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# Self-Employment through Organic Production for Young People in Montenegro

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#### Abstract

Every second young person in Montenegro is unemployed which makes unemployment an issue of great importance. Having in mind that Montenegro is a country of great agricultural prosperity, it is not clear why young people do not see it as a chance for employment. This research focuses on problems of unemployment with possible solutions in organic production and self-employment by starting small private businesses. In order to discover the main reasons for the current situation, a number of interviews and a questionnaire were conducted. Some recognize organic production as an opportunity for self-employment while for others it still remains a risky area of business because of the traditional work patterns where young people strive to be employed in government-owned companies which provide a secure monthly income. Results of the questionnaire, as well as interviews, showed that there is a lack of communication between three parties – government, producers, and customers. This gap needs to be bridged. Thus, the aim of this paper is to contribute to raising awareness of self-employment capabilities of young people by organizing small businesses in the field of organic production.

Key Words: Agriculture, Entrepreneurship, Self-Employment, Organic Farming, Unemployment

## 1. Introduction

Unemployment represents the global problem. The industrial revolution and technical advancement changed the perception and needed for human labor. These changes caused less need for traditional human work and shifted focus on ideas. 7.5 % Europeans between 15 and 45 are unemployed and not involved in education or training process (European Commission, Press release database). Being the economy in transition, Montenegrin economy is filled with challenges of the development process. Montenegrin GDP in 2016 was 3.954 million EUR, GDP per capita was 6.354 EUR and real GDP increase 2.9%, all showing that overall Montenegro is a poor country with very slow economic development( . The job market is facing great changes through the process of transition. This has led to the almost complete exclusion of some economic branches which used to create a lot of job opportunities. In 2017. There were almost 41.750 unemployed people in Montenegro (www.zzzcg.me). Agricultural share in the national economy is reduced to a minimum. A reduced number of employees and people interested in agriculture is a trend expected with the process of urbanization which can be explained with

the constant migrations from rural to urban places, as well as the closing of factories in Montenegro (Katnic, M. 2017).<sup>1</sup>

Young people represent a mismatch between supply and demand at the labor market in Montenegro. One of the main reasons of youth unemployment is traditionally a choice in professions that guarantee long-term jobs in the state-owned firms with safe salary, e.g., economists, doctors, lawyers, etc. which results in too many young people educated in the same professions. This has led to a deficit position of people educated and interested in the fields such as agriculture or forestry. Job policy created by the Government is also a problem which is why most young people do not see future in entrepreneurship because of the risk it carries. The educational system and poor educational opportunities could also bear the blame for this high rate of unemployment (Katnic, M. 2017). Thus, in this research we will focus on the problem of unemployment and its possible solution through self-employment in the field of organic production, hoping to raise awareness of young people to start their own business in this still unexploited business area in Montenegro.

#### 2. Literature review

# 2.1. Self-employment reducing unemployment

"Self-employment is defined as the employment of employers, workers who work for themselves, members of producers' co-operatives, and unpaid family workers. The latter are unpaid in the sense that they lack a formal contract to receive a fixed amount of income at regular intervals, but they share in the income generated by the enterprise. Unpaid family workers are particularly important in farming and retail trade."

If you consider that there's a link between unemployment and self-employment, we have to go back to Oxenfeldt (1943), who argued that individuals tend to turn to self-employment and see it as an alternative when facing low prospects for wage-employment and of course, unemployment itself. The job crises all over the world urged the Government to find alternatives in order to promote entrepreneurial spirit. Therefore, the main trend in many government programs in reducing unemployment is the encouragement of entrepreneurial spirit. Entrepreneurial promotion programs help in expanding the level of happiness in individuals and through it create healthy civil society. By creating individual companies, people will be able not just to employ themselves but to engage others in the process of production which will also reduce the number of unemployed.

Peter Vogel, Founder of The Entrepreneurs' Ship, says that "fostering entrepreneurship as a viable career option can have a transformative effect on young people's goals and motivations, especially in areas where "high levels of unemployment or difficult employment situations leave little room for individuals with high ambitions." This would mean that self-employment can backfire and cause unfulfillment and disappointment which could lead to social exclusion. This is also confirmed by Steve Mariotti, Founder of the Network for Teaching Entrepreneurship who says that "successful entrepreneurship programs help young people build skills that are useful not only in the workforce but for life, including respect for one's own mental and physical health, empathy for and listening to others, social skills and leadership."

There are some theories suggesting that higher figures of unemployment tend to result in incensement of new, entrepreneurial activities because the opportunity cost of starting a firm has decreased (Blau, 1987; Evans and Jovanovic, 1989; Evans and Leighton, 1990; Blanchflower and Meyer, 1994). We refer to this occurrence as the unemployment push, refugee or desperation effect. Nevertheless, a counterargument exists, and it has to be taken into consideration: a low degree of self-employment may have a correlation with higher unemployment. Reason for this is found in empirical and theoretical examples. High rates of unemployment imply less personal wealth which reduces the chance of being self-employed. We have to bear in mind that certain entrepreneurial talent is

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<sup>&</sup>lt;sup>1</sup> Translated by the author

needed to sustain a new firm, as well as human capital which thus, reaffirms the counterargument (Johansson, 2000; Hurst and Lusardi, 2004).

# 2.2 Organic farming reduces unemployment and poverty

Agriculture could have a significant impact on employing people but thanks to modernization and the fast lifestyle it seems that there is a decreasing number of people interested. People tend to stay in the cities seeking employment in other, already crowded branches of the economy which leads to an increased number of unemployed. This is why we need to turn to other sources such as agriculture.

According to Buckwell rural development includes rural areas, history, people living in these areas, their way of life, their incomes, employment rate and other. Therefore, the agriculture is an inexhaustible source of employment opportunities. In order for settlements and villages to stay alive, agriculture, as an occupation, should have a strong increase because the family income is one of the main reasons why people would be willing to stay in rural areas.

Fighting poverty in developing countries is very hard and time-consuming. In recent years many studies have shown that agriculture growth can produce more job opportunities, which has led EU to develop specific programs (CAP) in this field to reduce poverty rate (EU Commission database). Ever since 1962, CAP policies have been oriented towards sustainable production which would have a variety of benefits in terms of supporting farmers, sustaining rural life, using unexploited natural resources and creating job opportunities through different stages of production.

Bravo Ortega and Daniel Lederman (2005) calculated the positive effect that agricultural growth has on national welfare and an increase in GDP. They used the data collected from the World Bank, Food and Agriculture Organization (FAO), United Nations since 1960. They have come to the conclusion that GDP formed by increased agricultural labor growth has 2.9 times stronger effect in reducing poverty, affecting the poorest incomes, than the GDP formed by non-agricultural activities. Similar research was conducted by Ravalion and Chan (2007) in China, where they compared the poverty rate over 21 years, came to the same conclusion. Poverty was more affected (3.5 times more) by agricultural growth than the other branches of economy. According to their findings 3 and 4, they have come to the conclusion that provinces incorporating agriculture as their main field of interest have had a better outcome when it comes to reducing poverty and keeping people in rural areas by giving them a chance for employment. This has been significantly mitigated by the fact that the Chinese government adopted several agrarian reforms and lower taxes on farmers (notably through public procurement policies).

However, as the World Bank figures show, there is a significant drop of employment in agriculture compared to those employed in other areas of industry (dominantly, services). The biggest drop is seen in China, followed by Brazil and Russia. In Europe, the drop is noticeably smaller but still significant, e.g., Spain and Germany. We have to bear in mind that this drop happened mostly thanks to a technological breakthrough which prompted drops in employment in big agricultural companies.

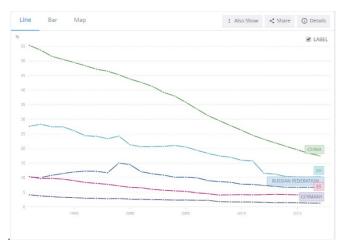


Figure 1 - Employment in agriculture (% of total employment) ILO estimate

For Montenegro, figures are different and are in constant fluctuation. As seen in Figure 2, during sanctions imposed by the international community, we can see that there is a significant rise in employment in agriculture, whereas, in other, more economically secure years, that figure decreases, reaching its lowest point in 2013, with just 4.57 percent of total employment employed in agriculture. After that year, employment in agriculture has increased to around 7.6 percent.

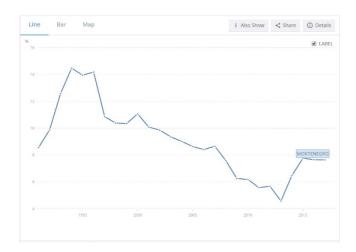


Figure 2 - Employment in agriculture (% of total employment) Montenegro ILO estimate

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The difference between organic and conventional farming is based on ecological principles conducted by organic production. Organic food consumption is 2.1 % of the total food consumption. The better and increased demand for organic products created more organic choices not only in food but also in cosmetics industries, as well as in greater demand for agro-touristic destinations.

Generally speaking, organic farming is a way of producing food using local, sustainable or where possible inexhaustible resources. The main aim of such production is to recycle nutrients according to their natural cycles so that we can maintain the structure and productivity of the soil we use. The idea of organic production is to focus on biological diversity having in mind preservation of nature and the best possible ways to gain the most of it. This way we can combine healthy and ecological principles through cultural awareness so as to include people in the whole system of organic farming. (Hold G., Reed M., 2006)

Organic production represents a significant part in the agricultural growth of most developed European countries. Development of small-sized enterprises in the agricultural field has a huge impact on village life and the survival of the population in them. Thus, European countries have made life in villages economically profitable by giving people great financial and legal support for their enterprises in order to develop rural areas.

Increased awareness of the environment care and climate made EU citizens shift to organic farming because of moral, social as well as economic benefits. Worldwide projects promoting organic farming suggest that organic farming can provide more job opportunities. The impact of these programs, especially of CAP has been researched in over 40 countries in Europe. This research showed that organic farming contributed to bigger labor demand, 10 to 20% higher than in conventional farming. Comparing and collecting data from different countries, these studies show an overall increase in job opportunities practicing organic farming, which included labor rejuvenation in rural areas (Offerman and Nieberg, 2000). The same research also shows a decrease in labor opportunities which is the case in big organic farms such as in Denmark and Germany. Therefore, small private farms can be a winning combination. A similar conclusion was found in the UK, with the survey conducted for Soil Association. The survey shows that organic farming created 32% more job opportunities in the UK. In the UK, this increase in organic farming shows that it has become almost a mainstream thing because it is mostly practiced by young people, while people still practicing conventional farming are over 50 years old. (Green, M., Maynard R., 2006)

In recent years, the idea of small private businesses has been revived in Montenegro, but such projects are mostly found in some suburban settlements, while in rural areas it is not the case.

#### 3. Research method

The aim of this research is to find if there is a way to solve youth unemployment by raising awareness of possibilities for self-employment in the field of organic production. Research methods used in this work consist of a questionnaire, interviews and content analysis. We will now present, in short, each one of these methods.

# 3.1. Questionnaire

Researcher's targeted group consisted of 50 young people, ranging from 17 to 34 years old. This age group has been chosen because this is the time when young people graduate, some from secondary schools and others from graduate and post-graduate studies, and are looking for the first working engagement. This age group includes in itself the age group that faces the biggest unemployment among all age groups (persons ranging from 15 to 24 years of age).

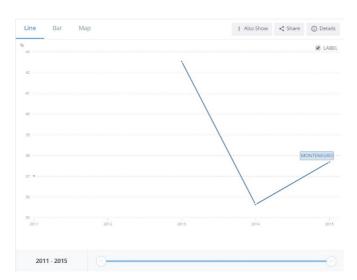


Figure 3 - Unemployment, youth total (% of total labor force ages 15-24) (national estimate)

It is important to note that Montenegro lacks proper channels of encouraging youth employment in sectors like agriculture. Another thing to be aware of is the fact that migrations from rural to urban areas are continuing and there are practically no young people left in rural areas who could work in agriculture even if their parents were doing so. Migrations are also continuing in the direction north-south with people leaving the fertile land in the north to work in tourism in the south, thus leaving huge areas of farmable land uninhabited. They answered in written form a questionnaire made of 12 questions related to our research topic. The aim of the questionnaire that was conducted is to describe the opinions of young people about self-employment and organic production. The questionnaire was conducted in January 2018, in person.

# 3.2 Interview

On the other hand, there are those that have decided to enroll themselves in organic production. Three interviews were conducted, one with an olive oil producer, Dragutin Martinovic in January 2018. The aim of the interview was to hear an entrepreneur perspective of the current situation and to give us some guidance when it comes to starting own business. The second interview was conducted with Radoje Backovic, owner of an ethno village in Niksic, and also produces organic food. The third person interviewed was Aleksandar Novovic, founder of Mareza commune, which aims to promote a pro-ecological way of life.

This paper claims one main hypothesis:

\*Self-employment in organic production would reduce the unemployment rate in Montenegro

#### 4. Results

The villages in Montenegro are lagging behind when it comes to shifting from the traditional mode of production to modern ones due to deeply rooted traditional cultural patterns that are resisting everything that is new. The establishment of small and medium-sized enterprises do not have sufficient support from villagers because of their traditional view of life. Most of the farmsteads in Montenegro have small agricultural holdings. Therefore small businesses with their small income cannot compete in the market game and are therefore vanishing.

This kind of entrepreneurship can only be sustained by people who own large estates, businessmen, and returnees from abroad who retired. These findings are confirmed during the interview with Dragutin Martinovic. He pointed out that one of the main reasons his company was on the edge of existence is non-sufficient support of the local people and Government. In his career as an entrepreneur, he said that he had received more foreign support. He mentioned that very few people are familiar with the quality of organic products and its value, therefore don't appreciate domestic organic production. He would suggest that the Government should invest more in organic production, like to expand the budget in this area referring to the difference in budget Montenegro government hold for these projects and other European countries.

Deficiency in official support is also stated by Radoje Backovic. One of the biggest obstacles for the development of agribusiness is the lacking infrastructure. Many villages do not have developed roads nor do they have steady water supply and sewage network, which is necessary. This strongly affects hillside villages and makes them almost totally deprived of these basic needs. He also stated that there is an intimate limitation affecting youth self-employment in agriculture, noting that young people feel ashamed to say that they work on farms. Speaking of young people, he said that they look for steady jobs in bigger state-owned companies in order to feel more job security. Although Mr. Backovic is not yet able to completely make his business self-sustainable, he has recently found out that there are possibilities for applying to domestic subsidies and grants for youth operating in this fields of business. However, before he started his business, he never knew about this possibility, and thus notes that not enough information is passed from the Ministry of Agriculture towards young people.

The third person interviewed, Aleksandar Novovic, also stated that he received no official support, through bank loans or government subsidies, but it was never his intention to organize his commune in that fashion. He also decided not to yet register as an official organic producer and is waiting for the right time to do so. His experience supports the thesis of the need for more official support.

This research was conducted in order to try to raise awareness of potential Montenegro has when it comes to expanding organic farming which can lead Montenegro to reduce the unemployment rate as one of the main reasons of poverty. This awareness was also raised through the questionnaire conducted with 50 people.

The questionnaire has shown us that a significant part of young people recognizes organic production as a possibly very successful self-employment opportunity. On the other hand, 78% of them expects government support in starting their own business in organic production even though there is a high level of distrust in possible official aid. Almost 90% of people interviewed stated that they would prefer food produced organically in Montenegro than its conventional, imported, counterpart. This counters findings in the interview and shows us the need for communication between three parties – producer, consumer and government as the regulator.

The young people are not afraid because 50% of them would start their own business in organic production, but two main problems are put on the table: government financial support and adequate education for leading organic production.

#### 5. Discussion

In order to solve these problems, the systemic approach from the government is needed. The first step should be at secondary schools where adolescents should be directed in time to prepare themselves and choose study programs which can ensure they have a proper education for starting their own business in organic production. This is a very sensitive process, but it is the very source of enlargement possibilities for self-employment in this area. This is because organic production needs serious dedication and knowledge from various areas in order to be lead successfully. In the previous year's interest in organic production grows and in 2011 it included 100s of new producers. Increase in a number of registered organic producers is a result of project activity "Organic Agricultural Development Program "(OADP) presented by Ministry of Agriculture, financially supported by Government of Denmark Kingdom and support for organic production through Agro budget.

Besides that, the situation on the market shows a low level of Montenegrin organic products and a very low number of young people starting their own business in organic agricultural production. It can be said that Montenegrin organic production at this moment is at the very beginning with barely 200 registered producers and with a very low level of Montenegrin organic products on the market. In the previous 10 years a lot of activities were performed with the aim to develop organic production, and for now, it has created a modest base for further development.

As we can conclude from our research main reasons for this current situation is the lack of:

- 1. Government financial and administrative support
- 2. Adequate education for starting and implementing organic production
- 3. A personal initiative by young people
- 4. Better communication between three parties producers, consumers, and the government
- 5. Activities of ecology-oriented NGOs in order to promote "green" way of life

## Government financial and administrative support

First, we ought to give a short retrospective regarding the support government gave through financial and administrative means in recent years. Until 2009 financial support for producers for adopting technological requests for organic production was up to 3.000 EUR, for project expenses, up to 50% of the project value and strengthening capacities for development of organic production, education, and promotion, the maximum

amount was 165.000EUR. From 2009. Support for organic production is performed through direct payment in each agricultural segment, together with basic payments from direct support to livestock breeding and herbal production. Support has a direct form of payment per hectare or per conditional throat cattle. Apart from this way of support and with the aim to improve quality of products, through measurements of strengthening agricultural competition, it is given support for including agricultural producers into organic production, and it refers to the standard of introducing expenses, certification and participation in the quality scheme, all for first five years. That support is standardized with the maximum amount of 1000 EUR per producer. Within this, OADP project investments in organic productions are supported through grant scheme. It is the grant scheme "with equal participation" which means that the producers need to provide 50% of financial participation and the other 50% should be provided through a grant (75% participation from Government of Kingdom of Denmark and 25% from Ministry of Agriculture). This support is pretty modest, and as a result, it had such a small response from existing agricultural produces. What is obvious is that government hadn't even considered support for a startup business in organic production by young people. Also, bearing in mind that main agricultural project of the state is 75% financially supported by another country is also very clear sign that the government of Montenegro doesn't have enough awareness about the benefits of organic agricultural production, nor it calculates their ROE and other benefits that it can bring to the country and citizens' overall welfare. Without government being aware that in this production lays a great solution for keeping young people in the country and providing them a possibility for a sustainable business, it is difficult to expect significant development in both of these areas. Existing legal frame created conditions for supporting organic production through measurement of agricultural politics and especially through measures for the sustainable leading of natural resources where organic production has a special place. Still, there is a lot of space for further steps in developing legal and administrative support, marketing campaigns and other instruments for raising awareness. As one of the best examples of government support to organic production, we have Denmark being a country which support a very high percentage of organic production and products. Although it is possible to start a business of organic production without government support, it cannot be expected that this kind of production will happen on a larger scale without said support. This support is thus necessary if we want to produce better and healthier food, to better sustain our environment and keep young people in the country. This is why government support is the first and most important step.

# Adequate education for starting and implementing organic production

Lack of Montenegrin organic products on the market can be explained by the fact that processes of transitioning into organic production last from 1 to 3 years and, there is an expressive need for improving knowledge about rules of production and labeling of organic products as well as promoting organic producers. Even though consumers have a positive attitude towards organic products, they are not sufficiently introduced with advantages of organic production, and they mainly identify it with traditional ones. This is also one of the signs that there is not enough education among users but also among producers. As previously stated, one modest project is led by the government and its results cannot be marked as favorable. It is necessary to have a serious theoretic and practical preparation in order to start up this kind of business and make it sustainable. Currently, there is no government (or non-government) program for providing education to existing agriculturists or too young people who could see their chance in it, nor is there any other adequate education program which should support young people who finished their studies or for those who are in educational crossroads. In addition to this, Montenegro has no university in the field of agriculture. This is a serious problem, and we should look to Denmark as European and world leader in organic production as an example of how to develop educational programs. Namely, Denmark developed unique education program, the MSc program in Organic Agriculture and Food Systems (EUR-Organic) where students learn how to develop the solutions for the future, focusing on goals such as high crop yields, high animal welfare, low environmental impact and how agriculture systems and current methods of food production work. This program is a collaboration between four leading European universities in the field of agriculture and life sciences. Having this program as an example, Montenegrin government could make a program in collaboration with regional universities such as those in Serbia, Croatia, Slovenia, and other regional countries in order to prepare young people for leading their own business in organic agriculture production. Ensuring proper education is even more important than financial aid since that aid would be wasted on those not properly educated in organic production, its benefits, and impacts for the environment.

# A personal initiative by young people

The third problem is a personal initiative. It is already established that unemployment among young people is the highest out of all age groups but still, young people that are facing all these problems are trying to fix them in wrong places, like trying to find work in state administration. This is not just because of the lack of financial support from the government, of proper education but often, a lack of personal initiative. Then, because they cannot find a job in the government sector, a lot of young people decide to migrate to western European countries. Raising awareness and development of the favorable area for starting organic production is a process and not a onetime act. Montenegro as the ecologic country needs very little initiative for making great results of the process very fast. Young people have a responsibility as well to give essential impulse and show the readiness to start their own business and stop the unemployment. With this most significant impulse, every other problem will be just one milestone to pass on the way to successful agricultural organic production.

# Better communication between three parties - producers, consumers, and the government

We have seen through the interviews that even those already engaged in organic production are not fully aware of all programs started by the government to support this production. This link needs to be mended, and programs need to be more transparent and better advertised. If those already engaged in organic production don't know about possible opportunities, what chance do the young have, who are still weighing in, what job path to take? The second link is the one between producers and consumers. There needs to be a large-scale marketing campaign teaching the general public about the benefits of organic production, about its impact on public health, ecology and the eco-system in general. There should be an isle dedicated only to organic foods in supermarkets, especially those locally produced. This tri-part coordination – producers-consumers-government needs to work together, maybe even establish a full time operating body that will inform, market, fund and ensure that more and more food that we eat comes from organic production and that our fertile land is used as well as it can.

#### Activities of ecology-oriented NGOs in order to promote "green" way of life

It is not just the government that should promote these lifestyles and help producers and consumers alike. There is a variety of ecology-oriented NGOs in Montenegro and in the region. They should also see how that most people, producers, and consumers, are not very well informed about the benefits of organic production and consumption of such projects. Not to mention that all of them are not at all informed about internationalist groups and movements, peasant movements such as La Via Campesina, where they could learn on experiences from other countries. All of it boils down to two things – proper education and financial support for starting up.

# 6. Conclusion

World population is growing each day and with it grows its need for food. It is our duty as humans to make food production sustainable for us and for future generations. This is why organic production is not only the solution to unemployment but also a dignified private business which provides benefits for all of us not only now but for the future. As our awareness about this grows organic agricultural production will be closer to its right position in our economic and social life, and market need for organic products would naturally increase. We will then have accelerating effects since the increased market need will request increased production needs, and this is the moment for which we have to be ready, in Montenegro or anywhere else in the world. This can be achieved by some of the things discussed in this paper and should only be a starting point for better production, healthier consumption, and an overall better lifestyle.

As stated before, the key solution is including young people in the process of organic agricultural production through self-employment. The main obstacles for achieving this goal are, as we previously concluded in this paper, the lack of:

government financial and administrative support, adequate education for starting and implementing organic production, a personal initiative by young people, better communication between three parties – producers, consumers, and the government, activities of ecology-oriented NGOs in order to promote "green" way of life.

This leaves us with a very important task of raising awareness of young people to try and do something different and important for themselves and others and even change the opinion of the government, state-owned companies and create a network based on mutual trust. At the same time, a similar network should exist between exist between a consumer and a producer in order to complete the chain of successful business.

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