



## THE STANDARD OF LIVING OF HOUSEHOLDS IN POLAND COMPARED TO OTHER EU MEMBER STATES

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### Abstract

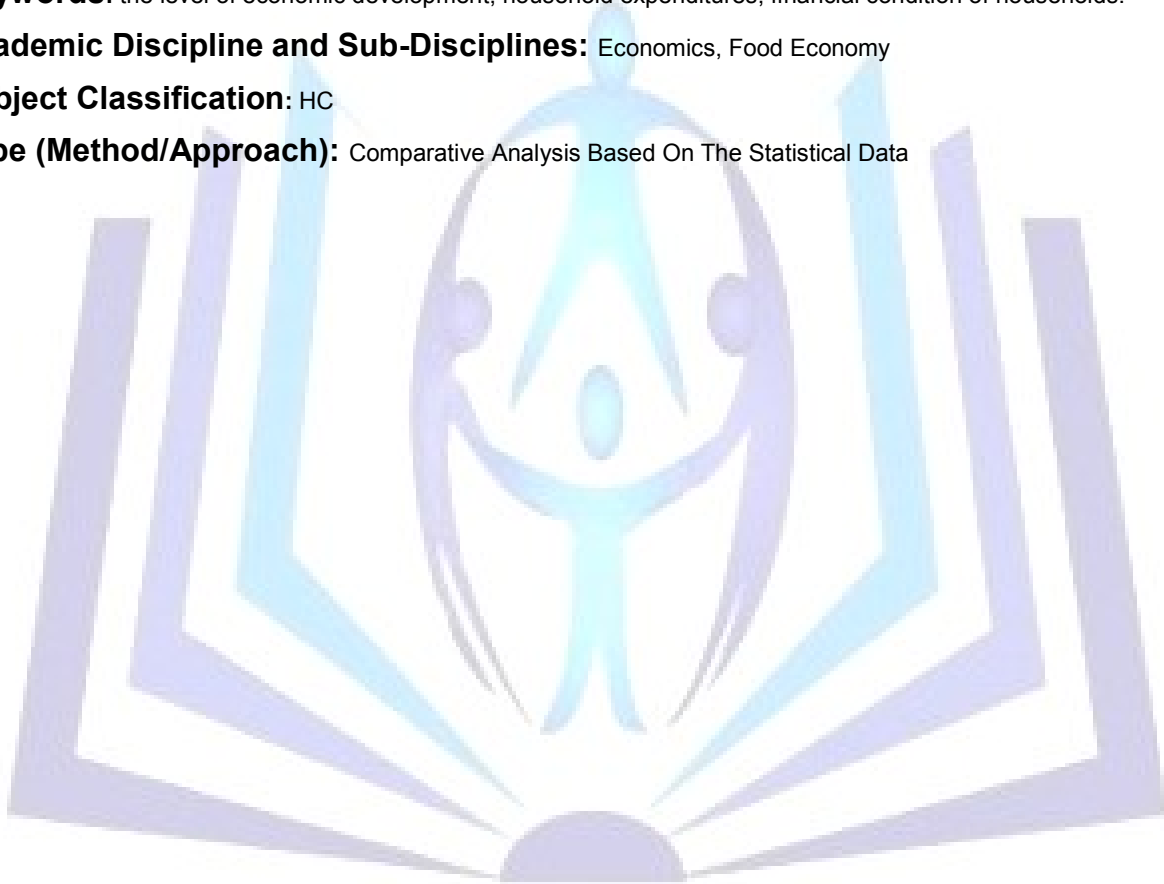
The objective of this article is to present the standard of living of households in Poland in comparison with other EU member states. The starting point for analysis was the economic condition of Poland against the background of other EU member states. The next step consisted of assessment of the standard of living of inhabitants of individual EU member states on the basis of financial condition of households and the structure of consumption expenditure. It was found that the differences within the EU in terms of economic development and the standard of living of households still remain substantial.

**Keywords:** the level of economic development, household expenditures, financial condition of households.

**Academic Discipline and Sub-Disciplines:** Economics, Food Economy

**Subject Classification:** HC

**Type (Method/Approach):** Comparative Analysis Based On The Statistical Data



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## Introduction

Poland has been listed among the countries characterized by a relatively high scale of economic growth in the recent years. It should be noted that in 2013, in relation to 2007, the real disposable income per capita increased in relation to most EU member states. The pace of growth of real income in individual countries varied greatly. The greatest dynamic of growth was recorded in the post-communist countries, that is, Poland, Lithuania, Bulgaria, Romania and Estonia. An analysis of the standard of living of the population should take into account the structure of household expenditures, in particular, the share of expenditures for food in overall expenditures of households. A significant indicator of increase in the level of affluence of the EU member state inhabitants has been the observed decrease in the share of food expenditures in overall expenditures. This is typical also for Poland; however, it should be noted that this share is still higher than in the developed EU member states.

The objective of this article is to present the standard of living of households in Poland in comparison with the remaining EU member states.

## Assessment of the economic condition of Poland in comparison with the remaining EU member states

Assessment of the economic condition from the macroeconomic perspective was based on analysis of dynamics of economic growth. The measure of economic growth is the Gross Domestic Product (GDP). The assessment was based on real GDP values – adjusted by price levels. It is the basic macroeconomic measure, which reliably presents the condition of economy on a macro scale, without taking into account the inflation effect. Poland is among the emerging markets, for which the annual GDP dynamics should range between 5 - 15%, while in developed countries it usually does not exceed 2 - 3% per annum. Data presented in table 1 reflects these trends. However, the global crisis of years 2008 and 2009 had a negative impact on the economic condition of the EU member states. In Poland, the dynamics of GDP slowed down, although in 2009 it remained positive – at the level of 1.6%. In other countries of the European Union, the trend of decrease could not be stopped (table 1). In the subsequent years – 2010 – 2011 – the GDP growth dynamics in the EU member states was at the level of 1.8, 1.3, while in Poland it exceeded this value substantially. The values obtained for years 2010 and 2011 amounted to 3.8% and 3.9 %, respectively, as illustrated by table 1. The cause of this situation was a visible weakening in year 2010 of the negative impact of the economic crisis in Poland through intensification of business activity. In the following years, however, the GDP dynamics slowed down in Poland due to economic recession, which was observed in the first half of year 2013. This was due to the following: limiting of private investment due to deceleration of trends, hindered access to bank loans, restrictive fiscal policy, as well as weakening of consumption [Szwacka-Mokrzycka 2013]. The subsequent year 2014 indicated a significant improvement in the economic condition of all EU member states, although the GDP growth indicators in relation to year 2013 varied greatly. In 2014, Poland found itself in the group of countries characterized by a relatively high growth level, that is, by 3.4% in relation to the previous year. The following countries reached relatively the highest growth rate above 3%: Ireland, Hungary, Luxembourg, Malta and Great Britain (table 1). A relatively low GDP growth – below 2% in 2014 in relation to 2013 was observed in Belgium, Bulgaria, Denmark, Germany, Greece, Spain and the Netherlands. A decrease could not be stopped in Finland, Italy, Cyprus and Crete – as illustrated by Table 1.

It is undoubtedly very optimistic that GDP in Poland has reached the level of 70% of the EU average, while in 2004, it did not exceed one half of this average. Moreover, it should be noted that it is thanks to high economic growth in Poland in the last seven years. The scale of GDP growth in Poland is consistent with its position in Europe (as an emerging market).

**Table 1. GDP increase in the European Union in years 2007-2014, EU-28=100 real prices**

Country	2007	2008	2009	2010	2011	2012	2013	2014
EU-28	3.1	0.5	-4.4	2.1	1.7	-0.5	0.1	1.3
Belgium	3.0	1.0	-2.6	2.5	1.6	0.1	0.3	1.1
Bulgaria	0.9	5.8	-5.0	0.7	2.0	0.5	1.1	1.7
Czech Republic	5.5	2.7	-4.8	2.3	2.0	-0.9	-0.5	2.0
Denmark	0.8	-0.7	-5.1	1.6	1.2	-0.7	-0.5	1.1
Germany	3.3	1.1	-5.6	4.1	3.7	0.4	0.3	1.6
Estonia	7.9	-5.3	-14.7	2.5	8.3	4.7	1.6	2.1
Ireland	4.9	-2.6	-6.4	-0.3	2.8	-0.3	0.2	4.8
Greece	3.5	-0.4	-4.4	-5.4	-8.9	-6.6	-3.9	0.8
Spain	3.8	1.1	-3.6	-0.1	-0.6	-2.1	-1.2	1.4
France	2.4	0.2	-2.9	2.0	2.1	0.2	0.7	0.2
Italy	1.5	-1.0	-5.5	1.7	0.6	-2.8	-1.7	-0.4
Cyprus	4.9	3.6	-2.0	1.4	0.3	-2.4	-5.4	-2.3
Croatia	5.2	2.1	-7.4	-1.7	-0.3	-2.2	-0.9	-0.4
Latvia	9.8	-3.2	-14.2	-2.9	5.0	4.8	4.2	2.4
Lithuania	11.1	2.6	-14.8	1.6	6.1	3.8	3.3	2.9
Luxembourg	8.4	-0.8	-5.4	5.7	2.6	-0.7	4.4	5.6
Hungary	0.5	0.9	-6.6	0.8	1.8	-1.5	1.5	3.6
Malta	4.0	3.3	-2.5	3.5	2.1	2.5	2.3	3.5
Netherlands	3.7	1.7	-3.8	1.4	1.7	-1.1	-0.5	1.0



Austria	3.6	1.5	-3.8	1.9	2.8	0.8	0.3	0.4
Poland	7.2	3.9	2.6	3.7	4.8	1.8	1.7	3.4
Portugal	2.5	0.2	-3.0	1.9	-1.8	-4.0	-1.6	0.8
Romania	6.9	8.5	-7.1	-0.8	1.1	0.6	3.4	2.8
Slovenia	6.9	3.3	-7.8	1.2	0.6	-2.6	-1.0	2.6
Slovakia	10.7	5.4	-5.3	4.8	2.7	1.6	1.4	2.4
Finland	5.2	0.7	-8.3	3.0	2.6	-1.4	-1.1	-0.4
Sweden	3.4	-0.6	-5.2	6.0	2.7	-0.3	1.3	2.3
United Kingdom	2.6	-0.3	-4.3	1.9	1.6	0.7	1.7	3.0

Source: Own elaboration on the basis of: [3].

**Table 2. Real household income in the EU in years 2007-2013, EU-28**

Countries	2007	2008	2009	2010	2011	2012	2013	The share of individual countries in real income - EU-28 in %	
								2007	2013
EU-28	19.145	19.392	19.125	19.585	19.940	20.277	20.311	100.0	100.0
Belgium	21.077	21.657	21.472	22.278	22.716	23.141	23.069	110.0	114.0
Bulgaria	6.519	7.352	7.153	7.512	8.155	8.475	8.921	34.0	44.0
Czech Republic	14.070	13.497	13.850	14.191	14.672	14.892	14.954	73.0	74.0
Denmark	18.871	19.067	19.288	20.446	21.042	21.634	21.368	99.0	105.0
Germany	22.836	23.122	22.438	23.981	25.052	25.859	25.897	119.0	128.0
Estonia	10.777	11.710	10.924	11.066	11.753	12.243	12.844	56.0	63.0
Ireland	20.349	20.269	19.552	19.794	19.163	19.230	19.233	106.0	95.0
Greece	18.277	19.161	18.845	17.761	16.480	15.790	14.797	95.0	73.0
Spain	18.309	18.641	18.732	18.232	18.417	18.318	18.507	96.0	91.0
France	22.015	22.083	21.800	22.651	23.083	23.328	23.265	115.0	115.0
Italy	20.972	21.385	20.402	21.131	21.200	20.627	20.578	110.0	101.0
Cyprus	18.700	20.581	19.535	20.116	19.313	18.299	17.749	98.0	87.0
Latvia	11.338	11.843	9.829	9.893	9.893	10.575	11.760	59.0	58.0
Lithuania	11.369	12.486	11.622	12.444	13.144	13.795	14.839	59.0	73.0
Luxemburg	x	x	x	x	x	x	x	x	x
Hungary	11.279	11.293	11.182	11.717	12.503	12.526	12.762	59.0	63.0
Malta	x	x	x	x	x	x	x	x	x
Netherlands	23.135	23.267	22.725	22.405	22.725	22.813	22.436	121.0	110.0
Austria	23.722	23.884	23.384	24.218	24.469	25.325	24.923	124.0	123.0
Poland	10.456	10.828	11.351	12.319	12.777	13.540	14.030	55.0	69.0
Portugal	15.814	16.050	15.924	16.489	16.214	15.997	16.855	83.0	83.0
Romania	7.308	8.518	8.039	8.500	8.698	8.813	-	38.0	43.0
Slovenia	15.755	16.197	15.363	15.706	16.099	16.004	15.972	82.0	79.0
Slovakia	11.918	12.822	12.846	13.847	13.966	14.192	14.755	62.0	73.0
Finland	19.641	20.521	20.462	21.323	22.081	22.837	23.015	103.0	113.0
Sweden	20.611	21.194	20.944	21.240	22.210	23.088	23.226	108.0	114.0
United Kingdom	23.104	22.329	22.153	21.626	21.250	21.998	21.782	121.0	107.0
Croatia	x	x	x	x	x	x	x	x	x

Source: own elaboration on the basis of: [4].

x – no data

A macroeconomic measure, which proves the standard of living of the population, is gross disposable income per capita in the sector of household. Disposable income is designated for financing of consumption and for savings. The value of income is calculated on the basis of the purchasing power parity and expressed in the common conventional currency - PPS (Purchasing Power Standard)- table 2 . It should also be added that the EU Statistics on Income and Living Conditions (EU-SILC) is an instrument aimed at providing current and comparable – at the member state level – data on income, poverty, social exclusion and living conditions. Since 2004, EU-SILC has been conducted in the EU member states on the basis of a Community regulation [ 7]. In Poland, EU-SILC is implemented by the Central Statistical Office since 2005. Based on methodology used by Eurostat to measure household income, the measure used is the “annual equivalent disposal income”. Data presented in table 2 shows that in 2007, the highest disposable income in the household sector per capita was attained by Austria, Great Britain, the Netherlands, Belgium, Germany, France and Italy. The income of these countries exceeded greatly the average for the EU-28 (from 10 to 24%). On the other hand, in Poland, in year 2007, real disposable income in the household sector was lower than the average for the EU-28 by 45% - table 2. A much lesser income in comparison with Poland in year 2007 was available in Bulgaria and Romania. This



situation changed entirely in year 2013, when the distance between Poland and the EU-28 decreased to 31%. At the same time, the condition of households in Bulgaria and Romania improved as well - the share of disposable income among inhabitants of these countries constituted 44% and 43%, respectively. Thus, the distance between these countries and the EU-28, while in 2007 they had at their disposal a much lesser gross income per capita, decreased by 5% and 10%, respectively. It should be noted that in 2013, in relation to 2007, the real disposable income per capita increased with reference to most EU member states. The pace of increase of real income in individual countries varied greatly. The highest dynamics of growth was recorded in the post-communist countries, that is, in Poland, Lithuania, Bulgaria, Romania and Estonia – by 34%, 30.5%, 36.8%, 20.5% and 19.2%, respectively – see table 2. In the remaining countries of this region, their level remained stable. A significant increase in real income per capita was also observed in the most developed countries of the EU. In Germany, in 2013 in comparison with 2007 it was 13.4%, in Denmark - 13.2%, in Sweden - 12.6%, and in Belgium - 9.5%. In the remaining EU member states characterized by the highest level of growth, the income level was stable – table 2. A decisive decrease in the level of disposable income per capita in this period, amounting to 20%, was recorded in Ireland and Greece. It should also be noted that the global financial crisis exerted substantial impact on income of the population. Before the crisis, that is, in years 2007-2010, there was a significant increase in real gross income in the EU-27 (by more than 2.5%). In this period, the highest increase in real income was recorded in Poland (by 12.4%). It was even higher in Bulgaria (by 20.5%), while in Latvia, Lithuania and Greece, the real income of the inhabitants decreased by 20% and 11%, respectively – table 2. Using the Gini coefficient to measure the level of concentration of income, it should be noted that starting from year 2005, its value has been decreasing to a moderate extent, getting closer to the EU average. In year 2013, the value of Gini coefficient in Poland was 30.7; at the same time, the EU average was 30.5 [2]. The most significant income inequalities were recorded in countries characterized by low affluence level (Bulgaria, Romania), the Baltic states (Latvia, Lithuania and Estonia) and in the countries of southern Europe (Spain, Portugal, Greece, Italy, Cyprus). Poland exceeded slightly the EU average in 2013. At the same time, it should be noted that in Poland, income inequalities measured by Gini coefficient kept decreasing in years 2006-2013[2].

Examination of the standard of living of the population should take into account the structure of household expenditures. Of basic significance in this regard is examination of the share of expenditures for food in overall expenditures of households. In general, there is a trend (according to Engel's law), according to which in countries characterized by a relatively high standard of living, the share of food expenditures in the structure of overall expenditures is rather low. An obvious indicator of increase in the level of affluence of the EU inhabitants is the observed decrease in the share of food expenditures in total expenditures. This applies to Poland as well, although it should be noted that it is still higher in comparison with the developed EU countries. In Poland, the income and prices still determine the level and structure of food consumption, although in years 2010 – 2012, stabilization of consumer food expenditures in overall value of household expenditures at the level of about 25% has been observed. The increase in the level of expenditures in the analyzed period was associated with inflation, and it did not indicate an improvement in the standard of living of the Polish households. A similar food consumption indicator can be observed in Slovakia; it is slightly lower in Portugal and Greece. In the developed EU member states, the share of food expenditures in total expenditures amounts to approximately 10-14%. The countries with relatively the lowest (10-11%) share of food expenditures in total expenditures include Austria, Germany, Ireland, the Netherlands and Great Britain – table 3.

As for housing expenditure, these have been higher in Poland – that is, exceeding 24% of overall expenditures – in Denmark, France, Finland, Germany, Sweden, the Czech Republic and Slovakia. On the other hand, it has been lower in the countries of Southern Europe and Austria, Ireland and Great Britain.

In Poland, the share of expenditures for shoes and clothing is relatively low (at the level of 4%) in comparison with other EU member states. In highly developed countries, it ranges from 5 to 8%. Moreover, the share of expenditures for recreation and culture has been relatively low in Poland. It should be noted that the value of this indicator being lower than in Poland is typical only for Ireland and Greece.

Decisively, Poland belongs to the group of EU member states with relatively the highest share of expenditures for education (ranging between 1.3-2.6%). Higher values of this indicator have been recorded in Ireland, Great Britain, Spain and the Czech Republic. Undoubtedly, such relatively high share of expenditures for education in Poland is due to the fact that children attend private schools, for which their parents pay, and the fact that the parents also provide additional, extracurricular activities that are also paid. This situation determines the level of expenditures for educational purposes – table 3.



**Table 3. The structure of household income for consumption according to groups of goods and services in the selected EU member states in 2000 and 2010**

Countries	Food and non-alcoholic beverages		Use of residential facilities and energy		Clothing and shoes		Transport		Recreation and culture		Education		Health	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Poland	22.8	19.6	20.5	24.2	5.1	4.1	9.2	9.3	8.9	7.8	1.2	1.3	3.6	4.1
Belgium	13.0	13.8	23.4	24.0	5.1	5.0	12.4	12.1	9.4	9.1	0.5	0.5	5.2	5.4
Austria	10.5	10.2	19.4	21.6	6.8	6.0	13.4	13.1	10.	10.4	0.7	0.8	3.5	3.5
Czech Republic	18.0	13.8	21.00	26.8	5.0	3.0	10.2	9.2	11.2	10.2	0.4	0.8	1.4	2.5
Denmark	12.2	11.2	26.6	29.8	5.0	4.4	12.2	12.0	11.0	11.1	0.8	0.8	2.5	2.9
Germany	11.6	11.0	22.9	24.6	6.0	5.1	13.9	13.4	10.0	9.2	0.7	1.0	3.8	5.1
Ireland	11.3	9.8	17.8	22.3	6.7	4.6	13.5	12.2	7.3	6.8	1.1	1.5	3.0	4.4
Greece	15.1	16.2	16.5	22.3	6.7	4.7	10.3	11.8	6.3	5.7	1.9	2.6	4.4	6.9
Spain	14.3	14.1	15.3	20.2	6.2	5.2	12.4	11.6	9.1	8.2	1.6	1.4	3.3	3.5
France	13.9	13.4	23.1	25.5	5.3	4.3	14.6	14.0	8.8	8.6	0.6	0.9	3.3	3.8
Italy	15.1	14.4	18.3	22.2	8.8	7.7	14.0	12.9	7.5	7.2	1.0	1.0	3.1	3.0
Netherlands	11.2	11.7	20.4	23.9	6.1	5.6	11.5	12.0	11.	10.0	0.6	0.6	4.2	2.8
Portugal	16.6	16.9	13.0	15.6	6.3	5.9	16.4	12.7	8.3	7.2	1.0	1.3	4.6	5.8
Slovakia	23.4	17.3	22.3	25.3	5.6	4.1	8.6	7.2	8.4	9.7	0.6	1.5	7.5	10.
Finland	12.6	12.3	24.7	26.9	4.6	5.0	12.9	11.0	11.3	11.5	0.5	0.4	3.8	4.6
Sweden	12.1	12.3	27.5	26.9	4.7	5.1	14.4	12.9	11.8	11.3	0.0	0.3	2.8	3.4
United Kingdom	9.8	9.4	17.9	23.9	5.6	5.6	15.2	14.6	11.7	11.2	1.6	1.5	1.6	1.7

Source: Own elaboration on the basis of [6].

It is also worth noting that in the analyzed period, that is, in years 2000 – 2010, there was an increase in the level of expenditures for healthcare in most of the EU member states analyzed. This is caused mainly by demographic changes in the EU, caused by ageing of the European societies.

### Conclusion

The global crisis in 2008 and 2009 exerted negative impact on the economic condition of the EU member states. In Poland, the GDP dynamics slowed down, although it remained positive in 2009. In other countries of the European Union, a decrease tendency could not be stopped. GDP in Poland now constitutes 70% of the average EU value, while in 2004 it did not exceed one half of this average. Thanks to fast economic growth in Poland in the last seven years, we have been able to achieve such results. The scale of GDP growth in Poland is consistent with its position in Europe. A comparative analysis of shaping of the standards of living in Poland against the background of the remaining EU countries indicates the still existing discrepancies between the level of economic growth within the European Union. The basis for identification of these differences consists of the following factors: economic development level, the level of experience in implementation of the principles of free market economy and cultural differences.

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