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***Selected aspects the economic situation  
in rural households with precarious income***

***Summary***

The main objective of this paper is to highlight some aspects of the economic situation of households with uncertain income. The article presents a subjective assessment of the respondents about changes in their household budget in the past, and the anticipation of change in the near future. On the basis of interviews, an assessment of the level of satisfaction of selected household needs of the rural population of uncertain income was conducted. It also presents areas of life in which most respondents are forced to make savings. Empirical material contained in the article comes from studies carried out in the framework of research project number UMO-2011/01/B/HS5/01034 funded by the National Science Center, on the title “The standard of living of the rural population of uncertain income in Poland” and they are part of the project. Survey interviews were conducted in 2012 among the rural population of uncertain income in Poland.

**Key words:** uncertainty of income, the economic situation, rural areas

## ***Introduction***

Precariousness is an essential attribute of contemporary times. It concerns almost all aspects of human life – both the economic situation and non-economic aspects: consumption, work, social conditions, economy, environment in its broad sense or challenges related with civilisation and culture. Nowadays the precariousness of income, which results from the system and conditions of employment, has special significance. Unemployment or part-time employment as well as atypical terms of employment are some of the elements affecting the likelihood of social and economic exclusion. Additionally, it is both the cause and effect of relatively lower competitiveness of households with unemployed people, illegally employed, people with flexible forms of employment or forced self-employment. The growing importance of precarious income results from the increasing occurrence of flexible and precarious forms of employment in recent years. As a result, they favour the disparity of income and expenses and another structure of consumption, which is usually less effective. This causes difficulties in the functioning of society.

## ***Methodology***

The empirical material included in the article comes from the investigations conducted within research project No. UMO-2011/01/B/HS5/01034, financed by the National Science Centre and titled *The Living Standard of Rural Population with Precarious Income in Poland*, and is part of them. The research was conducted between June and the first half of July 2012. The size of the research sample was 1067 adult respondents, who were the inhabitants of rural areas in Poland. The information about the population under investigation was obtained by means of the research tool, i.e. the research questionnaire, which simultaneously became the research scenario of the direct PAPI (paper and pencil interview) method.

The research sample was representatively selected according to the formula for an unknown faction, where the assumed significance level was 0.05 and the size was retained. Due to the fact that an ‘unknown’ population was investigated (there is no research on people with precarious income, which would enable assessment of their demographic distribution), the only possibility was to apply the quota sample, which was equally divided according to voivodeships and demographic traits (sex, age). The sex was determined according to the Local Data Bank (Central Statistical Office). However, it was only an approximate size, because during the preparations for the research it was impossible to specify the ratio between the men and women meeting the input criterion. On the other hand, the sample size in individual voivodeships depended on the population of rural communes in those voivodeships and it ranged between 26 in Lubusz Voivodeship and 133 in Masovian Voivodeship. The statistical error for the whole country was assumed at 3%. Thus, it is possible to say that the sample is representative, because the proportions between the most important

major traits were retained and in consequence, the percentage in the sample equals the percentage in the population. The sample was randomly selected.

### ***Precariousness of income***

Precariousness is an important trait of economic and social life and it is one of the qualities of human activity. According to the Polish dictionary, PWN (2007), something precarious includes the element of risk and it is difficult to predict it. However, this definition does not adequately describe the phenomenon, because in economics risk is the phenomenon where it is possible to identify the result by means of probability, although it is difficult. As far as precariousness is concerned, it is impossible to determine the probability of its occurrence due to the absence of statistical parameters of assessment of the frequency of event occurrences (Zalega 2008, p.17). According to Maciejewski (2010, p.38), the states of risk and precariousness coincide and sometimes they are identified with each other. When Samuelson, Marks (1998, p.323), Willet (1951), or Knight (1921) analysed the problem of precariousness, they used the terms *precariousness* and *risk* interchangeably. According to Willet, risk is an objectivised uncertainty concerning the occurrence of an undesirable event. On the other hand, Knight thought that risk was a measurable uncertainty. Pfeffer (1955, p.24) analysed and combined the two concepts and in consequence, he found that the measurability of uncertainty is only limited to belief. In other studies, e.g. Bolesta-Kukułka (2003, p.190), precariousness as an element of the decision-making conditions is distinguished from risk, which is the consequence of choice in a particular decision.

When analysing the precariousness of income it is necessary to take its unpredictability, indeterminacy and discontinuity into consideration. In this aspect unpredictability is related with the impossibility to determine if the consumer can gain any income. This results from the difficulty determining if the individual will be employed in a particular period of time, or possibly what their working time will be, and from the difficulty in receiving a social security benefit. Indeterminacy results from the atypical activity and/or source of income. Discontinuity is the result of temporary employment or employment in selected, short periods, whereas the income itself is sporadic. These traits make it impossible to determine the objective probability of receiving remuneration or other income. In this sense precariousness could be identified with certain fortuity and can be used as a synonym of doubt.

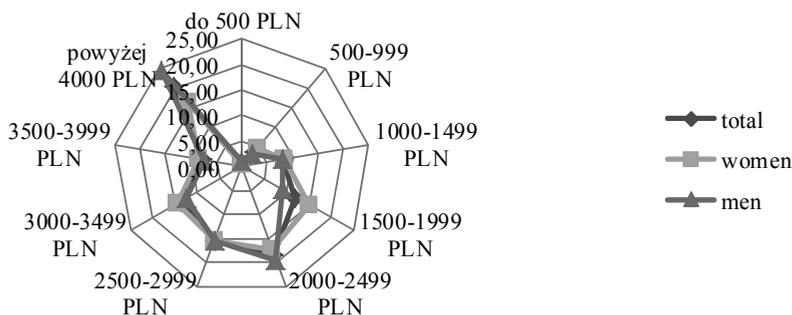
### ***Income structure***

The main element providing information about the economic situation of the population is the income gained by household members. Although it is not a sufficient factor, which could definitely determine one's living standard, it is decisive to the degree one's material and immaterial needs are satisfied. This results from the

fact that the income level exerts significant influence on the demand volume and structure. Apart from that, it is a key component of the material factor in its broad sense, which is a constituent of the existence of the household. For further considerations it is also important to take into account the statement that although income is more susceptible to fluctuations than expenses, research findings indicate that the trends showing the scale of poverty and social exclusion are usually similar to each other. In spite of numerous weaknesses of the assumed measure, in the conditions of market economy the correlations between income and the degree of deprivation are so considerable that the measure can be assumed to be an adequate index describing people's living standard (Golinowska 1996, p.19).

It is possible to see from the research that men declare higher income than women (Diagram 1). Men declare that the average income of all household members is 3,207.02 zlotys, whereas women estimate it at 2,828.44 zlotys. Thus, it is possible to assume that the amount of declared income is influenced by the feelings concerning one's earnings, which are usually higher for men<sup>6</sup>. In the households under investigation the average income slightly exceeds 3,000 zlotys, but the standard deviation is nearly 2,000 zlotys, which indicates considerable diversification in the income of the population under study. The income in the first decile reaches about 1.3 thousand zlotys, whereas in the last decile it is 5,000 zlotys.

**Diagram 1. Gender-dependent respondents' declarations of the amount of income in households**



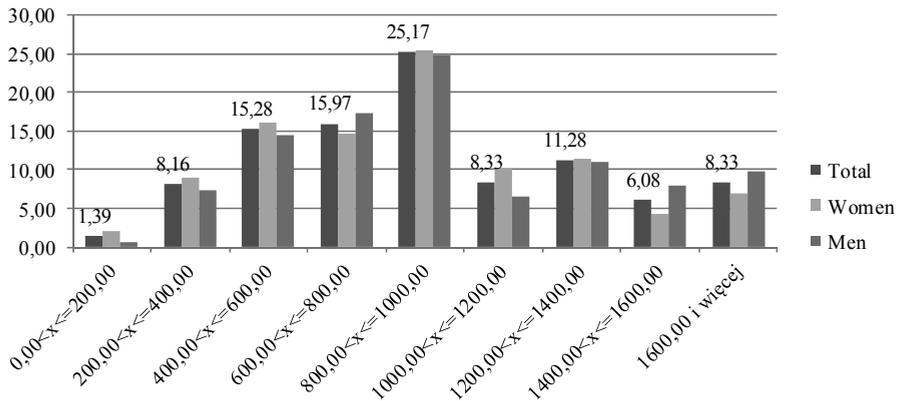
Source: The author's own research, UMO-2011/01/B/HS5/01034, n=1067.

Above all, it is the disposable amount of income per capita rather than the overall income in households that is important for analyses. The rank of this category results from the special information it carries in the process of economic analysis, because it enables greater comparability of households with different demographic composition. As results from the research (show?), the median of disposable income

<sup>6</sup> Social Diagnosis indicates that on average women's income is from 1/4 to 1/5 lower than men's.

per capita is 900, whereas the mean value slightly exceeds 1,000 zlotys. The average income per capita in the first decile is 3.6 times lower than in the last one (the ratio for households was 3.9). Apart from that it is also noticeable that in 1.39% of all the households under study the income per capita was extremely low (less than 200 zlotys), whereas low income was declared by nearly every tenth respondent (Diagram 2).

**Diagram 2. The amount of income per capita in households with precarious income**



Source: as in Diagram 1.

There is strong, right-sided asymmetry of income, with the majority of households with a low level of these variables. In consequence, the average level of income expressed arithmetically is strongly overestimated in comparison with the median (the overall income in households is overestimated by slightly more than 500 zlotys, whereas the income per equivalent unit is overestimated by more than 100 zlotys). Thus, the trend in income diversification is similar to standard households. However, in the households of people with precarious income we can observe smaller differences between the ninth and first decile than in the entire society, and the ratio value is 1.68<sup>7</sup> lower for households and nearly 0.4 lower for equivalent units. But it is difficult to decide whether or not this situation is desirable, because both excessive egalitarianism and excessive income diversification may be unfavourable and threaten the development both of the units themselves and the entire economy in a country.

### ***Poverty of rural inhabitants with precarious income***

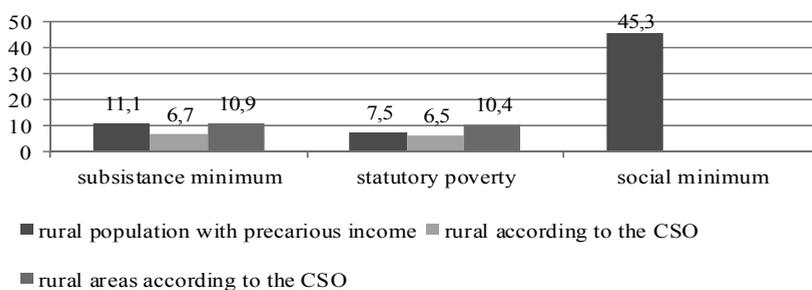
Poverty is important information about the economic situation and simultaneously, it is the consequence of the lack of appropriate amount of income. The poverty ratio is defined as the number of people whose equivalent income is lower than the pre-

<sup>7</sup> The ratio for the entire society according to Social Diagnosis 2011.

defined (objective, subjective, relative) limit. Objective measures may be set by the amount below which people's existence is threatened (subsistence minimum), the amount which gives the right to receive a benefit (statutory poverty) or the amount below which there is the danger of failure to satisfy one's needs (social minimum). The first line of consumption lets one live in good health and enables work. It meets the needs which cannot be postponed (Deniszczuk, Sajkiewicz 1997). Due to the fact that consumption under the subsistence minimum may lead to biological devastation, it is treated as extreme poverty. It is possible to notice the fact that this limit makes each ninth rural inhabitant with precarious income extremely poor. This number is similar to the number of extremely poor people quoted by the Central Statistical Office (Diagram 3).

If statutory poverty is taken into consideration, the people whose income per capita does not exceed 351 zlotys, or 477 zlotys<sup>8</sup> for single people, are regarded as poor. As the limit was set at that level, the number of people without the possibility to satisfy their needs reached 7.5% among the population with precarious income, whereas the analogical ratio quoted by the Central Statistical Office was 10.4% for rural areas and 6.5% for the entire country (Diagram 3). The low poverty limit which gave statutory rights to receive cash benefits from the social security system<sup>9</sup> caused the situation where some people living below the subsistence minimum could not receive benefits and according to the regulations, they were not classified as extremely poor in spite of the fact that their income was insufficient to satisfy their minimum needs. However, if the income limit set after September 2012 was assumed, according to this criterion, the volume of the poor faction would increase to 11.5%.

**Diagram 3. The range of objective poverty**



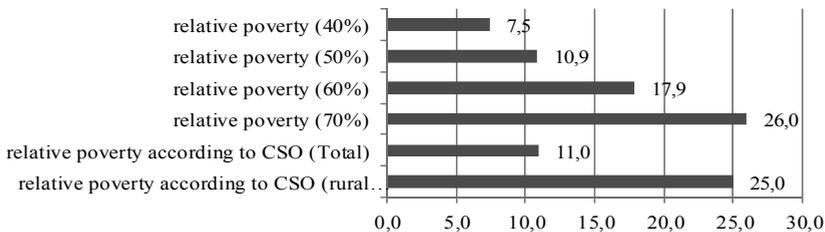
Source: as in Diagram 1.

<sup>8</sup> The amount as of September 2012, i.e. the time of research.

<sup>9</sup> For a family of four people the limit was 1,404 zlotys (gross) (until September 2012) and 1,824 zlotys (when the limits were de-frozen), whereas the corresponding subsistence wage limit was 1,771.96 zlotys (the yearly average in 2012).

Relative lines of poverty are also used to determine the economic situation. What speaks in favour of this interpretation of poverty is the fact that it is not possible to talk about absolute destitution, which is relative, depending on the country and socioeconomic conditions. However, this definition of the level of poverty should be identified with social inequality rather than actual poverty and according to Panek (2007, p.267), it should be identified with the excessive spread in society's income level. The poverty limit increases as the median of income distribution grows. It is noticeable that the faction of poor rural population with precarious income set on the basis of the standard limit (60% of the income distribution median) is 7% lower than the total of rural inhabitants designated by the Central Statistical Office and nearly 6% higher than the poor people faction in Poland (Diagram 4). This proves the fact that the spread of income in the rural population with precarious income is smaller than in other groups.

**Diagram 4. The range of relative poverty**



Source: as in Diagram 1.

The determination of the economic situation of the rural population with precarious income also requires surveying respondents' feelings about their living standard. The individual perception of one's living enables assessment of the respondents' feelings about the extent to which they are deprived of their needs. Depending on the method assumed, the size of the poor faction varies considerably. According to the LPL method, the number of people classified as poor reaches 34.7%. In this case those people are regarded as poor whose individual limit of poverty assumes the income level where the critical value corresponds to the response variants which assess the income as hardly sufficient. The size of the poor faction increases to 43.4% when it is determined with the SPL method. In this case, in order to determine the poverty limit, it is necessary to specify the income which lets people 'make ends meet'. Simultaneously, this income shows people's minimum needs. The highest percentage of people endangered with poverty can be seen when Deleek's method is applied to determine the poverty limit (65.1%). In this case the people who are regarded as poor are those who think they can hardly 'make ends meet' or they are unable to do so.

It is noticeable that the respondents are somewhat inconsequent when they determine the income which is hardly sufficient and which lets them 'make ends meet'. The

mean deviation in the amounts they declared was higher than 500 zlotys. The respondents were more often of the opinion that the income which lets them 'make ends meet' is good rather than hardly sufficient. Thus, the questions arise what the significance of the benefits received by rural inhabitants with precarious income is, which lifestyles they adopt and what expectations the surveyed group has about their potential income.

### ***The satisfaction of the needs of rural inhabitants with precarious income***

The economic situation may be assessed according to the extent to which one's needs are satisfied. The assessment of the satisfaction of these needs depends on a wide range of factors, some of which are objective and others which are subjective. It is possible to follow Duesenberry's (1952, pp. 44-48) assumption that the assessment results from the comparison of consumption expenses and income in a particular household with the expenses and income in other households. Thus, the degree of satisfaction with one's economic situation fluctuates. It is noticeable that there is high correlation between the satisfaction of one's needs and the adequate satisfaction of the needs of the people from the nearest neighbourhood. Thus, it is possible to assume that most consumers follow the behaviours and patterns presented by the individuals who are the nearest point of reference (neighbours, family, and groups of friends) with or without being aware of this fact.

Other people's consumption patterns and the assessment of those patterns enable consumers to assess their own financial situation and thus they influence the assessment of satisfaction of one's needs. As the results from the survey show, most respondents think that their economic situation is similar to the situation in other households. Women tend to assess their financial situation slightly worse than men. The satisfaction with one's situation is influenced by one's education – the people with higher education assess the degree of satisfaction of one's needs better than the people whose education is not higher than the vocational level (Table 1). On the one hand, this may be affected by the relatively higher earnings in the first group, whereas on the other hand, this may be caused by the awareness of the much worse situation of other social groups. Higher education also affects the assessment of one's poverty. Some people do not want to admit it in spite of the fact that their situation is relatively worse, because they are afraid of stigmatisation. According to Lister (2007, pp. 140-146), this results from the belief a poor person is seen as lazy, weak or defenceless. Bauman (2004, p. 27) adds that poor people are treated as passive addressees of social actions evoking the feeling of compassion. This approach explains why there are so many respondents who think that their situation is similar to others'. Thus, poor people should be sought both among those who assess their situation as worse and among those who assess it similarly to other members of society. It is interesting to observe the situation of people with post-secondary education, who are relatively the least frequently of the opinion that their situation is better than in

other households. These assessments can be accounted for by those people's failed expectations about the improvement of their education, which did not result in better jobs and regular earnings.

**Table 1. The assessment of the respondents' economic situation in comparison with other members of society**

	Better	Worse	Similar	I don't know
TOTAL	8.2	20.2	49.7	21.8
Women	8.3	21.0	49.5	21.2
Men	8.2	19.4	49.9	22.5
Higher	12.0	9.9	53.6	24.5
Post-secondary	4.9	18.3	48.8	28.0
Secondary vocational	5.7	25.1	50.7	18.5
Secondary comprehensive	10.3	15.2	54.4	20.1
Vocational	7.3	24.7	50.2	17.8
Middle school or lower	7.8	29.1	30.1	33.0
18-24 years	7.9	14.0	56.7	21.3
25-34 years	9.8	22.5	48.9	18.9
35-44 years	8.2	21.2	50.2	20.4
45-54 years	8.7	18.0	52.5	20.8
55-64 years	4.1	26.0	39.8	30.1
65 or more years	9.7	16.1	35.5	38.7

Source: as in Diagram 1.

The aim of households is to satisfy both their individual and joint needs. This effect can be achieved by the application of a combination of disposable financial assets, the funds for consumption and the cash for other goods (Becker, 1990, p. 165). As results from the research, in nearly half of the households of people with precarious income the combination of those assets usually boils down to the satisfaction of basic needs. Simultaneously, it turns out that every thirteenth household is unable to satisfy even its minimum needs and in some of those households there is not even enough cash to buy food. Barely 15.4% of households manage their financial assets so that they can save some for the future (Table 2). On the basis of the responses it is possible to assume that the people who replied 'no' or whose management method boils down to the satisfaction of basic needs are in real danger of poverty. The size of the poor households faction determined in this way (57.3%) is comparable with the percentage of people who are unable to satisfy their needs, calculated according to Deleek's method. Usually the respondents were forced to abandon their expenses on culture (34.1%), clothing and footwear (30.0%) and extra activities (24.3%). At the same time, besides the expenses on home these are the needs without which they can sur-

vive most easily. As the results from the research show, the respondents satisfy their needs related with tourism and recreation, culture and health in the smallest extent.

**Table 2. Cash management in a household**

	<b>Total</b>	<b>Women</b>	<b>Men</b>
Yes, we are still saving for the future	15.4	15.1	15.7
Yes, all, but we are not saving for the future	27.3	26.8	27.8
Yes, but only the necessities, i.e. expenses on food, clothes and home	23.0	24.3	21.5
Yes, but we have to be very thrifty	25.5	22.8	28.4
Yes, but only on food	1.8	2.3	1.2
No, we do not satisfy our needs related with health, culture and education	3.8	5.2	2.3
No, we do not satisfy all our needs related with home, clothes and food	2.3	2.7	2.0
No, sometimes there is not even enough money for food	0.9	0.7	1.2

Source: as in Diagram 1.

It is worth remembering that the use of the methods which rely on respondents' declarations does not always classify really poor people as poor and vice versa. Subjective surveys on their own cannot be the only criterion of classification into the poor faction (Kahneman, Krueger 2006, pp. 3-24). Some people may think that their situation is better than others' due to their experience and current living standard. In view of this fact they may think they are not threatened by marginalisation. On the contrary, although some people satisfy their needs according to a specific standard, they say that they are not satisfied with the standard. In consequence, there is dissonance between the current status quo and the expected status and thus they have a lower opinion about reality.

## ***Conclusion***

The research confirms the fact that the economic situation of rural households is relatively worse than in the entire society. No matter what the assumed poverty limit is, it is noticeable that the percentage of people deprived of the possibility to satisfy their needs is much higher than in the measures of the Central Statistical Office, which take all the surveyed individuals into account. Simultaneously, it is noteworthy that many households do not satisfy even their basic needs and only in every seventh household its members are able to make savings for the future. The unfavourable situation of the surveyed group gives grounds for the conclusion that it is necessary to apply individualised tools addressed directly to people with precarious income in

order to prevent their social exclusion and the unfavourable structure of consumption, which deprives them of the possibility to use goods.

To sum up, we can conclude that the state is obliged to ensure protection of this group to a certain extent so as to prevent the adverse social consequences related with the precariousness of employment, its instability and the feeling of exclusion due to the character of the source of income. However, the form of aid needs to be well-thought so that it can have long-term consequences. Simultaneously, it is important to prepare the framework of aid in the manner that would prevent the development of passive approaches and behaviours deepening poverty and helplessness. The policy should have a flexicurity character and actively counteract unemployment and illegal employment. It is also important that the people who have atypical forms of employment should have similar terms of employment and the choice of such forms should be voluntary.

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## Streszczenie

Głównym celem artykułu jest zwrócenie uwagi na wybrane aspekty sytuacji ekonomicznej gospodarstw domowych o niepewnych dochodach. Artykuł ukazuje subiektywną ocenę respondentów dotyczącą zmian zachodzących w budżecie ich gospodarstw

domowych w porównaniu z przeszłością, a także przewidywanie zmian w najbliższej przyszłości. Na podstawie wywiadów, dokonano oceny poziomu zaspokojenia wybranych potrzeb w gospodarstwach domowych ludności wiejskiej o niepewnych dochodach. Przedstawiono również dziedziny życia, w których respondenci w największym stopniu są zmuszeni do wprowadzania oszczędności. Materiały empiryczne zawarte w artykule pochodzą z badań przeprowadzonych w ramach projektu badawczego nr UMO-2011/01/B/HS5/01034 finansowanego przez Narodowe Centrum Nauki pt. Poziom życia ludności wiejskiej o niepewnych dochodach w Polsce. Wywiady ankietowe przeprowadzono w 2012 roku wśród ludności wiejskiej o niepewnych dochodach na terenie Polski.

**Słowa kluczowe:** niepewność dochodów, sytuacja ekonomiczna, obszary wiejskie