

## ECONOMIC CRISIS IN RURAL AREA

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### Rezumat

*EU rural development policy for 2014-2020 includes the main strategic objectives of sustainable management of natural resources, territorial development of rural areas and agricultural competitiveness. These objectives can be implemented only through a better management of human resources. The economic crisis has led to the restructuring of economic systems. The purpose of this article is to make an analysis of the importance of human and natural resources in sustainable rural growth. The importance of human resources is given by the need to make decisions that should have a positive impact on the natural resources of rural components.*

**Key words:** *Rural; Natural Resources; Human Resources; Economic Crises*

**JEL Code:** Q1, Q2, Q3, Q4, Q5, P28

### 1. INTRODUCTION

The rural areas in Romania cover approximately 87% of the territory, about 200 000 km<sup>2</sup>, including 46% of the population, that is over 9 million inhabitants. According to information published by National Institute of Statistics, in comparison to data gathered in 2002, the population of Romania dropped in 2011 by 1.5 million inhabitants, meaning 7.2% of the total population.

In terms of distribution in the territory, Romania has a more pronounced level of rurality.

Rural communities in Romania contributes to a lesser extent, to economic growth, but retains the social structure and traditional way of life.

Romania's rural population is distributed unevenly. There are significant differences of population density. The most populated rural areas are the ones in the north-east of the country, but also in the southern regions.

In Romania, in recent years, there have been structural changes from the primary sector (agriculture, mining), towards the secondary sector (industry) and tertiary (services).

The transition from planned economy to market economy has generated new opportunities in terms of trade, new markets, technological changes, increased competitiveness, and social changes as well.

In the years preceding the crisis, economic growth has focused more on consumption based on debt, and the share of services and constructions to GDP has increased, while the contribution of industry and agriculture has been declining.

Romania is among the EU countries with the highest share of agriculture in GDP.

The main mission of EU rural development policy in the 2014-2020 period can be stated in terms of three long-term strategic objectives relating to: the competitiveness of agriculture, the sustainable management of natural resources and the fight against climate changes, as well as a balanced territorial development of rural areas.

Rural Society we believe that is a consequence of specific historical development.

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The countryside has been through the economic crisis that followed the two world wars.

Rural population in the world wars fought between 1916-1918 and 1940-1945, the years 1946-1947 have endured famines and collectivization period 1949-1962. Today, because of emigration abroad, we speak of a disposal of part of the rural population. Certain changes in the identity and mentality of the population in rural areas can generate negative changes in urban areas.

The concept of rural is both whole space which are villages and interdependent relationships.

European Charter defines the functions of rural countryside. These are economic function, ecological function and social- cultural function.

In the rural areas it is considered that agriculture is the main economic activity, but you can omit other areas: forestry, industry, crafts.

However the percentage of active rural population engaged in agriculture is declining.

If economic activities are diverse, the social implications are more favorable. This implies that labour is better placed, the population is stable and the youth do not leave rural areas.

Rational exploitation of forests, tourism expansion and intensification of agriculture and animal husbandry where the ecological component is increasingly important.

The nature of human activities and relationships within the community socio -cultural function defining the countryside.

The countryside has great potential, and the operation of the economy can be improved. Also, rural areas can help increase welfare in both areas, both urban and rural.

Economic changes that manifest at the national level effect on the countryside. There are new environmental requirements and job opportunities.

Technological change in the production, and the IT area, leading to the globalization of demand and supply in urban and rural environments.

## **2. NATURAL RURAL AREA**

### **2.1 NATURAL RESOURCES**

The natural resources of agriculture are land, water, biodiversity and climate factors.

The most important natural resource, which is regarded as the most important renewable natural wealth of the country, is the soil.

Romania, in the European Union, in terms of total agricultural land occupies seventh place; in the agricultural area fifth place, and in the tillable land per inhabitant sixth place.

Thus, Romania total utilized agricultural area of 13.3 million ha. About 63% of this area is used as arable land and 34% is used for pastures and meadows. Family Gardens occupies less than 1% and 2% is permanent crops (Source: National Institute of Statistics, General Agricultural Census 2010).

In the last 20 years, the water resources have been a natural limiting factor of the agricultural crops in Romania. The quality of surface and underground water, especially the groundwater has been affected by human activities. Of the total of potential resources, less than half are technically usable, especially due to the contamination of resources.

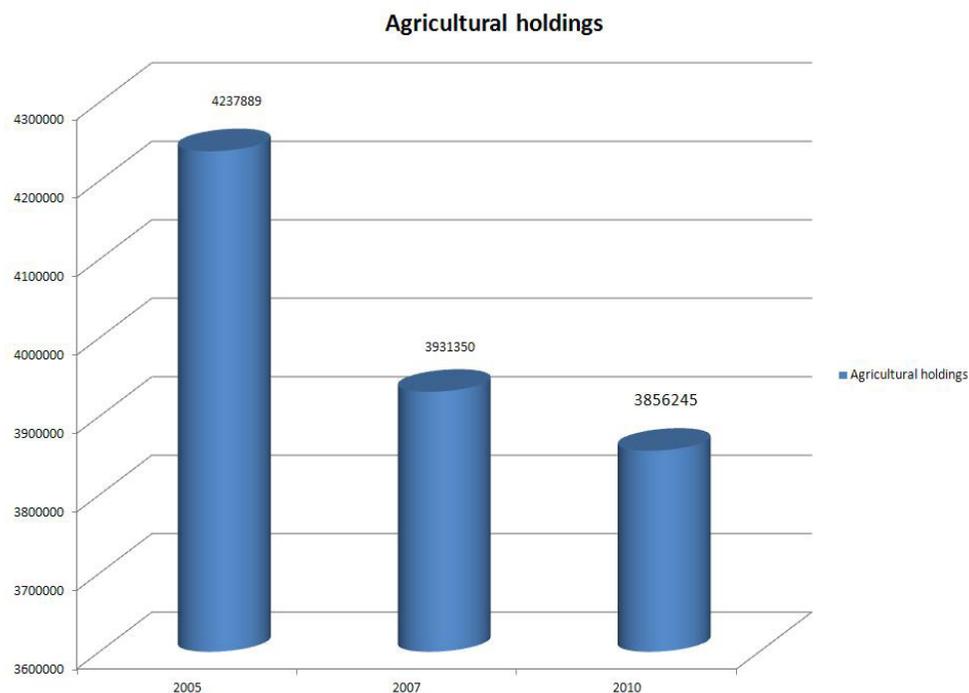
In the medium and long term, satisfying the water demand of the population, the industry, the agriculture and of the other uses in Romania, is not possible without the development of large-scale hydraulic works, allowing water accumulation during abundant rainfall.

Rainfalls show differences between regions.

Romania, in terms of biodiversity, has a valuable patrimony, with various species of plants and animals that are extinct or rare in other parts of Europe.

A fairly high level of biological diversity is maintained in the composition of the ecological structure of natural capital.

Based on data from the website National Institute of Statistics, figure no. 1 presents Change in number of agricultural holdings.



**Figure no. 1. Change in number of agricultural holdings**

## 2.2 HUMAN RESOURCES

About 45% of the Romanian population lives in rural areas.

A large part of the population employed in agriculture is very socially vulnerable, being, at the same time, older and with an extremely low level of education. This leads to some rural areas of Romania demonstrating a state of poverty, due to the limited capacity of rural communities to attract investments.

In the rural area, after processing the statistical data, from the website National Institute of Statistics, regarding the level of education of the inhabitants older than 20 years, the informations can be synthesized in the table and graphic below:

| Census | TOTAL   | Superior | Post-secondary | Secondary | Without graduating high-school |               |           |         |           |
|--------|---|----------|----------------|-----------|--------------------------------|---------------|-----------|---------|-----------|
|        |   |          |                |           | Total                          | Out of which: |           |         |           |
|        |   |          |                |           |                                | Professional  | Gymnasium | Primary | No school |
| 2011   | 7,055,242<br>(35 % of Romania's total population) | 5,52     | 1,79           | 19,29     | 73,40                          | 16,81         | 35,75     | 17,48   | 3,35      |

**Table no. 1. Level of education**

From the table it is seen that almost 75% of the population aged over 20 years living in rural areas did not graduate high school. And more than a third of the population lives in rural areas is only 8 grades completed.

According to demographic projections, the rural population will decrease its number by 2015, followed by a pronounced decline in the period 2015-2050. These trends are explained

by: declining birth rates, the changing demographic behaviour of young couples opting for fewer children (one preferably) and that child born at an older age of the mother; massive drop of birth rate for mothers with high education and average level of living, increased elderly/adult dependency ratio; massive migration (especially external, but internal as well) out of less developed areas (rural areas, small towns, etc..) has produced imbalances and even depopulation in territorial when it was not compensated by birth rate; the aging of Romania's population, with strong negative effects on the performance of future labour resources.

During the last several years, it was found that the older population gradually replaced the younger one in rural areas. In the early 90s, people who migrated to urban areas came from all age groups. The trend changed after 1996, when the youth started leaving the rural areas, and older people started migrating to these areas.

Some of the aspects identified at a national level have a correspondent at an European level. Thus, taking into consideration the 2020 Europe Strategy, we notice that three aspects are closely related to each other: the intelligent development, durable and inclusive<sup>4</sup>. As such, the main challenges of Europe: the aging of population, the insufficient level of qualification of the work force, the necessity to increase the degree of innovation, the relationship between economic growth and environment degradation, as well as energy safety, should be treated through an integrated approach<sup>5</sup>.

### 3. CONCLUSIONS

Although the development of a growing number of rural areas is likely to become increasingly driven by factors outside agriculture, many rural areas, in particular those which are remote, depopulated or dependent on farming, are expected to face particular challenges as regards economic and social sustainability<sup>6</sup>.

Food security and safety can be achieved by proper exploitation of natural resources: soil, water, plant and animal biodiversity.

Due to an excessive proportion of the population employed in agriculture (about 30%), a rethinking of the importance of employment in sectors such as food processing, tourism services, storage and transport of goods is required. Actions are needed to increase rural competitiveness.

It is also necessary that the living standards of people in rural areas to grow and to be comparable to those in urban areas.

In order to contribute to economic action is needed to protect the environment, but also to protect and develop the cultural heritage of rural areas.

Actions are needed to strengthen support rural industry so that it is profitable, stable and competitive. These actions are intended to be made in order to increase economic situation in rural areas.

Rural labour force should be helped to prepare to occupy jobs in processing and services.

Are appropriate training programs where the rural population to acquire new skills, knowledge and abilities. This would lead to the creation of a well-trained workforce and flexible.

So you can have a well-trained workforce is the need for people to be drawn into participating in training programs. At the same time it requires legislation to recognize the skills no matter what path they have been acquired in order to easily transition to a lower level of qualification at a higher level of qualification.

Compatible legislation on employment is another aspect to be improved.

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<sup>4</sup> \*\*\* EC (2010), *Europe 2020 - A European strategy for smart, sustainable and inclusive growth*

<sup>5</sup> \*\*\* (2011), *Panorama Inforegio*

<sup>6</sup> European Commission (2010). *Situation and Prospects for EU Agriculture and Rural Areas*

The increased number of private investments in the food industry in rural areas may be the prerequisite for economic growth. This together with improved absorption of European funds for agriculture.

It appears that the main market for Romanian products (exports to the euro area) cannot help the GDP anymore. It is believed that stimulating consumption can sustain economic growth. However, given the current structure of the Romanian economy, consumption growth would increase imports and lead to the deterioration of the current account deficit, as in the years of economic boom that preceded the crisis. Thus a more balanced growth should be based on both an increase in consumption (of domestic supply and not on imports) and on investment and exports alike.

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