

**GDN/CERGE-EI Regional Research Competition**  
**Project RRC12+38**  
**Urban-rural connections: local policy and livelihood strategies**  
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**Non-Technical Summary**

*Seeking for opportunities: livelihood strategies in the challenge of peripherality*

One of the main objectives of rural households is economic development, i.e. sustainability and efforts to improve their income situation. The number and type of livelihoods may affect the level of family income. The study discusses changes in livelihood strategies of rural families living in 5 selected villages located in peripheral areas in Poland.

It identifies the most widespread strategies and seeks to identify the most vital livelihood strategies and their changes observed between 2000 and 2011. It indicates the main sources of income for such families and changes in the livelihood structure. Livelihood strategies encompass not only income from economic (agricultural and non-agricultural) activities or paid employment, but also unearned income (welfare benefits, various allowances).

The research approach used in this study combines perceiving a family (household) as a key environment for implementing livelihood strategies on the one hand, and recognises the vital importance of a village, constituting a system of socio-economic relations between persons living in the administrative area concerned, on the other hand.

At the first stage, certain areas in Poland were categorised as peripheral rural areas and peripheral villages. Two databases were used for that purpose: the database of rural and rural-urban municipalities<sup>1</sup> maintained by the Central Statistical Office (Local Data Bank), including 2,172 observation units and the IAFE-NRI village database, covering 76 villages situated across Poland. At the next stage, 5 villages located in the municipalities characterised by the highest degree of peripherality were selected out of the sample. The population surveyed in 2000 and 2011 was broken down by level of income. The starting point was the distribution of the whole set of rural families in the 76 surveyed villages into four equal parts (quartiles<sup>2</sup>) with regard to the number of observations, in each of the survey years. Thanks to this exercise, it was possible to assess changes in

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<sup>1</sup> The peripherality of a municipality was determined on the basis of the following variables: the percentage share of the post-working-age population; the rate of registered unemployment (stimulant); the percentage share of household members in receipt of social assistance (stimulant); the percentage share of persons in the municipality using the sewage system (destimulant); the percentage share of children aged between 3 and 6 years in pre-school education (destimulant); the percentage share of agricultural holdings with an area of 1 to 5 ha of agricultural land UR in the total number of farms in the municipality (stimulant).

<sup>2</sup> Specific quartiles were ascribed the following descriptions of the income level: 1 – very low, 2 – low, 3 – medium, 4 – high. For particular years they divide the whole group of the surveyed rural families (2000: n=8,643; 2011: n=8,471) into four sets in terms of income obtained.

the income situation of the families living in the villages categorised as the most peripheral against the backdrop of the entire group surveyed in 2000 and 2011 as well as comparing the situation over time.

The most frequent livelihood strategies were identified for specific years and the most income-efficient ones were indicated. The analysis also pointed to changes in the efficiency of selected livelihood strategies of the rural families affected by peripherality. The prevailing livelihood strategies were then chosen for examination. The selection of variables followed the procedure proposed by Gruszczyński<sup>3</sup>. Owing to the binary nature of specific covariates, the Yule's phi-coefficient method was used to analyse the relationships between the selected explanatory variables. The model was estimated in accordance with the method of least squares. The model estimated met the following conditions: the absence of heteroscedasticity, normal distributions of residuals (Breusch-Pagan test), the model was also tested using the Ramsey RESET test.

The findings indicate that:

- the general economic situation of the families living in villages located in peripheral areas became more similar to that of rural families in Poland. It follows from the analysis of the distribution of families by level of income (quartiles) that in 2011, as compared to 2000, the distribution was similar to that of the whole sample of villages;
- the families living in peripheral villages showed considerable adaptability by diversifying their livelihoods, with agriculture no longer constituting an effective/most frequent component of the livelihood strategies adopted by the majority of rural families and playing a major role only in farming families having exploited the possibility to enhance the professional nature of their agricultural activities;
- benefits from agricultural land (lease income and direct payments), independent of any agricultural activity, gained in importance in livelihoods structure;
- it follows from their analysis that in 2000 the most efficient strategy was to combine agricultural income and pensions with self-employment. In 2011 the livelihood strategy to generate the highest level of income for families in peripheral areas was to combine paid employment, pensions and benefits from agricultural land. At the same time, adding agricultural activities to this strategy reduced the average income level;
- the least income-effective livelihood strategy among those most commonly adopted by families living in peripheral areas remained that relying on pensions as a single source of income.

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<sup>3</sup> Gruszczyński M., 2002, Modele i prognozy zmiennych jakościowych w finansach i bankowości, Monografie i opracowania 490, Szkoła Główna Handlowa, Warszawa

Poland's EU membership supported farm income through additional benefits from holding agricultural land. The income effect of the above contribution was substantial enough to be taken into account in livelihood strategies. Interestingly, at the same time there was no growth in the significance of agricultural production as an income source, it even diminished in importance. It means that a more effective strategy was to focus on non-agricultural income opportunities (mostly earnings from paid employment) while maintaining the benefits from the lease of land and direct payments.

**Keywords:** Income diversification, livelihoods, peripheral areas, Poland