at the increase in economic activity of rural businesses and strengthening rural entrepreneurial ecosystem. Poland shall stay focused on further improvements of the entrepreneurial institutional support system and seeking synergies of support offered by various aid policies under the Cohesion Policy, CAP and domestic aid.

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