

Living Standards

The latest available data on households is for 1988. At the end of that year, there were 11.9 million households in the country with an overall average of 3.1 members per household. At that time, there were 2.2 million (18.5%) single-member households, while 2.1 million (17.6%) contained five or more members.

Incomes

Economic and political difficulties have eroded living standards and purchasing power. Nominal wages and salaries skyrocketed in the late 1980s. But the cost of living rose even more sharply, causing a decline in real incomes. Reforms initiated in January 1990 caused an even greater drop in purchasing power as prices were freed while wage increases were controlled. As a result, in 1990, real incomes fell by 14.6% compared with 1989.

In 1991, however, incomes began to recover. Over the year, average real incomes rose by more than 10%. Pensions rose even faster at more than 30%. Pensioners had been especially hard hit by inflation and the Government has reviewed their situation regularly to ensure that their living standards are maintained.

The dramatic changes of the past two years have made it difficult to be precise about income levels. In December 1991, the average salary in the six most important sectors of the economy was 2,264,674 *zlotys* per month, equivalent to about \$US 200 at the current exchange rate. This figure underestimates true incomes, however, because it does not include bonuses and profit-sharing. The data is collected primarily from state-owned enterprises and does not adequately reflect the growing private sector. Moreover, many people either hold down two jobs, or supplement their incomes in the unreported informal economy.

Nonetheless, Polish incomes remain low by western standards. It is also true that they are rising and that standards of living are recovering from the crisis of 1989. Statistically measured, real incomes have regained their level of 1987, before the onset of hyperinflation. As a result, the first half of 1991 saw Polish families reestablish their consumption levels of two to three years earlier. In comparison with the previous year, consumption rose by as much as 25% among urban workers and pensioners. Consumption continued to fall in the country's huge farming community.

Consumer Spending

One reaction to the drop in real incomes was a reallocation of household spending. Poles responded by reducing spending on clothing, culture, and recreation during the worst of the inflationary period. As Figure 2.4 shows, different social groups felt the impact in different ways, with pensioners the hardest hit. At the beginning of 1990, food took up more than half of all family spending in most Polish households. By the end of the year, however, the crisis had eased and some rebalancing occurred in the structure of household expenditure (see Figure 2.5).

During the worst of the crisis, the consumption of key foodstuffs actually declined. There was an especially sharp drop in the consumption of grains, fish, and cheese, and again, pensioners reduced their consumption by a greater proportion than did the working population. The situation improved later in 1990 as real incomes recovered. Figure 2.6 compares spending on various food items in the first and last quarters of 1990. It illustrates the partial recovery of consumption in certain food categories. What these statistics do not show, however, is a more rational pattern of consumption. As supplies to stores stabilized, there was less panic buying and stockpiling of food. That, in turn, meant that less food was spoiled and wasted before it could be consumed.

Despite the obvious hardships associated with economic transformation, there is a surprisingly buoyant consumer market in Poland. The shortages and bottlenecks associated with the communist regime created massive pent-up demand among consumers and this demand has now

Figure 2.4
The Structure of Household Expenditures, 1990
(in percent)

| | Workers | Farmers | Pensioners |
|----------------------------------|---------|---------|------------|
| Food | 51.5 | 51.8 | 57.8 |
| Clothing and Shoes | 11.1 | 9.0 | 7.9 |
| Housing | 9.2 | 11.2 | 8.4 |
| Heat and Electricity | 3.7 | 4.6 | 6.9 |
| Health and Personal Hygiene | 3.0 | 2.2 | 3.7 |
| Culture, Education, Recreation | 9.9 | 5.0 | 5.8 |
| Transportation and Communication | 5.6 | 8.2 | 3.8 |
| Other | 6.0 | 8.0 | 5.7 |

Source: Rocznik Statystyczny, 1991.