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# NON-AGRICULTURAL SELF-EMPLOYMENT AS A FACTOR OF ECONOMIC INCLUSION OF THE RURAL POPULATION

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**ABSTRACT:** The purpose of this paper was to identify and assess the economic situation of the working rural population in the years 2013-2016, with particular attention to the households of the self-employed. Unpublished unit data from BGD GUS and REGON, as well as secondary data sources were used in the paper. For each occupational group, income, expenditure and savings were compared. It was determined that the highest income in rural areas was obtained by households, composed mostly of non-physical workers, while the lowest income was generated by blue collar workers. The good economic situation of the self-employed households from outside the agricultural sector was observed, which improved significantly in the years 2013-2016, although it varied from one household to another. The importance of this form of employment in rural areas has been emphasised.

**KEY WORDS:** non-agricultural self-employment, rural area, income, population, inclusion

## Introduction

The economic situation of the population depends on many factors, including in particular, the place of residence. In this respect, population in rural areas is constantly losing with households in cities, especially large ones, although these disparities tend to change in individual years (Stolarska, 2014, p. 5-17).

According to GUS (Central Statistical Office) data, in 2016, 39.8% of the population in Poland lived in rural areas (Bank Danych Lokalnych, 2017). Although the total number of population decreased by 0.5% compared to 2000, the number of rural population increased by over 503 thousand (from 38.2%) during that time (Sytuacja społeczno-ekonomiczna..., 2017, p. 19). The shift away from agriculture, partially forced by Poland's accession to the EU and the need for structural changes, did not result in the migration of the rural population to the cities. On the contrary, the prevailing direction in this area is the migration from cities to the country (by over 36% in 2016 and approx. 64% in 2010)<sup>1</sup>.

The income of the population is characterised by a great diversity, as evidenced by the rate of inequality of income distribution<sup>2</sup>, which stood at 4.9% in 2016 (Wskaźniki Zrównoważonego Rozwoju, 2017). Although differences exist both in the city and in the country, the average monthly disposable income is always much lower (approx. 40%) in rural households. On the other hand, the rate of the risk of extreme poverty has always been higher in the country<sup>3</sup>.

Lower incomes also result in lower levels and a different structure of consumer spending, which translates into inequalities in terms of ability to satisfy your needs, especially higher ones, and is not conducive to social cohesion promoted by sustainable development policies. As a priority, these policies emphasise the need to strengthen the economy which is coherent, both in economic and social terms, and to promote inclusive society and development contributing to social inclusion (Lorek, 2016, p. 175). This attitude seems right, regardless of whether such activities will prove to be „a rescue for our Planet” (Famielec, Famielec, 2016, p. 59), or mere „utopias and dreams” that the division into a very large number of the poor and a small elite of the rich will disappear (Zimniewicz, 2016, p. 71).

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<sup>1</sup> Initiated in 1999, after the introduction of the market economy, The intra-municipal migration of the population for permanent residence according to directions in the years 1998-2016, [www.stat.gov.pl](http://www.stat.gov.pl) [25-08-2017].

<sup>2</sup> Percentage ratio of total income in the upper quintile to income in the lower quintile.

<sup>3</sup> Minimum level of satisfaction of needs, without risks to life and psychophysical development (Wskaźniki Zrównoważonego Rozwoju, 2017).

## Self-employment – the concept and methodology of research

The term self-employed/self-employment is ambiguous and may be understood differently, both in Poland and in the world (Lasocki, Skrzypek-Lubasińska, 2016, p. 1-11). A precise definition of self-employment is absent both from Polish legislation and literature, although it is becoming increasingly important in the labour market, especially in rural areas where other forms of employment have only limited development opportunities.

For the purposes of this paper, non-agricultural self-employment is defined as the pursuit by a natural person of their own registered non-agricultural economic activity, in accordance with the Act on Freedom of Economic Activity of 2 July 2004 (Ustawa..., 2004).

The self-employed conduct economic activity in their own name and on their own account, bearing personal risks and consequences related thereto. They determine their own workplace and define their own working time<sup>4</sup>, and perform any activities related to the management of their own business either personally or with the help of third parties. However, the contribution of the work carried out by the self-employed is superior and required for the proper operation of their business.

The purpose of this paper was to identify the economic situation, in the years 2013-2016, of rural households sustaining themselves, predominantly, from paid work, and in particular, from non-agricultural self-employment. In this respect, a comparison has been made with other households run by employed individuals. Significant differences in the socio-economic situation have been observed, both generally and among the self-employed, while emphasising the importance of this form of employment in rural areas.

For the purposes of this paper, the following information has been used: unpublished unit data obtained from the GUS surveys of household budgets for the years 2013-2016<sup>5</sup>; REGON information; as well as secondary and literature data.

A detailed analysis of empirical data was performed, using a variation coefficient, and broken down into quartile groups, following which, the results thus obtained were presented using descriptive and graphic methods.

<sup>4</sup> They are not "hidden" employees of other economic operators.

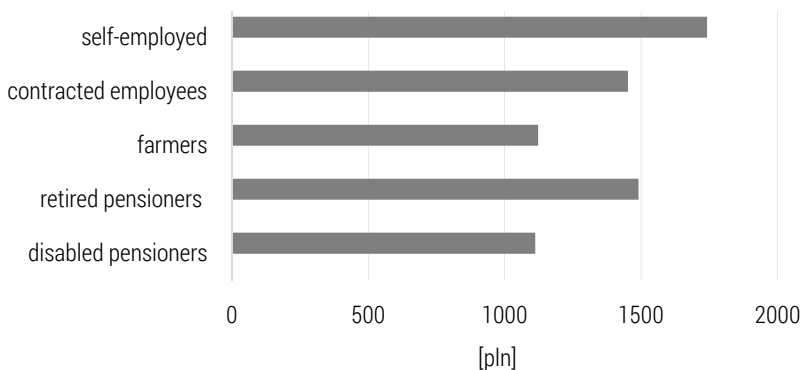
<sup>5</sup> Approx. 37 thousand households in each year, of which non-agricultural employment was the main source of living for approx. 2.5 thousand, and approx. 1 thousand of such households were located in the countryside.

## Results of the research

The development of entrepreneurship in rural areas, including non-agricultural self-employment, is one of the priorities of the rural development policy, as evidenced by the “creation of the Concept of systemic support for entrepreneurship in rural areas” and financial support of EUR 13.5 billion for the implementation of activities affecting the development of entrepreneurship (Przedsiębiorczość na wsi..., 2017).

In 2016, in Poland, there were 1,783 registered economic operators per 10 thousand inhabitants in working age, of which 95.7% were micro-enterprises employing up to 9 individuals. A growing trend can be observed here (an increase by 20.8% since 2004), with a slight decline in 2009 and 2011 (www.bdl.stat.gov.pl). The majority of entrepreneurs are natural persons conducting economic activity – 71% in 2015, although their share is decreasing (www.strateg.stat.gov.pl). The percentage of private entrepreneurs, per 100 people in working age, is about 35% smaller in the rural areas than in the city, while at the same time, there is a tendency to reduce such discrepancies (Podmioty gospodarki narodowej..., 2017).

Of the total number of people working in Poland in 2016, 15.1% were employers and self-employed individuals working outside individual farms in agriculture (Mały Rocznik Statystyczny Polski, 2017, p. 126). On average, they obtained the highest income from all basic socio-economic groups (figure 1)<sup>6</sup>. The average monthly disposable income per person was almost 20% higher than in the households of contracted employees.



**Figure 1.** Average monthly disposable income per capita in households in 2016 [PLN]

Source: author's own work based on Mały Rocznik Statystyczny Polski, 2017, p. 164.

<sup>6</sup> Together with “free professions”, e.g. lawyers, artists, etc. (Mały Rocznik Statystyczny Polski, 2017, p. 160).

If we compare the economic situation of the population in the country and in the city, we will find that in the years 2013 – 2016, the level of disposable income per capita in the city was on average about 40% higher than in the country (table 1), which makes the situation of the population in rural areas much worse while limiting their opportunities for equal use of social life.

**Table 1.** Income, expenditure and savings in cities and rural areas in the years 2013-2016

Item	2013	2014	2015	2016
disposable income per capita in the city [PLN]	1453	1516	1566	1642
expenditure per capita in the city [PLN]	1183	1211	1225	1261
savings percentage – cities [%]	18.6	20.1	21.8	23.2
disposable income per capita in rural areas [PLN]	1060	1067	1106	1214
expenditure per capita in rural areas [PLN]	873	874	883	930
savings percentage– rural areas [%]	17.6	18.1	20.2	23.4

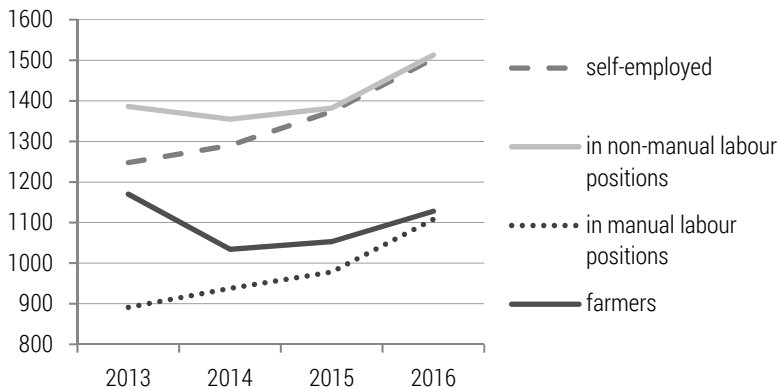
Source: author's own work based on unpublished unit data of GUS.

In this period, total expenditure per capita was on average 37% higher in urban than in rural areas. The population in the country was not able to satisfy their needs in the same way as people living in the cities, but what is worse, by 2015 the percentage of their savings was smaller, which in turn limited their opportunities for potential investments and further development. Despite the fact that due to the slightly higher income growth rates in rural areas, in 2016, the percentage of household savings per capita was on average slightly higher than in the city, 12.8% of the surveyed households evaluated their financial situation as bad, and 1.7% declared poor satisfaction of nutritional needs.

If we compare the economic situation of the socio-occupational groups of working rural population, we will find that the highest income level was generated by mental paid work, undertaken at positions other than physical (figure 2). The average monthly disposable income per capita was not only the highest (PLN 1,513 in 2016) but also higher than the average result in this category for the country (PLN 1,475).

In previous years, these discrepancies were even larger (in 2013, by 6.7%).

Income of the self-employed ranked second but due to its fastest growth rate, in 2016, it was only by PLN 9 lower than in households of individuals in non-physical positions.



**Figure 2.** Disposable income per capita in rural areas in the years 2013-2016, broken down by the type of the main source of income [PLN]

Source: author's own work based on unpublished unit data of GUS.

The population with the worst economic situation in the country was the group of households of physical workers (from those obtaining income by means of paid work), although gradually they “caught up” with the income earned by farmers (in 2016, by PLN 20 lower income)<sup>7</sup>.

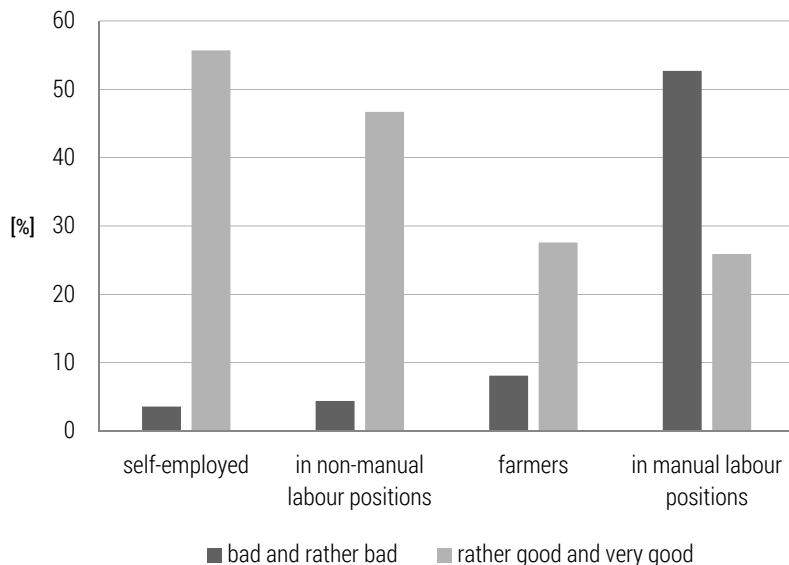
This does not confirm the conclusions ensuing from the GUS data that the lowest income was generated by farmers and the highest (Sytuacja..., 2017, p. 2) – by the self-employed – for a simple reason – i.e. failure to distinguish, from among the employed, contracted workers in physical positions and contracted workers in non-physical (mental) positions, which was incorrect according to the author<sup>8</sup>.

The opinions of the managers of the surveyed employees in rural households show that the self-employed give their financial situation the highest ratings, followed by those working in non-physical positions (figure 3). The worst ratings come from blue collar workers – as many as 52.7% declare that their financial situation is bad or rather bad.

Poor material situation also limits the ability to meet your own needs, the basic of which – nutrition – in 2016, was rather poorly met in 1% of households of physical workers (0.4% in households of the self-employed).

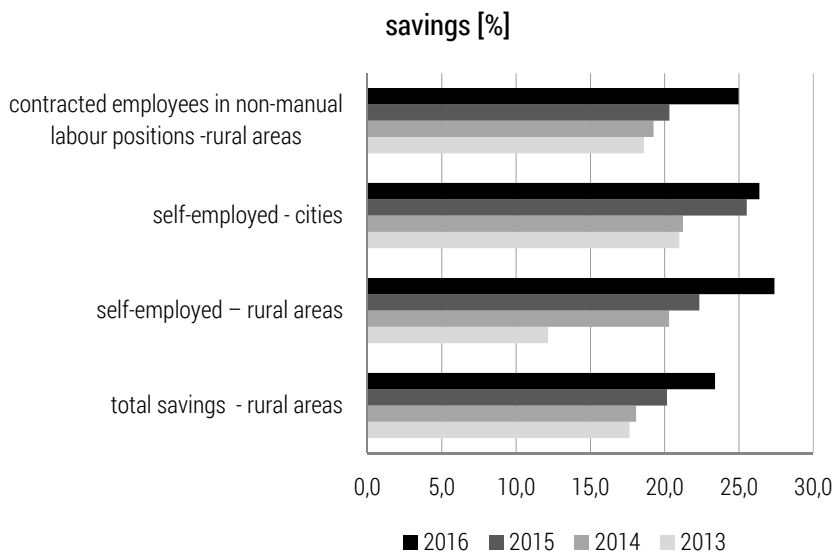
<sup>7</sup> This may be partially due to the „500+ Family” Programme introduced on 1.04.2016, which represented 16.8% of disposable income per capita in those families who benefited from the programme (Sytuacja..., 2017, p. 1).

<sup>8</sup> You cannot compare fees for simple physical work and salaries of senior officials or politicians as this community is too diverse.



**Figure 3.** Percentage of rural households in 2016, broken down by evaluation of their own financial situation

Source: author’s own work based on unpublished unit data of GUS.



**Figure 4.** Savings percentage per capita in the years 2013-2016 [%]

Source: author’s own work based on unpublished unit data of GUS.

The economic situation, and thus the social status of households, is largely reflected not only in their expenditure (level and structure) and possession of modern durable goods, but also in the scale of savings that they can afford. In 2016, the highest percentage of savings (27.4%) in the rural area belonged to self-employed households (figure 4). Their situation in this respect was not only better in comparison with the situation of households composed of individuals who were mainly engaged in non-physical positions (with the highest income) but also in comparison with the self-employed urban residents.

In comparison with 2013, when the savings of the self-employed rural population were much lower than on average in the rural areas, there was a significant change – an increase by over twice as much as in other occupational groups. This was due not only to the development of the scale of the activity pursued by the self-employed individuals living in rural areas and the improvement of their economic situation<sup>9</sup>, but also partly due to the migration of the self-employed from cities to villages.

The economic situation of the self-employed is very diverse, as evidenced by the high value of the coefficient of variation for the revenues obtained in this manner (70.9% in 2016). In 2016, the monthly income of self-employed rural households ranged between PLN 929 and as much as PLN 78.25 thousand. The average monthly disposable income per capita in the bottom quartile was PLN 808 and in the upper quartile – PLN 2,186, despite the larger number of such households (4.6 persons, and in the lower – 3.1). The group with the highest income was dominated by households earning additional income (apart from self-employment) from employment in non-physical positions (40.3%), as well as married couples with at least 1 dependent child and other persons (35.8%). As many as 52.1% of those incurred “other expenses” related to gifts, alimony and living expenses of youths studying away from home, with an average monthly expenditure for such purposes amounting to PLN 485.

The bottom quartile was dominated by households (43%) that did not have any additional sources of income, with no clear dominance in terms of family composition. The category of „Other expenses” was selected by 41% of such households and the monthly amount spent on this category in 2016 was PLN 187.

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<sup>9</sup> The percentage of rural households composed predominantly of the self-employed was roughly at the same level in the years (approx. 6.3%).



## Conclusions

Non-agricultural self-employment in rural areas allows for a partial departure from agriculture, which in turn allows for structural changes in agriculture and rural areas. The economic situation of households is improving, which provides an opportunity to equalise the standard of living in rural and urban areas where both average income and consumption expenditure is higher.

Although self-employed individuals living in rural areas earn less than the same group living in the city, they rank second in this respect, just behind households of individuals employed in non-physical positions. The mere decision to commence an economic activity does not, however, determine the financial situation of the self-employed, as evidenced by the wide range of revenues earned (from less than PLN 1 to more than PLN 78 thousand in 2016).

In the years 2013-2016, the economic situation of the rural population improved, to the greatest extent – in the self-employed households. In 2016, as many as 55,7% of them rated their financial situation as good or very good. At the same time, those were households with the highest percentage of savings among the employed (27.4%).

Given the specific character of the labour market in rural areas, where employment opportunities are limited, especially in non-physical positions, while others provide low incomes, non-agricultural self-employment provides an opportunity to increase income levels of the rural population (especially in combination with other (additional) sources of earnings), and thus its economic and social inclusion.

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