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Returns from income strategies in rural Poland

Non-technical summary

The project dealt with income strategies for rural households in Poland. In theory, rural households are strongly encouraged by current policy to diversify their activities both in and outside the agricultural sector, in order to stabilize and improve their income situation. Moreover, it is commonly believed that diversification measures have a potential to speed up structural changes in rural areas. Most often, however, this phenomenon takes on only moderate proportions. It is obvious that of importance for policy makers is to explain why development in rural areas of Poland is so slow and how one could boost the process of income diversification. In the research done by us financial motives were investigated by simply looking at earning differentials between different group of rural households.

In the paper prepared during the project activities we addressed issues of rural households' income diversification in the case of Poland. With the help of propensity score matching method returns from various income strategies undertaken by local rural households were investigated based on extensive data set spanning 1998-2004. It was found that strategies relying on diversified income sources and off-farm employment were more beneficial than strategies relying solely on farming. Explanations were given why financial incentives were not enough to encourage farmers to part with their land. Results suggest that direct subsidies, pensions and other sources of unearned income have acted against leaving farming undermining policies facilitating income diversification. While off-farm activities or self-employment seem to be the most beneficial it was emphasized that without micro-credit or human capital and infrastructural development programmes projected specifically to rural areas it is dubious that those strategies will be chosen more often.