

SOME CONCEPTIONAL THOUGHTS ON THE IMPACT OF SOCIAL NETWORKS ON NON-FARM RURAL EMPLOYMENT

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ABSTRACT

Everybody knows: rural regions offer fewer possibilities for non-farm employment than urban areas. For this reason, it was the semi-subsistence farm structures that had to absorb the released workers from the big rural state enterprises and the urban-rural migrants fleeing unemployment in the towns in the course of economic transformation. This has created hidden unemployment in farm households and thus low agricultural labour productivity in the European transition economies. From a policy point of view, it is therefore desirable to promote new jobs outside the farm sector in order to decrease the livelihood dependency on agriculture. But do rural people actually have a choice? And if so, will they go for non-farm employment? In Europe's transition economies rural people taking up non-farm jobs seem to do this predominantly due to distress-push and not so much due to demand-pull factors. The former would imply that distress pushes them to earn money even in very low-paid jobs. The latter indicates better remunerated job options because there is demand.

When individuals decide what kind of employment to go for, they consider among other factors also the support they can get from relatives and friends, the opinion of the local society in general, the resources they can mobilize and the barriers they are supposed to overcome.

Since the late 1990s, a number of studies have been done with respect to non-farm rural employment (NFRE) and its contribution to rural development. However, the role of social capital and the underlying networks in getting access to NFRE has not yet been researched. The objectives of this paper are to give an overview of the social capital concepts, stressing on bonding, bridging and linking social capital.

Keywords: Rural non-farm employment, social networks, transition.

1 INTRODUCTION

Imagine you live in a rural region in Eastern Europe. You have spent there all your life. You have worked in the local plant producing a mass-product - let it be components for electric machines. Your children are in the 3rd and 4th grade and your wife is a nurse in the local small hospital. And one day, your world changes dramatically. The plant you have worked in for so many years is stopping production. You are laid off. Your wife still has

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her job, but the money is not enough to provide a decent livelihood for the whole family. What do you do? Look for a job in the village? Of course, you try this way, but because the plant relied on local workforce, there are lots of people like you looking for employment. It does not look good – no decent jobs, no contracts, no social benefits, and long working hours. Imagine also you have some arable land and see most of your co-villagers start to do agriculture, some other try to find a job in the big city or in the small town nearby. And very few try to start their own business. Which option will you take?

This is a typical story. Millions of people have faced and are still facing this problem and have to find a way to deal with it. Their livelihood decisions have a huge impact on rural landscapes and on the wellbeing of the people living there. Governments cannot make the right decisions if they do not understand what is the motivation of the rural people when they make, for instance their employment decisions. The promotion of non-farm activities is now on the agenda of the EU policies as well as many national policy strategies. But more understanding is needed in terms of the motives and constraints that people face in their rural environments. This paper attempt to reflect on insights from different disciplines and provide a theoretical base that helps explaining what drives people to start non-farm businesses.

Our interest goes specifically to **self-employment** in rural areas for two reasons: First, small non-farm businesses are often a last resort if no wage jobs are available. Second, successful start-ups offer the potential of creating comparably higher family incomes and additional jobs for family or non-family members. Regular wage employment is often the first choice of rural job seekers. However, evidence suggests that often the capacity of the local labour market is limited, with the public sector dominating it (TRAIKOVA 2005). The state employs usually in the domains of medical care, education, public security and administration. Even though these types of jobs are found in almost every village, possibilities of employment are narrow. Other sectors came almost to a standstill in the transition process and thereafter. In the process of restructuring some of them might be awoken to new life by private initiative in the form of small start-ups.

The traditional backbone of the rural economy, agriculture, generally loses importance in the course of economic development, but is playing an important new role since it turned to be a safety-net for those who lost their wage jobs. After 1990, “distress-push”-forces drove many rural residents to find in farming a last resort relief of their worsening income situation (BUCHENRIEDER and MÖLLERS 2006). It was assumed that this will be temporary solution until other employment opportunities would develop and “pull-out” the workforce from the farming sector. In the context of this paper, the emergence of self-employment cannot be understood without considering also the situation in the farm sector as both are interconnected. Often farm and non-farm businesses are undertaken in the same household (TRAIKOVA 2005). Moreover, when the majority of the rural population is engaged in farming, its success determines what income will be available for spending in the local economy, respectively in the non-farm sector.

Most of the rural businesses are family businesses. This implies that the people employed there have quite different motivation than the people engaged in wage employment of big commercial enterprises. Family businesses have a unique attribute because of the

simultaneous obligations to the family and the company. Personal relations here are supposed to be especially important.

The idea on which this paper is based is that the opening up of non-farm income sources in transition economies is closely connected to the social networks, in which rural decision-makers are embedded. Networks can do both, lock people in, but also pull them out of a difficult situation. Moreover, it is assumed that economic theory with its focus on rational, income maximising individuals goes too short. For many there is much more besides income as for example the trade-off between a low paid job in the village and losing your childhood friends and being separated from your family if you go for better wage in the city.

These trade-offs and respectively ties that keep rural people in the villages are usually ignored. The main reason is that they are hard to deal with solely applying the homo economicus concept, they are too abstract and difficult to measure. Nonetheless, the role they play for employment decision can undoubtedly be significant. In the following the issue of social networks is addressed in the context of rural non-farm employment by introducing some key theories and combine them with insights from behavioural theory.

2 THE NOTION OF SOCIAL CAPITAL AND NETWORKS

There has been a wide discussion around the term “social capital”. It is out of the scope of this paper to provide a comprehensive overview on the large body of publications on the topic, but for a good literature review see for instance DUFHUES et al. (2006), MIHAYLOVA (2004) and PRODUCTIVITY COMMISSION (2003). This paper concentrates rather on relevant issues of the concept that might explain the decision making process, when it comes to diversifying into non-farm employment, especially with self-employment.

Individuals live rarely alone; they are usually embedded in networks of people with whom they interact in the one or the other way. These are for example the family, close friends, the people who one meets everyday at work, and the organisations with which rural people have to deal. Interaction can be formal or informal, regular or not, but because of the social nature of people, it has its own rules that make its outcomes more predictable. These rules or social norms influence the behaviour of people to a different degree, but usually in the same direction. COLEMAN (1988) states that norms arise as attempts to limit negative external effects or encourage positive ones.

The scholarly literature struggles to overcome the deficiencies of the myriad of definitions of social capital that sometimes contradict with each other. But there are some aspects on which there seems to be an agreement:

- Social capital is about ties between people. It does not refer to persons, but to the relationships among them (BORDIEU 1985).
- Social capital is conceived as networks plus resources, (e.g. credit, information) (DUFHUES et al. 2006).

- Social capital is a context dependent phenomenon; it depends on the history and local circumstances (PRODUCTIVITY COMMISSION 2003).

MIHAYLOVA (2004) categorises three groups of definitions of social capital laying a focus either on **networks**, **trust**, or **civic participation**. In some aspects, all of them can be relevant for the choice of non-farm employment. WOOLCOCK and NARAYAN (2000, p. 1) define social capital as referring to “the norms and networks that enable people to act collectively”.

Intuitively, the term social capital implies something positive. Economists are used to the idea of maximising income and according to this tradition think of “capital” as something good. But is this true also for social capital? There are voices arguing that it is costly to maintain a network and thus its scope should be optimised (DUFHUES et al. 2006; STONE 2001; WOOLCOCK and NARAYAN 2000). ROSE (1999) shows that individuals can use social capital in order to “get things done”, often with outcomes that cause high costs for the society as a whole. So, how to deal with this rather negative side of social capital?

Therefore, following WOOLCOCK and NARAYAN (2000) for the purpose of the analysis, it will be relied on the terms “networks” and “norms” and not on the sometimes controversially used term “social capital”. So the paper states that people are influenced in their decision to diversify by the networks and by the norms. Of course there are also other factors that impact on their decisions, but the network aspect has hardly been researched until now.

While the decision to diversify is an individual one, the definition discussed above aims at the community level. Despite this the network approach seems useful because individual choices rest upon beliefs about the societal institutions and organisations and the networks behind them. This point will be discussed again in the next section.

In the context of searching for employment, GRANOVETTER (1983; 1974) found that job seekers are most likely to have heard about the jobs they eventually secured through contacts or people they did not know well, thus suggesting what he called “the strength of **weak ties**” (GRANOVETTER 1983, p. 201). These were people looking for wage jobs. But how about starting an own business? What kind of ties does one need for that?

In order to work with different types of ties between individuals, a useful classification has been introduced by GITTEL and VIDAL (1998): bonding and bridging. **Bonding** describes ties between similar people. The key characteristic here is the similarity of individuals on certain criteria. In this paper bonding is defined as close family members and close friends. **Bridging** is characterised by cross-cutting ties. Bridging ties refer to individuals that differ from one another. Other than with bonding, here heterogeneity is crucial. Bridges are horizontal links. An example for a bridge is an ex-colleague, who currently lives in another city and holds a different job. **Linking** is a special case of bridging, connecting non-similar individuals vertically, that is with different power positions. In that case the ex-colleague can be a decision-maker in the local authority, while oneself is e.g. a small farmer.

Regional and local differences in economic development might to a great degree depend on different combinations of bonding and bridging (WOOLCOCK and NARAYAN 2000).

Thus their influence on individual responses to opportunities in the non-farm sector is relevant in the context of rural development.

Rural people use their networks in different ways. They **cope** (SIK 1994) with problems that seem too difficult to be handled without help from others. For instance, a sudden loss of income can be softened by resources provided by friends and relatives. But people can also mobilize their networks if they see a good opportunity that promises benefits to them and their friends. This is the so called **grab** behaviour (SIK 1994). A vivid example for this grab behaviour can be found in the privatisation process in post-communist countries, where public property has been sold to people close to the decision-makers on prices, far below the market price. This practice can be seen as a redistribution of resources that would not have been possible without network cooperation; for those outside the network, negative consequences resulted from this.

BURT (1992) explains how imperfect access to information makes such developments in the privatization process possible. He states that opportunities arise everywhere: new institutions and projects that need leadership, new funding initiatives looking for proposals, new jobs, and valuable items entering the market for which one may know interested buyers. The information benefits of a network define **who** knows about these opportunities, **when** they know and **who** gets to participate in them. According to BURT's (1992) Theory of Structural Holes, players with a network optimally structured to provide these benefits enjoy a higher success rate. This can explain how the above mentioned redistribution could reach a few, well connected beneficiaries. They must have had a key person (BURT calls it a structural hole) who knew more and earlier than the others about the procedure of privatisation. With regard to the diversification into non-farm employment, it is to expect that those who have their own non-farm business are among others also better informed about market opportunities. To better understand the influence of networks it is necessary to gain particularly more knowledge about the channels of information they use - whether they rely more on formal or informal communication over their network for their business.

3 THE THEORY OF REASONED ACTION

Why are some rural people more open for non-farm employment than others? Why are there not more start-ups? When trying to answer such questions one needs among others also to explain the reasoning behind human behaviour. The current analysis will rely on the fundamentals of economic theory, namely rationality and utility maximisation, but also will use the explaining variables offered by the Theory of Reasoned Action by AJZEN and FISHBEIN (2005). Their main assumption is that people's behaviour follows reasonably from their attitudes, norms and control beliefs, and their respective intentions. These determinants of behaviour have been discussed in the context of rural non-farm employment by MÖLLERS and BUCHENRIEDER (2005).

Before introducing the essence of the theory, some definitions are needed. A **single behaviour** can be viewed as involving an action directed at a target, performed in a given context at a certain point in time. In this context, opening a shop in the village (action) for

earning money (target) in order to provide for the family (context) after a job loss (time) is a single behaviour.

An **attitude** is defined as a learned association in memory between an object and a positive or negative evaluation of that object. The theory argues that specific attitudes towards specifically defined behaviour have a significant predictive power (MASTEAD et al. 1983). The key rule is to ask general opinions about general topics or specific opinions about specific and precisely defined actions. Only under this condition the prediction holds. The dimension should be the same. This is called the **principle of compatibility**. As illustrated above, attitudes towards starting non-farm business can be seen as single attitudes.

How to find out what is someone's opinion toward non-farm self-employment? In order to register an attitude, it first needs to be activated. This can happen in two ways: in controlled fashion or in an automatic (spontaneous) fashion (CHAIKEN and TORPE 1999). When people are sufficiently motivated and have the cognitive capacity to do so, they can retrieve or construct their attitudes toward an object in an effortful manner. For example when rural citizens are asked about their attitude towards the European Union, they are confronted with a complex problem. First they have to figure out what they know about the construct of the European Union, what they have heard about it and recall probably what kind of expectations they hold in this context. This is difficult for most of them, because they know the term mostly from the television and can not really anticipate what impact can it have on their lives. When their motivation or cognitive capacity is low, attitudes become available only if they are automatically activated. This is the case when the respondents are tired or in a hurry. In this case quick automatic answers can be expected only on subjects, for which people hold strong attitudes.

Strong attitudes involve issues of personal relevance and are held with great conviction and certainty (PETTY and KROSNICK 1985). They are more likely to be resistant to change than are weak attitudes. There is evidence, that vested interest and involvement, as well as direct experience of interacting with the attitude object tend to produce relatively strong attitudes (FAZIO 1990). So it is more likely to be able to predict behaviour if people are asked about things, in which they have been involved in reality and that matter for their everyday life. Employment generally is such a matter. People hold fairly strong attitudes towards their jobs (AJZEN and FISHBEIN 2005). However, not all rural people might be explicitly interested or involved in self-employment.

Individuals, who hold favourable attitudes about running own non-farm business are likely to notice and process primarily its positive attributes, whereas individuals with unfavourable attitudes toward it are likely to direct attention to its negative qualities. Once activated, the attitude can automatically bias information processing and judgements. This is especially true for strong attitudes.

Strong attitudes look like promising determinant of the behaviour taking up of non-farm employment. Furthermore better results are to be expected if the questions get much more specific and ask the potential entrepreneurs when, where and how they will carry out their

intentions. According to Ajzen and Fishbein this greatly increases the likelihood that they will do so.

Sometimes external obstacles hinder individuals to perform behaviour. For example if someone wants to start up a new shop, but does not have the money needed for the initial investment. This implies that it is important to consider also the degree of control which an individual has over certain behaviour.

Considering all this, AJZEN AND FISHBEIN setup their Theory of Reasoned Action (Figure 1). They identify three major kinds of considerations that influence the decision to perform an action:

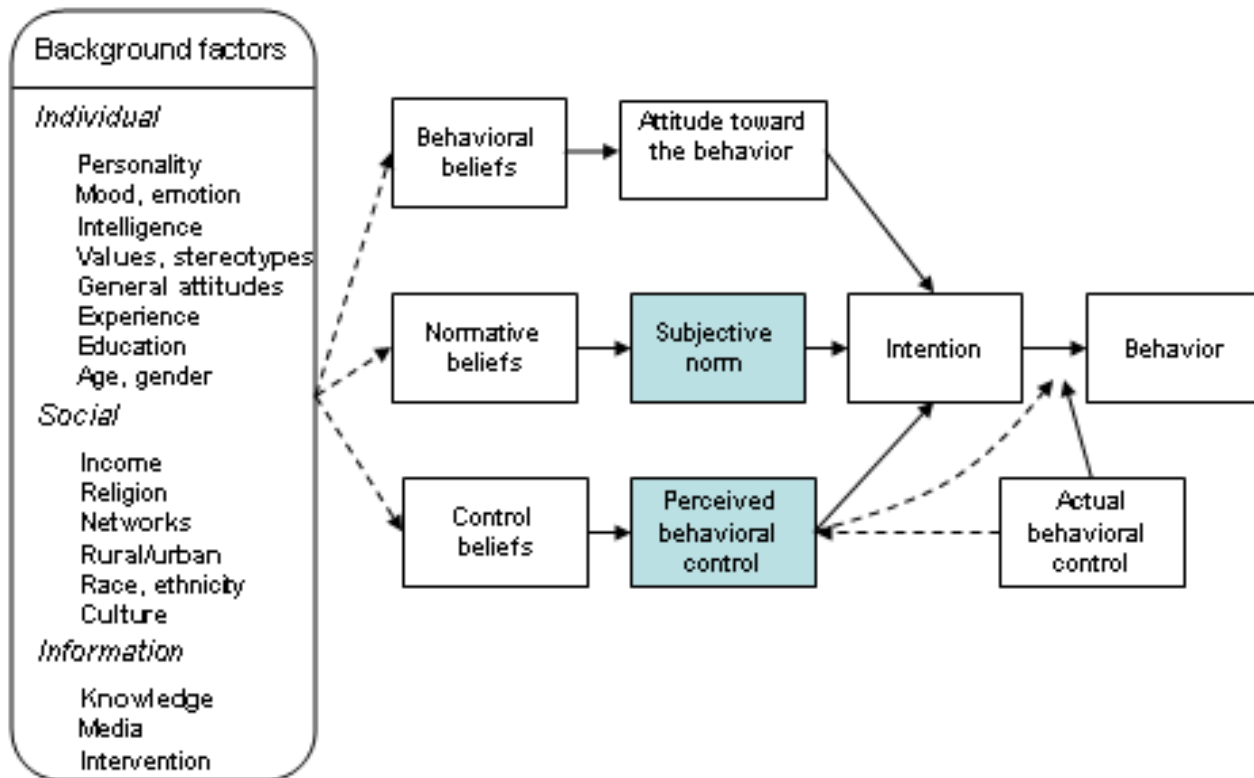
- The outweighing of expected positive and negative consequences of behaviour (attitudes),
- The approval or disapproval of the behaviour by respected individuals or groups (norms), and
- The factors that may impede the desired behaviour (actual and perceived control).

The term **behavioural belief** stands for the likely consequences of behaviour. For example, one may think that if a person starts new non-farm business this will result in better income situation for the family. In general it is assumed that these beliefs produce an overall positive or negative **attitude** towards the particular behaviour. In the given example the result will be a positive attitude towards starting a family business.

Normative beliefs are about perceived social pressure. That is if a person is to leave agriculture, what will the family, friends, colleagues, boss and so on say about this decision. Here social networks play an important role as opinion-forming factor. For example, a person has a good business idea, but because his best friends or the most respected persons in the village are very sceptic about it, he may feel pressure not to follow it. A **subjective norm** is the social pressure resulting from normative beliefs, corrected by the degree of willingness to follow it. The potential entrepreneur may know that everyone in the village will say that he is crazy to take an expensive credit for investing in the new non-farm idea, but he might also do not care about that and choose not to conform. So a subjective norm is what an individual believes to be right.

Control beliefs concern the presence or absence of factors that make the performance of behaviour easier or more difficult. **Actual behavioural control** – the objective possibility one has to exercise control over the situation. **Perceived behavioural control** is the degree to which a person thinks he is able to control the situation. It is in the head of the individual. For example a potential entrepreneur may know about a program supporting start-ups, but decides not to apply because he may have heard that the applying procedure is quite complicated. It could be that in the reality the procedure is far less difficult than perceived (that is the actual control), but because of the subjective biased perception (perceived control) the resulting action is also biased – the idea to take credit is given up.

Figure 1 The Theory of Reasoned Action



Source: Adapted from AJZEN and FISHBEIN (2005, p. 194)

Subjective norms and perceived behavioural control (shaded in the figure) are those aspects of intentions formation, where networks are supposed to have most importance.

Rural villages do not have the anonymity of big cities. Usually most people in the village know each other. There seems to exist a higher degree of closure among peers who see each other daily, have expectations towards each other and develop norms about each other's behaviour (COLEMAN 1988). Closure creates trustworthiness in a social structure, because it eases also sanctions. Thus it is to expect that normative beliefs have more pressure in rural than in the urban regions and consequently these norms deserve more attention if it is to try to explain participation in rural non-farm activities.

Perceived control is much dependent on the whole context of the background factors listed on the left side of Figure 1, and networks is one of them. Here is to be highlighted that networks could support the perception for higher degree of control, for example when a diversifier has to decide whether to adopt an innovation or not. And this support can have all the dimensions discussed in the social capital literature – trust, resources that could be mobilised over the network, the capability of collective action due to cohesion in the village, the belief that by voting one could change the rules of the political game.

Similarly, a lack of connections (especially in a society where the state is not performing well) may be a reason for an individual to think he is incapable to handle the task of

starting a new business and cope with complicated registration procedures or required bribes. In such a case one may see lack of entrepreneurial initiatives despite good endowment with human capital, modern infrastructure, easy access to credit and available market opportunities. The weaker the state and the looser the formal rules, the more these perceptions are supposed to gain on importance. This is particularly the case in the post-communist economies, where a giant shift of the formal rules took place, triggering a major change in the power structures.

It is important to note that all three types of beliefs described by this theory (behavioural, normative and control) are influenced by a wide variety of cultural, personal and situational factors. So it can be expected to find differences in the beliefs of men and women, young and old, educated and uneducated, rich and poor, dominant and submissive, shy and outgoing and, last but not least, rural and urban people (AJZEN and FISHBEIN 2005). This complements the uniqueness of social networks as a context-specific phenomenon.

Despite all the complexity, it is reasonable to assume that there must be some kind of pattern in the social networks and the norms of those who do farming as opposed to those who started own off-farm business. In search of it this paper tries to give an overview of features that come up in the process of starting a non-farm business and then make a first attempt to propose an analytical framework.

4 THE WAY TO START UP A NON-FARM BUSINESS

For starting an own business some crucial preconditions should be fulfilled. The first of which is the existence of a **business idea**. How to generate such an idea? It is likely that this will happen if more people with different background get together and exchange ideas. This will probably depend also on the educational level and other personal characteristics. For example, if one really enjoys farming and the rural lifestyle it is less likely that one will think a lot about non-farm opportunities. But in general it is to suggest that if many different people pool together their knowledge, skills, interests and perspectives, it is much more likely that a good idea will spark in the head of some of them. Thus it is to expect a positive influence will arise from the presence of more bridging ties. In this sense going out (not only in the village) and keeping in touch are quite important.

Then, if the idea becomes an intention, the **need of market information** arises. Is it possible to sell the service or the product? Who is the target group? Will there be enough purchasing power? Rural people are rarely educated economists, but intuitively they look for a way to sell what they have to offer. Again, social networks might be crucial in opening up channels that they will use to collect this information. It is to expect that informal sources as well as impressions about the business stories of co-villagers will be also used as a reference and will have impact on the personal decision.

If there is a demand, a way to provide the product or service in question has to be developed. Here the next element needed in order to start a non-farm activity are the **skills and know-how** required for that. Beside individual knowledge and previous experience, networks could facilitate the start of the business. A couple of questions will be asked: Who could be useful to facilitate the start-up? If a partner is needed, will know-how be the

only criteria for the choice? Maybe there are specialists in the village, but they are considered to be hostile, or just disliked? Is it good to work with friends? No clear-cut answer here. It will be interesting to check what networks are mobilized to solve that.

Assuming there are sufficient know-how and skills, the next issue is about **initial investment**. Is there enough equity capital or an affordable access to credit? If not, who can help? Are helpers bonds or bridges? Does one have the courage to ask for that? Can the business pay back the debts?

Furthermore, are there **competing interests** in the village? Who are the strong of the day? Is this favourable or not for the future business? How is the potential diversifier embedded in the local power structure? Here networks are especially important. The flow of information can decide about life or death of the future business. Linking could be of a great help. The scope of ones network will probably influence his self-confidence.

Regulations determine the formal rules of the game. The future entrepreneur should assess whether it will be possible to comply with them or not. Is the state seen as something suppressing private initiative? Is there a stimulus not to pay taxes honestly? Will it be costly to get permission? Are laws enforceable? Do you need friends to cope with that? Or can one bend the rules by paying bribes to grab an opportunity without being sanctioned? There is evidence that significant share of the economies in transition countries is informal (ANDERSON and GRAY 2006). This should apply also to rural regions.

Probably these are not all the relevant considerations, but should suffice to gain the impression that networks and perceptions can eventually help to a certain extent to explain the variance in self-employment participation.

As an attempt to make these considerations work for an empirical testing, the paper proposes to use the following explanatory variables for a model that has participation in off-farm self-employment as the dependent variable. A short description of the proposed variables will follow.

Variables related to networks:

- **General stock of overall trust in the particular village** – It is to expect that rural businesses have rural partners and clients. Trust is known to decrease transaction costs for business operation and thus it is reasonably to assume that this would have a positive impact on the probability to start an own non-farm business.
- **Prevailing level and structure of bonding versus. bridging ties** – As explained above, the probability to get a good business idea is assumed to positively correlate with the frequency of bridging contacts.
- **Perceived access to credit** – If no or little problems are to be expected, the probability for credit application should increase, thus solving the issue of the initial investment. In this case a positive impact is expected.
- **Perception for corruption scope in public authorities** – Depending on the chosen behaviour (grab or cope) this can have positive or negative impact for the probability to start new business. Grabbing individuals will find it easier to pay a

bribe and just start operation, while coping persons (not willing or not able to pay) will struggle in attempts to get all the things in the legal way and experience stress and dissatisfaction by knowing that other people will use corruption as a “feature” of the system. The direction of the effect is not clear.

- **Perceived probability to secure a wage job off-farm** – In the context of the distress-push theory one can assume that, if the chances are low to find a wage job through the own network as well as the formal way, then people turn to the option to create employment themselves. A negative effect is expected
- **Reliance on informal sources for market related information** – If potential diversifiers rely more on informal than formal sources, this could give them an advantage, especially if the information comes from structural holes. On the other side, depending on the scope of the utilised network, the information received may be not so trustworthy or not in time as compared to the formal sources. It is not clear what effect this will have on the probability to start own off-farm business.
- **Number of persons to ask for money when in need** – If the person is well embedded in a network, where more people could offer help in times of hardship, this would probably decrease the risk aversion and respectively have a positive impact on the willingness to start own business.

Additionally to the network aspect, it is known that there are also diverse other factors, that have impact on the participation in non-farm self-employment. Some of them will be listed below accompanied with short explanation for their reasoning:

- **Urban closeness** – A study on Bulgaria (TRAIKOVA 2005) found out that in peri-urban regions it is thirteen times more likely to find non-farm self-employment than in rural areas. Integration with the urban economy, lower transport costs and easier commuting are the reason to expect positive impact here.
- **Endowment with human capital** – The more educated a person is, the greater is the expected chance for the respective person to be able to run an own business and to deal with complex regulations. Also active age (between 16 and 64 years) and good health should influence positively the probability to start self-employment.
- **Previous off-farm experience** – Has to do with know-how and skills. They should increase the self-confidence and be supportive for potential entrepreneurs.
- **Average income level in village** - Determines the purchasing power in the target market. The higher it is, the greater the potential money to be earned for start-ups. A positive impact is expected.
- **Population size in village** – Relates to the size of the potential target market.. The bigger the expected demand, the better for the success of a new businesses.
- **Infrastructure** – It is assumed as necessity for the operation of non-farm firms. A positive effect is expected.

- **Perceived attractiveness of agricultural opportunities in village** – If farmers in the village make good money and agriculture is perceived as something positive, this should decrease the pressure to leave the farm sector.
- **Desire to be independent or to be own boss** – Some people are “marked” by the bad experience of being laid-off or being suppressed by “less capable” seniors. They have the impulse to take the responsibility in their own hands and probably to run a successful firm. Considered as supportive for participation in non-farm self-employment.
- **Dependency ratio** – The number of elderly and children related to all members of the family. If high, it is expected to increase the pressure to provide for the family, and thus increase the probability to find one in self-employment.
- **Perceived wellbeing** – If someone is happy as a farmer or at lower income level, no pressure to diversify will be present and thus no incentives for big changes. That is why negative effect is expected.

Of course, each study should consider the specific conditions in the examined sample. In order to better understand the historical, political, economic and other unique determinants of the participation in self-employment in a particular village, it is good to combine the quantitative data defined by the variables discussed above, with qualitative inputs. This will allow interpreting the results in the light of the local context

5 CONCLUSIONS

To sum it up, this paper states that networks can have a significant impact on the decision to participate or not in non-farm self employment. They can lock individuals into an unfavourable low-income situation, or pull them out of it. Networks have a crucial role when it comes to information exposure and recognizing possible opportunities. Another aspect is that power structures represent vertical networks. They are present in every human society. The position which a potential employment diversifier holds within such a structure may influence the perception of capability to deal with issues, relevant for self-employment. Such issues are for example getting permission, or believing that the new start-up will be backed up by the group in order to hold the competition. Networks facilitate the access to resources thus depriving or promoting fragile new-born start-ups. And last but not least, the norms that are lived in the network, where rural people are embedded, play a role in the opinion-forming process, which determines their future intentions and plans.

Considering all this, it is reasonable to include the network aspect in the analysis of the participation in self-employment outside agriculture and believe that future research will deliver more precise insights, especially with regard to the observed choice of particular non-farm activity, the potential for growth and the plans for the future that potential diversifiers have.

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