Household Sector in the Czech Republic in Transition

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Abstract

1) Marked changes have taken place in the volume and structure of incomes, expenditures and savings of the Czech household sector during the four year course of the economic transformation. The most significant influencing factor has been the process of inflation as a consequence of price liberalization and tax reform. Incomes declined significantly in real terms owing to this factor, but within a very short period this decline stopped. Real incomes have begun to grow since 1992. One significant feature of this period is the positive trend in savings. The savings rate grew in both the Czech crown and foreign currency deposits. The macroeconomic results of development in this field are positive. The household sector is a stable factor in the economic transformation.

2) In individual households, the process of differentiation has taken place. Incomes and expenditures in families with children and pensioners' households dropped more than in other families. On the other hand, some groups of households grew rich. This process is observed in some households of employees, farmers and pensioners.

3) Some discrepancies were found between the development of the macro values and household values. This means that there is a lack of statistical data regarding the incomes and expenditures of rich households which are not included in family accounts. The linear regression model was used to examine consumption patterns and elasticities.

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1) Dosavadní čtyřletý průběh ekonomické transformace vnesl značné změny do objemů a struktury příjmů, výdajů a úspor obyvatelstva. Nejsilněji se do vývoje promítl proces inflace, jako důsledek liberalizace cen a daňové reformy. V důsledku těchto faktorů klesl reálný příjem znatelně, ale již od r. 1992 opět mírně stoupá. Úspory obyvatelstva vykazují velmi pozitivní výsledky, míra úspor roste jak v korunových tak devizových vkladech. Proces vývoje nominálních a reálných příjmů je promítnut do navazujících veličin /výdajů, úspor, hotovostí/a dokumentován graficky na čtvrtletních údajích 1989-1993.

2) V jednotlivých typech domácností probíhá proces příjmové diferenciace. Podkladem pro sledování a analyzování tohoto procesu je statistika rodinných účtů, která však nevykazuje celou strukturu společnosti, zejména účty bohatých podnikatelských domácností nejsou k dispozici. Proto je proces diferenciace zachycen neúplně. Dokládá to statistika úspor, kde rostou nejrychleji nejvyšší vklady.

3) Mezi vývojem celkových příjmů a výdajů obyvatelstva a vývojem těchto veličin v jednotlivých skupinách rodin zaměstnanců, rolníků a penzistů se objevuje rozdíl, který právě svědčí o existenci statisticky nepodchycené bohatší skupině rodin.Pro zkoumání závislosti mezi příjmy výdaji a elasticity poptávky byl použit lineární regresní model.

Introduction

The first four years of economic transformation has brought about marked changes in the amount and structure of incomes, expenditures and savings of the population. The aim of this paper is to find out the impact of the consecutive transformational steps on the economic situation of the household sector and its response on them. The hitherto done analytical works in this field have concentrated on short term periods, because of intensive both quantitative and qualitative changes in a short time. By now we have the opportunity to analyze the four year course of changes what allows some more general appreciation of them. In studying the short term changes, within the observed four year period, it seems to be most useful to examine quarterly data and corresponding graphs. In order to analyze more general trends of development, a simple linear regression model has been used.

There are some specific features of the trends in cash flow for the population as a whole and for different types of households. The former reflects the stability of the macroeconomic situation to a certain degree. The latter shows, the process of differentiation in income levels, especially in comparison with previous equalization tendencies. Therefore, they are discussed in two separate parts of this study, while at the same time, there is a search for mutual coherence. The third part of this study is devoted to a regression analysis of the behaviour of households.

In the first part we try to examine the impact of reform steps, especially the liberalisation of prices and privatization, on the volume and structure of personal income and expenditures. Inflation influenced these variables substantially during the first year of liberalization (1991). Since 1992 personal income has also begun to grow in real terms and by the end of 1993 it had nearly reached the initial 1989 level. The yearly value is, of course, still lower, yet it has reached 82,8% of the initial level. The real value of expenditures, is lower than that of incomes, due to prudent savings inclinations of the Czech people. The tendency towards lower fluctuations and more fluent development in the last two years hint at the possibility (barring the intervention of some external factor), that the initial level of income in real terms will soon be attained.

In the second part of this paper the situation of employees', farmers', and pensioners' households is discussed. The results show very similar situations in all these categories with the exception of households with children and households of pensioners in the minimum income category.

The missing data about rich households of entrepreneurs and managers does not allow us to fully examine the process of differentiation in personal income and expenditures. The lower growth of these indicators in all types of examined households in comparison with the growth of total incomes and expenditures shows that there is a group with higher incomes, not included in family accounts. The same is confirmed by the rapid increase in high deposits at Czech Savings Bank over the rate of low deposits. Therefore we have more information about growing poverty on the one hand than about the growing wealth on the other. New sources of data for these purposes should be looked for in order to avoid a one-sided analysis of the development of the household sector.

To support the results of these questions, regression analysis was employed. In the first part it was used to estimate the interdependence of incomes, expenditures and savings, in the third part to estimate the relationship between consumption and income level of different households and to estimate consumption income elasticities.

The quantitative changes in volume and structure of personal income and expenditures are also to be evaluated as the consequence of qualitative changes in the society: new kinds of activities (especially entrepreneurial); the process of privatization and restitution bring new kinds of incomes and household expenditures, which have yet to be fully captured in the statistics. Therefore, a certain degree of inaccuracy in the data is to be presumed.

I. Changes in Volume and Structure of Personal Incomes, Expenditures and Savings between 1989-1993.

1.0 Definitions of Variables

To characterize the main changes in this field, their causes and consequences, the following system of variables and relations is used:

Total money income MY, Disposable money income DY, Direct taxes TAXd, Money reserves MR (= Savings S), Net expenditures NE, Savings rate RS, Interest rate RINT, Consumer price index CPI, Deposits DEP.

It follows that, DY = MY - TAXd, NE = DY - dMR, MR = DEP AND Cash, RS = dMR/Y or RS = dDEP/DY, and RRINT = RINT - CPI.

1.1 Nominal and Real Value of the Variables

The most significant influence on development has been the process of inflation. Therefore, both the nominal and real value of most variables had to be examined. The inflation rate, together with seasonal fluctuations, involves the consumer price index figure and the amount of total nominal and real income development (see graphs one and two on page six). These factors, namely inflation, increase in nominal incomes and seasonal change substantially determine the course of all other dependent variables. Therefore, their trends are very similar. We examine the main features of them together with their qualitative characteristics on quarterly data and graphs, which are the most synoptical.

Among the transformation measures, price liberalization (January 1, 1991) and tax reform (January 1, 1993) had the main impact on the inflation rate. As graph l demonstrates, consumer prices had already started to grow in the second half of 1990, due to the removal of the negative turnover tax. This was a very important step towards normal price relationship and to the subsequent introduction of a Value Added Tax. The most dramatic impact on consumer prices was a sequence of price liberalization steps. In this case the price of food went up almost from the first day. The prices of non-food goods grew gradually along with renewed demand. The population was acquainted with liberalization measures in advance and expected the price increases and made hoarded goods as they were able to. The third remarkable price increases took place after the

introduction of the new tax system. Growth was higher than the preliminary calculations had shown - partially due to ignorance, partially due to speculations. But it is specific for the situation in the Czech economy that prices stabilized very soon after the measures were implemented, usually within a month.

The course of inflation is characterized by the average annual increase of consumer prices:

	1990	1991	1992	1993
a)	109.9	156.7	112.1	120.8
b)	109.9	172.2	191.3	231.1

a) Last year = 100 b) January 1989 = 100

The impact of these price indexes on the nominal incomes of the population are shown in graph two.

In general, the main transformation measures in the Czech economy affecting price levels were realized, and there are some presumptions that future development in this field will be more fluid (similarly to the situation in 1992). The price measures predicted in 1994 (increase in housing prices, transport, gas, fuel, newspapers, etc) are to be spread out over the course of the whole year so that there will not be unchecked growth by January 1st. The increase of prices for the above reasons is assumed to be about two percent. Thus, it may be possible to maintain the expected one digit rate of inflation.

1.1.1 An International Comparison of Inflation Rate

In order to compare inflation rate in other countries with transitional economies, we have attached a table of the consumer price indexes of Hungary, Poland and The Slovak Republic. There are some common features of price development in all the compared countries:

- a lower increase in the prices of foodstuffs in comparison with the total price index,
- a growing increase of prices during the last two years in the service sector.

Both of these trends in price development will probably continue, particularly the prices of services, due to continuing low cost of housing in 1993.

The increase of prices in Poland was extremely high at the beginning of the reform in l990 and it has remained higher than in the other countries compared here in spite of a sinking rate of inflation since 1991.

COMPARISON

(with those neighbouring countries in transition:
Hungary, Poland and the Slovak Republic)

Consumer price index numbers (corresponding period of the previous year = 100):

Year, Quarter	CZ	HU	PO	SK
Total				
1990	109.9	124.2	722.4	110.0
1991	156.6	135.0	170.3	161.2
1992	111.1	123.0	143.0	110.0
1993 (I. - III.)	121.6	122.8	136.0	122.4
Foodstuff				
1990	111.1	135.2	674.7	.
1991	147.0	121.9	146.1	147.3
1992	109.9	119.4	136.9	107.0
1993 (I. - III.)	116.6	130.4	135.5	120.7
Beverages and Tobacco				
1991	139.8	125.1	188.0	121.8
1992	104.8	119.6	140.8	103.8
1993 (I. - III.)	128.4	118.8	125.5	124.5
Non-Food Products				
1990	110.5	125.5	693.3	.
1991	172.0	142.6	175.0	178.2
1992	109.1	125.0	135.4	109.8
1993 (I. - III.)	118.8	118.7	136.7	119.0
Services				
1990	107.4	125.6	880.7	.
1991	139.1	141.9	231.5	141.4
1992	125.6	126.0	167.6	120.5
1993 (I. - III.)	130.0	123.2	138.6	128.6

Graph 1
Graph 2

1.2 Changes in the Volume and Structure of Income and Expenditures

The development in this field reflects not only quantitative changes but also the rise of new structures in Czech society: the lowered share of employees, reflected in the diminishing share of wages in total income, and the growing sector of small businessmen signaled by a very high growth in other income areas (from 63.1 bill CZK in 1989 to 171.2 bill CZK in 1993). The share of social income (pensions, health allowance etc.) has stagnates despite a significant growth in volume. At the same time new spheres and kinds of "parallel economy" have arisen. These activities are not accounted for statistically. Only superficial estimates have been attempted to date, regarding the volume of these activities. They need to be studied urgently, for the influence of parallel economy on tax evasion and redistribution of incomes in society is significant.

The changes in income structure are also influenced by the process of restitution and privatization, especially since l993. But these factors do not yet have much influence on current income levels. They will be reflected more in property relations in the future and will contribute to the differentiation in wealth and income. The statistics do not fully record the influence of these factors in the balance sheet of personal income and expenditures.

The split of the Czech and Slovak Republics in 1993 has not immediately influenced personal income, but due to the significant decrease in mutual trade and the resulting decrease in the economic activities of the industrial sector, the tendency towards a growing discrepancy between sinking production and growing nominal wages appeared in the first half of 1993. Therefore, a reasonable regulation of wages was reintroduced.

Both nominal and real expenditures developed in line with income. Besides seasonal fluctuations (the decrease in the beginning of every year and the increase at the end of the year), they reflect the main transformation measures: the creation of reserves before the liberalization of prices at the end of 1990, and the resulting restraint in expenditures on goods in the first month of l991. The same tendency, but at a lower rate appeared before and after the introduction of a new tax system at the end of 1992 and the beginning of 1993. These two extreme peaks will diminish and will settle into a really seasonal increase in purchased goods.

Nevertheless, the real level of expenditure on goods, which is the main volume of total expenditures (58.3% in 1993), is still below the level it was during the

initial two years 1989 and 1990.

Two more factors must be taken into consideration when evaluating this development, the restriction of wasteful consumption imposed under the previous regime and growing consumer thriftiness. Despite decreasing expenditures, it does not really lower consumption. The second factor is the deficiency of statistics, which cannot really capture the new kinds and forms of purchases and expenditures. Both of these factors could hardly be quantitatively estimated.

Expenditures on services have quite different trends. They are much more fluid and are growing even in real terms. This is an acknowledgement of the underdeveloped level of services. There is still a low share of services both in personal activities and expenditures and this sector will doubtlessly continue to increase, engaging workers leaving industry and agriculture and, in part, also unemployed people.

The increase of expenditures on services and their prices will continue to grow not only due to today's low share and still low prices, but also due to the shift from unpaid services, subsidized by the state, to services paid for by individuals.

The aggregate balance sheet (see page nine) gives a general picture of the volume and structure of personal income, expenditures and savings.

1.2 AGGREGATE BALANCE SHEET

Personal Income and Expenditures: bill CZK

INCOME	1989	1990	1991	1992	1993[1]
Total	330.2	357.8	421.2	495.6	631.6
Taxes	39.2	39.9	44.7	62.2	81.2
Disposable Incomes	290.8	317.9	376.5	433.4	550.4
Increase in money reserves	10.6	0.5	36.2	32.2	44.3
Net Expenditures	1989	1990	1991	1992	1992
Total	280.2	317.4	340.3	401.1	506.1
On goods	209.8	237.7	234.2	262.9	342.6
Services	43.3	48.4	56.8	81.4	100.3
Other	27.1	31.3	49.3	56.8	63.2

Main changes in the structure of incomes and expenditures:

Incomes Structure (%)	1989	1990	1991	1992	1993
Total	100	100	100	100	100
Wages	61.1	56.9	50.6	46.9	46.3
Social income	19.8	19.0	19.5	18.5	18.8
Other	19.1	24.1	29.9	34.5	34.9
Expenditures Structures	1989	1990	1991	1992	1993
Total	100	100	100	100	100
Goods	65.7	66.5	60.8	56.7	58.3
Services	13.5	13.5	14.7	17.6	17.1
Other	8.4	8.8	12.8	12.3	10.8
Money Reserves increase/ decrease structure (bill. CZK)	1989	1990	1991	1992	1993
Total	10.7	0.5	36.2	32.3	44.3
Deposits	7.2	-3.8	27.7	27.8	44.0
Cash	3.5	4.3	8.5	4.5	0.3

[1]December 1993 has been estimated. Therefore, some change in annual value can be expected.

Comments:

1) Sources of data: Till 1992 The Balance of Money Income and Expenditures of the Population (BMIEP) was worked out and published in detailed breakdowns quarterly and yearly by The Czech Statistical Office (CSO). In recent years The Czech National Bank has also published aggregate personal income and expenditures balances which are worked out from their own bank sources and corrected by the CSO data.

   The main sources of the data are statistical and accounting reports and state statistical questionnaires, Ministry of Labour and Social Affairs and Ministry of Finance statistics. Since l993, the account of the household sector in the creation of the System of National Accounting instead of BMIEP has been worked out at the CSO. This is done using a very different methodology, but emplaying data and experience from the previous balance. In the meantime some obligatory statistical reports and forms used during the centrally planned economy were unfortunately cancelled, and this has reduced the sources of information for personal income and expenditures as well. On the other hand, new kinds of data are to be used (tax statistics, posts, banking, and others). More estimates and samples must be used.

   For the purpose of this paper the data of each yearly BMIEP was aggregated into an "Aggregate Balance Sheet" and the databases of the Czech National Bank was used as quarterly data.

2) Contents of some heterogeneous items of the balance:
   - Social income: pensions (65%), health benefits (30%), and other social allowances.
   - Other income: Personal costs other than wages (more than 50% represents income of businessmen and entrepreneurs), incomes from abroad (16%), and others: such as winnings, state housing allowance, travelling money, and recently also restitution.
   - Other expenditures: financial expenditures besides income taxes: repayment loans (20%), privatization payments (24%), payments abroad (22%), insurance (13%).

1.3 Changes in Nominal (current prices) and Real (constant prices) Values of Personal Income and Expenditures.

The following consumer price indexes are used for deflating: (1989/1 = 100)

	1990	1991	1992	1993
Incomes and Expenditures (total)	109.9	172.2	191.3	231.1
Goods	110.5	176.6	194.2	227.9
Services	106.9	148.6	186.5	240.1
Changes in income: (1989/l = 100)				
nominal value	108.4	127.6	150.1	191.3
real value	98.6	74.1	78.5	82.8
Changes in expenditures (total)				
nominal value	113.3	121.4	143.1	180.6
real value	103.1	70.5	74.8	78.2
goods:				
nominal value	113.3	111.6	125.3	163.3
real value	102.5	63.2	64.5	71.7
services:				
nominal value	111.8	131.2	188.0	231.6
real value	104.6	88.3	100.8	96.5

The difference between changes in income and expenditures which refers to both nominal and real changes is compensated by the increase in savings. It testifies to the fact that people can increase their savings even in conditions of lower consumption.

The increase in income compared to the increase in GDP is higher both in nominal and real terms.

GDP	1989	1990	1991	1992	1993
nominal (bill CZK)	524.5	567.3	716.6	803.3	923.1
increase %	100.0	108.2	136.6	153.2	176.0
real (bill CZK)	509.9	503.7	432.1	403.6	402.3
decrease %	100.0	98.8	84.7	79.1	78.9

To be accurate it must be said that the GDP deflator is a little lower (the prices in the production sphere grew slightly slower than consumer prices), but it does not alter the picture:

Real personal income have begun to grow since 1992, the real value of the GDP continues to decline even though this decline is gradually diminishing. Is this picture really valid? This question cannot really be answered given the scope of those relations examined here.

2.0 Personal Saving Activities

Two main relations concerning personal savings activities are to be analyzed: the changes in total monetary reserves in relation to the total cash income, (dMR/MY) and changes in deposits relative to disposable incomes (dDEP/DY).

deposits ll.l% in 1993. This has been the stimulus for the growth of savings since 1991. Nevertheless the purchasing power of deposits has been sinking due to a negative real interest rate, because the inflation rate since 1990 was higher than the nominal interest rate.

In spite of a negative interest rate, the population continues to save, although the motivations are different:

- A certain group of the population can save money because of high incomes and can take advantage of the higher interest rate of term deposits and certificates and also of high deposits, which also have a higher interest rate. It is supposed that this group of savers will invest their savings sooner or later into entrepreneurial activities at a considerable rate.

- Another group saves in expectation of the changing structure of consumption, especially different conditions in the housing market and an increase in both prices and volume of services, including a shift from unpaid services which were subsidized by the state to being paid by the individual.

The genuine role of the interest rate is, to date, hidden behind the expressive transformation measures, and its influence is difficult to separate from other factors. The negative parameters of interest rate and newly introduced interest taxation in 1993 has caused a redistribution of a part of personal income in favour of the banking and governmental sectors. Only increasing economic activity and lower inflation rate can strengthen the role of interest as a stimulus for savings.

4.0 Summary of the Data

To testify the rate of dependence between analysed variables and to acknowledge the foregoing observation we carried out following regression computations, approximating the dependent variables y_i by the linear combinations of independent variables x_i
($\hat{y}_i = a_{yx} + b_{yx} + x_i$) , number of observation i being 60, resp. 59, for the 6 following cases:

1) X = MY
Y = NE on Goods

2) X = MY
Y = NE on Services

3) X = NE total
Y = NE on Goods

4) X = NE
Y = NE on services

5) X = MY
Y = dMR

6) X = dMY
Y = ddMR

The computations were made both in nominal and real values of variables.

4.1 Results of the Computations

The results of the computations support the characterisation of the development of relevant variables shown particularly in graphs 4 - 7. Here, we characterise the degree of dependability of regression estimates with the correlation coefficients r_{yx} with regression coefficients b_{yx} and with R-squared for six computed cases:

r_{yx}	a)	b)	b_{yx}	a)	b)	R-Sq %	a)	b)
1)	0.9266	0.8737	1)	0.4064	0.6859	1)	91.3	91.6
2)	0.9015	0.5430	2)	0.1677	0.0700	2)	89.5	34.7
3)	0.9558	0.0639	3)	0.5168	0.7928	3)	85.9	76.3
4)	0.9462	0.5890	4)	0.2170	0.0767	4)	81.3	29.5
5)	0.6986	0.3213	5)	0.2211	0.1425	5)	48.8	10.3
6)	0.8706	0.7698	6)	0.5916	0.4885	6)	75.8	59.3

a) = variables in current prices b) = variables in constant prices

There is a very tight correlation dependence between most of the variables, yet higher in the nominal value of variables than in their real value. The latter takes place in the relationship between MY and NE on services, and MY and MR. Also, the high value of the correlation coefficient is normal according to the time series of economic aggregates.

The regression coefficients supplement the picture of mutual dependence of variables in that their change trends are similiar. But in the case of 2) and 4), the low increases of dependent variables (services) in relation to MY could hardly be expected in the future.

The difference between the coefficients in cases 5) and 6) should be noted, the

latter showing relatively high increases of current additions to money reserves in relation to increases in MY, and in contrast to coefficient 5).

The following tables of regression output bring more pieces of information to this entry regression analysis, so that we can solve the equation

$\hat{y}_i = a_{yx} + b_{yx} + x_i$;

(In the case 1):

$\hat{y}_i = 3.25986 + 0{,}51679 + x_i$
(std err) (1,48491) (0,02089)

etc.)

The regression results in most of our 6 cases allow to use them for prediction. But the process of differentiation in incomes of the population might change the relationship of variables. Also the rate of inflation changes from month to month and from year to year. Therefore it is neccesary to study the real course of the development.

Table 1.4 Regression results

Table: More regression results

Conclusion I

The results of both real development and regression computations hint at an auspicious general trend in the household sector in macroeconomic terms. At first sight, we can deduce that the real income figures, expenditures and savings as a whole are returning, after four years' deep changes, close to the 1989 levels. Because the population figure has not changed, the average living standard is, at the end of the examined period, near what it was prior to the transformation. That is a credit to the economic transformation. But everybody knows how deceptive the average and total quantities are. Therefore, it is necessary to examine the process of differentiation in income, expenditures and other important indicators for the living standards of different types of households, looking for all accessible information to capture the real development process.

Graph 3: Total and Disposable Income, Taxes

Graph 4: Nominal Expenditures

Graph 5: Real Expenditures

Graph 6: Total Income & Money Reserves

Graph 7: Disposable Income & Deposits

Graph 8: Changes in Deposits & Cash

Graph 9: Changes in Deposits & Interest Rate

Graph 10: The Structure of Deposits

II. Changes in Income, Expenditures and Savings of Different Types of Households

1.0 The Available Data

Family accounts are the main databases for investigation of the social impact of the transformation. Unfortunately, their structure corresponds more to the previous structure of society. Only since 1993, workers and employees were joined into one social group because of their very similar structures regarding income and expenditures. Additionally, the households of small businessmen were introduced.

There is indeed, little difference between average households of different social groups. Farmers' households have a lower share of food purchases and 10% natural incomes in addition to money income whereas the other groups have only about 5% natural income. Pensioners' households exhibit, on the contrary, a higher share of food purchases.

The main difference in income and expenditures of households are within each social group. Each family type is divided into eight income groups. The difference between the lowest and the highest income groups of both employees and farmers is threefold, and that of pensioners twofold.

Two special additional groups of households with minimum incomes were chosen in order to examine the social impact of the transformation. Minimum income pensioners' households and minimum income households with children. This has been realized since 1991. These subgroups make it possible to study the impact of the transformation on the poorest population groups and the process of growing poverty. On the other hand, the process of the growing wealth of some population groups can only be partially expressed in terms of the growth of the highest income groups of employees. The newly introduced category of independent businessmen (small businessmen) in the statistics of family accounts is a suitable supplement of the family type structure; but does not provide information about the development of wealth. As will be shown, the incomes of these households are similiar to average employee's income and their balance of deposits is negative. Therefore, for purposes of ascertaining the process of growing wealth, some other sources of information should be researched.

To characterise the changes in household income and expenditures, we use in the annual data (1989-1993/1-9) monthly average in section II 2 and 3. Special CSB data is used to examine the savings inequality.

2.0 Changes in Household Income and Expenditures

2.1 Average Monthly Household Cash Income /CZK per capita/

	Employees	Farmers	Pensioners	Small business-men
1989 Average with children	 2006 1748	 2035 1774	 1630 -	 . .
199O Average with children	 2153 1878	 2222 1971	 1777 -	 . .
1991 Average with children	 2507 2180	 2411 2111	 2310 -	 . .
1992 Average with children	 3003 2638	 2783 .	 2645 -	 . .
93/1-9 Average with children	 3440 .	 3119 .	 2869 -	 3384 .
1989/1993/1-9	171,4	153,3	176,0	.

There are few differences in the average cash income of different types of households:

- The incomes of employees' and farmers' households are very close. The latter had a slightly higher income in 1990, which confirms the well known the better economic situation in the Czech countryside in comparison with that in the cities. (Taking into account that this does not include the farmers' higher natural incomes, their advantage is clear). Since 1991 the farmers' incomes have grown more slowly due to decreasing demand for their products.

  The pensioners' incomes have exhibited the highest growth. In 1992 they were at the same level as the average employee household with children.

- The income of beginning small businessmen's households is slightly lower than the income of employees. Their position is confirmed also in the negative balance of deposits.

  The increase in average income in all types of households during 1989-1993 is lower than the total increase in personal income (178.2% counted for three quarters of 1993) which suggests the existence of a group of households with rapidly increasing high incomes and confirms the mentioned discrepancy between total personal incomes statistics and family account statistics.

2.2 Average Monthly Nominal Household Cash Expenditures of (CZK per capita)

	Employees	Farmers	Pensioners	Small business-men
1989				
Total	1990	2020	1606	.
food	628	544	726	.
nonfood	788	881	398	.
services	341	243	350	.
1990				
Total	2132	2205	1765	.
food	663	589	795	.
nonfood	902	1050	469	.
services	355	277	368	.
1991				
Total	2469	2388	2293	.
food	802	687	1031	.
nonfood	916	995	569	.
services	459	332	509	.
1992				
Total	2964	2758	2626	.
food	947	788	1137	.
nonfood	1107	1111	592	.
services	610	444	658	.
1993/1-9				
Total	3380	3057	2817	3302
food	1023	865	1183	940
nonfood	1151	1199	585	1287
services	774	529	803	743

2.3 Average Monthly Nominal Household Cash Expenditures (structure in %, per capita)

	employees	farmers	pensioners	Petty business-men
1989				
Total	100,0	100,0	100,0	.
food	31,6	26,9	45,2	.
nonfood	39,6	43,6	24,8	.
services	17,2	12,7	21,8	.
others	11,6	16,8	8,2	.
1990				
Total	100,0	100,0	100,0	.
food	31,1	26,7	45,0	.
nonfood	42,3	47,6	26,6	.
services	16,6	12,6	20,8	.
others	10,0	13,1	7,6	.
1991				
Total	100,0	100,0	100,0	.
food	32,5	28,8	45,0	.
nonfood	37,1	41,6	24,8	.
services	18,6	13,9	22,2	.
others	11,8	15,7	8,0	.
1992				
Total	100,0	100,0	100,0	.
food	32,2	28,6	43,3	.
nonfood	37,3	40,3	22,5	.
services	20,6	16,1	26,1	.
others	10,1	15,0	9,1	.
1993/1-9				
Total	100,0	100,0	100,0	100,0
food	30,3	28,3	42,3	28,5
nonfood	34,1	39,2	39,2	39,0
services	28,8	17,3	17,3	22,5
others	12,8	15,2	15,2	10,0

The increase in average monthly expenditures is slightly lower than the increase in income and corresponds to the trend of total incomes and expenditures (at a lower level), but can also express the known underestimation of some expenditures by the family account respondents.

In the structure of expenditures we notice a slight growth in the share of foodstuffs, more perceptible growths of the share of services in all groups of households and a falling share of non-food expenditures. This expresses the real household situation during the transformation period. The populace postpones purchases of non-food goods and pays more for services, whose prices grow more than other goods, especially rentals which account for one-third of service expenditures.

2.4 The Cost of Living Trends

We have previously discussed the nominal values of household income and expenditures of households. The cost-of-living indexes characterize their real situation. Of course, the indexes correspond to the price indexes. There is little difference in the three types of households because of the average income households.

2.4 Household Cost-of-Living Index Figures (in %)[3]

1989/1 = 100	Employees	Farmers	Pensioners
Total			
1990	109.9	109.8	109.9
1991	168.1	169.9	166.6
1992	187.3	188.5	188.8
Foodstuffs			
1990	113.7	114.6	112.8
1991	168.5	171.9	165.8
1992	184.3	188.0	181.9
Beverages			
1990	101.5	101.3	101.6
1991	139.3	141.8	141.4
1992	148.9	152.7	151.7
Non-food goods			
1990	110.4	110.1	113.1
1991	181.4	182.3	194.1
1992	197.3	199.1	213.6
Services			
1990	106.1	105.9	103.8
1991	148.0	141.5	143.9
1992	184.0	173.5	184.6

[3]Source: The Statistical Yearbook of the Czech Republic, 1993.

2.5 The Inequality in Savings

Two sources of data inform us about the distribution of the above characterized total savings volume among different types of savers:

1) The family account statistics
2) The grouping of savings of the CSB clients according to amounts and deposit balances.

1) The following table provides a telling picture about deposit volume and changes in different types of households:

2.5 Changes in Household Deposits (per capita), CZK, yearly

	Workers	Employees	Farmers	Pensioners
1989				
a)	-1655	-1270	+736	+547
b)	+2219	+1861	+825	-108
1990				
a)	-504	-1028	-734	-928
b)	+495	-642	-793	-2169
1991				
a)	+184	+433	-6	+242
b)	+6077	+4069	+737	-4521
1992				
a)	-693		-127	-199
b)	+1147		+452	-4948

a) The lowest income groups b) The highest income groups

In the lowest income groups a decrease in deposits prevail, in the highest income groups an increase in deposits prevails with the exception of 1990, which corresponds with the macro data (see dMR/MY on page 13). The very different changes in pensioners' deposits call for special research, taking into account the fact that older people draw from cash reserves at a higher rate than other population groups.

2) The CSB deposit grouping involves about 80% of all savings deposits. It is therefore representative enough to show the growing differentiation in savings. In general, the lowest deposits show stagnation and even decline,

while the highest deposits show the greatest increase. The representatives of these highest deposits are not fully included in the statistics of family accounts and therefore this grouping provides additional information about inequality of savings. The attached table and graph 10 attests that 56% of the lowest deposits constitutes 4.5 % of the whole sum of deposits, and the two highest group of deposits, which represent 2.56 % of savings accounts represents about 30% of savings. These two groups of accounts show the highest average deposit increase. The three groups of accounts between 20,000 and 500,000 CZK are the most important savers, they hold 25% of savings accounts, but 75% of deposits. They are the greatest contributors to credit resources for the national economy.

Of course, there is not an immediate relationship between the number of savers and the number of accounts. The whole number of accounts is 15 mil. in a country of 10 mil. inhabitants. We can presume some shift to the left. The richest savers can own more accounts with middle deposits, the middle savers can own more accounts with lower deposits. Nevertheless, this grouping shows the process of savings differentiation.

2.6 **Deposits Table** (Source: Information CSB)

Balance of Deposits	Number of deposit accounts %				Balance of deposits/%			
	31.12.90	31.12.91	31.12.92	31.12.93	31.12.90	31.12.91	31.12.92	31.12.93
to 5 000	57.16	56.87	57.22	56.08	5.74	5.66	5.21	4.51
5 001-10 000	12.45	12.80	12.28	11.83	7.70	7.58	6.84	6.04
10 001-20 000	12.77	12.35	11.87	12.36	15.06	13.64	12.25	11.79
20 001-50 000	12.09	12.00	11.93	12.27	31.31	29.24	27.18	25.73
50 001-100 000	4.2	4.30	4.61	4.90	23.45	22.76	22.73	22.19
100 001-500 000	1.33	1.66	2.04	2.50	16.26	19.82	23.12	26.55
over 500 000	0.01	0.02	0.04	0.06	0.48	1.30	2.68	3.19
Total	100	100	100	100	100	100	100	100

Balance of Deposits	AVERAGE OF DEPOSITS				CHANGES IN AVERAGE DEPOSITS (%)			
	1990	1991	1992	1993	1991/90	1992/91	1992/90	1993/90
to 5 000	1 194	1 270	1 256	1 211	106.4	99.0	105.3	101.4
5 001-10 000	7 353	7 561	7 689	7 687	102.8	101.7	104.5	104.5
10 001-20 000	14 014	14 094	14 231	14 367	100.6	101.0	101.6	102.5
20 001-50 000	30 796	31 104	31 422	31 570	101.0	101.0	102.0	102.5
50 001-100 000	66 382	67 601	68 010	68 182	102.4	100.6	101.4	102.7
100 001-500 000	145 550	152 031	156 585	160 063	104.5	103.0	107.6	110.0
over 500 000	679 589	795 925	853 523	840 133	117.1	107.0	125.5	123.6

Conclusion II.

The above mentioned data present only an introduction to the very complex household situation. The substantial differences in income levels are not found among the three "social types" of households, employees, farmers and pensioners, but, rather inside these groups. Families with children, both employees and farmers, achieve only 87% of the average household income. Pensioners' households are in a similiar position. But these are also only average numbers. More substantial differences exist between high and minimal household income groups, threefold between employees' and farmers' households, twofold amongst pensioners'households. Some more information about household behaviour will be added following the regression analysis in part III.

In addition, some discrepancy has appeared in the increase in total personal cash income and the increase of statistically observed household income. The difference between the two refers to a group of high income households or activities which represent the richer part of society and merits to further examination in order to uncover the process of income differentiation.

III. Description of Data on the Czech Household Behaviour January 1991 - September 1993

Introduction

The aspiration of this part is to provide evidence for very simple intuitive explanations for Czech Household behaviour. Results may indicate the future methodology to use when constructing a theoretical model for consumption behaviour.

Though we have microdata, it can be used only as a time series, neither panel nor cross section data is available.

The key questions raised are:

- What are the consumption patterns depending on the level of disposable income with respect to various types of consumption goods: consumption total, food expenditures, nonfood expenditures and expenditures on services?

- What are the differences in consumption patterns with respect to various household categories?

The prediction is that consumers tend to spread their consumption over time rather than consuming a fixed part of their current income. This is considered to be evidence of the disciplined behaviour of Czech households, which has had a stabilizing effect on the transitional economy. Income elasticities of consumption estimates attempt to reveal current consumers preferences.

The regression analysis contains two parts. First there are estimations of the relationship between consumption levels and income levels. Second there is an estimation of income elasticities of consumptions.

1.1 Consumption Patterns

What the theory could suggest:

The distribution of consumption over the time is captured in Friedman's model of permanent income. According to this theory consumers spread their consumption over their lifetime by consuming part of their permanent income. Permanent income is defined here as the annuity of the current value from consumers' expectancy about their lifetime income (plus wealth). When estimating such a relationship proxy, variables for permanent income theory are used which are usually previous values of consumption or of income. The alternative would then be a simple Keynesian case where C = c*Y, where C is consumption, Y is disposable income and c is a constant(marginal propensity to consume).

Clearly this approach is exaggerated here. However, that current consumption depends on the previous level of consumption plus current income, rather than on income alone is considered to be evidence of a distribution of consumption over time. In the future we should construct a model of this kind and test it as soon as available data will be adequate enough to allowto be tested.

CONSUMPTION TOTAL
The proposed model would include lagged values of consumption and income as well as the current value of income. The lagged values of previous consumption should incorporate development of price indices. Previous income levels would then include information about the development of wages. The current value of income is still supposed to have the largest weight due to the

transition, and is expected to be essential as regards the socially weak categories.

FOOD CONSUMPTION

This factor is expected to reveal the extent of differentiation in living standard throughout the various categories of households. Households with minimum incomes will spend the major part of their income on food.

NON-FOOD CONSUMPTION

In non-food expenditures consumers have the greatest flexibility to distribute their consumption over time should they choose to do so. Thus results supporting the theory would demonstrate current consumption decision based on the previous consumptions, which serve here as an estimate of permanent income, and with little emphasis placed on the level of current income.

SERVICES

The pattern of consumption in services should behave similarly to nonfood consumption.

1.2 Elasticities

Here in income elasticities of respective consumption will be estimated, in order to reveal the nature of consumer preferences.

The best set of predictions can be developed for food consumption. One can expect low food consumption income elasticities for families with children (which have in a way fixed a basket of essential food), this being even lower for those with minimal income. The same, however for different reasons, is expected for farmers as they have considerable natural income, and are, to a certain extent, independent in their food purchases. On the contrary the pensioners are likely to exhibit high elasticities as they are likely to switch to more expensive food, for example, given an increase income.

The results should confirm normal behaviour when comparing the elasticities between groups of households. The values of the elasticities would then reveal consumer preferences.

2. Data Analysis

2.1 DATA SETS

Data is obtained from Family Accounts (Czech Republic)
There are 7 categories of households (all are exclusive i.e. independent from each other). Those categories are:

1. Households of Employees totals
2. Households with children
3. Households with no children
4. Farmers
5. Pensioners
6. Minimal Income Household with children
7. Minimal Income Pensioners

Figures in the tables represent a monthly average of one person in the household.

The data is for the period of January 1991 to September 1993 except for the last two social categories - April 1991 to September 1993.

2.2 Treatment of the Data

Monthly samples are made on a number of households from which only the average values per person are available. Household samples are not identical and they vary each month between samplings (therefore a panel can not be created).

The number of households from which the monthly average is calculated varies as well. The varying numbers of households, from which the averages are made, introduces heteroscedasticity into the series. This can be very easily corrected by a simple data transformation since the number of households for the given sample (here variable NO) is known. (Transformation is made by simple multiplication of all the values for the given month by square root of its respective NO.)

Treating observations of monthly data as macroeconomic data, one should expect autocorrelated errors at all.

TREATMENT OF EXOGENOUS SHOCKS
During the analyzed period several major exagenous shocks occured at the beginning of each year, price liberalization (1.1.1991), separation of the Czech and Slovak Federal Republic into two independent states (1.1.1993), new tax system including e.g. the introduction of V.A.T.(1.1.1993).

Those events represented monetary shocks; therefore, the following approach is required. What one can expect is the formation of expectations about the future change in price levels and the reflection of those expectations in changes in consumption at the time the expectations are formed, rather than by the time the measures come to the practice.

ELASTICITIES
All series are being transformed into logarithms. So, the coefficients represent the estimates of the elasticities.

2.3 Description of Variables

CONS: consumption (food exp. + nonfood exp. + exp. on services)
Y: income (from work + social payments + other income)
FE: food expenditures
NFE: nonfood expenditures
SE: expenditures on services
NATI: natural income e.g. for farmers in form of food etc.
PAY: payments e.g. taxes etc.
CONS(-1) means the lagged value of CONS; the same holds for other variables e.g. Y(-1), FE(-1) etc.
N,D,J dummy variables for consumptions in November, December and January.

3. Results of Regression Analysis[4]

The results are fairly in line with the conclusion told in the sections 1.1 and 1.2. The following figures speak for themselves. Consumers take into consideration the past values of consumption along with the current value of their income when making their decisions. The values of the different weights given on the income and lagged consumption through the categories of households reveal some differentiation which is completely consistent with the characteristics of the given category. Elasticities are all around one, thus evidencing no big preference differentiation between households.

[4]The figures in the tables represent estimates for respective variables. Thus, one row represents an estimated equation for respective household categories.

3.1. Consumption Patterns

Dependent variable: CONS

HHs Categ.	CONS(-1)	INCOME	N	J
HT	0.2512 (0.1289)	0.6810 (0.0980)	62.9014 (330.914)	-2961.93 (1190.48)
FWC	0.2068 (0.1255)	0.7206 (0.0961)	131.044 (274.038)	-2193.47 (1029.37)
FNC	0.3492 (0.1381)	0.5955 (0.1035)	-139.205 (546.527)	-5320.53 (1711.86)
FAW	0.2443 (0.1561)	0.6625 (0.1126)	-373.032 (395.101)	-2908.91 (1295.97)
FP	0.4487 (0.1404)	0.5774 (0.1178)	-282.624 (366.650)	-3775.46 (1121.07)
FCM	-0.4392E-02 (0.0401)	0.9458 (0.0373)	-148.820 (180.308)	-88.6851 (181.288)
FPM	-0.0180 (0.0437)	0.9762 (0.0415)	-89.3300 (231.419)	-371.407 (235.627)

Dependent variable: CONS

HHs Categ.	INCOME	N	J
HT	0.8795 (0.01355)	-53.4022 (302.625)	-632.876 (245.630)
FWC	0.8863 (0.0127)	11.5604 (246.116)	-482.813 (199.815)
FNC	0.8597 (0.0151)	-97.1177 (551.413)	-1021.34 (439.249)
FAW	0.8399 (0.0148)	-303.327 (381.688)	-720.721 (301.306)
FP	0.9543 (0.0155)	118.575 (366.904)	-384.689 (289.409)
FCM	0.9458 (0.0145)	-107.572 (158.875)	-86.2717 (132.908)
FPM	0.9585 (0.9968E-02)	-134.104 (212.668)	-294.771 (179.893)

Dependent variable: FE

HHs Categ.	FE(-1)	INCOME	INCOME(-1)	N	J
HT	0.8843 (0.0348)	0.0916 (0.0136)	-0.0835 (0.0141)	-14.6248 (32.2340)	551.339 (137.376)
FWC	0.9033 (0.0353)	0.0737 (0.0133)	-0.0659 (0.0139)	-21.3998 (29.9766)	364.264 (120.888)
FNC	0.8563 (0.0468)	0.1010 (0.01667)	-0.0901 (0.0172)	-16.4493 (55.0994)	753.749 (220.507)
FAW	0.9424 (0.0419)	0.0533 (0.0157)	-0.0484 (0.0176)	-49.6976 (34.2332)	197.549 (155.244)
FP	0.8995 (0.0532)	0.1037 (0.0237)	-0.0909 (0.0226)	34.7489 (59.7739)	345.408 (170.572)
FCM	0.9138 (0.0543)	0.0338 (0.5641E-02)	-0.02001 (0.8060E-02)	21.2160 (28.7731)	5.2858 (25.7944)
FPM	0.9761 (0.0540)	0.0437 (0.7126E-02)	-0.0374 (0.01001)	-26.4366 (41.7633)	-21.6187 (36.6880)

Dependent variable: FE

HHs Categ.	C	INCOME	D
HT	757.820 (71.0894)	0.0194 (0.4916E-02)	143.062 (33.6545)
FWC	680.954 (70.8796)	0.0169 (0.4901E-02)	118.278 (30.1555)
FNC	990.122 (76.6308)	0.0238 (0.5431E-02)	222.275 (49.7774)
FAW	642.759 (65.7752)	0.01774 (0.5032E-02)	109.490 (32.6383)
FP	870.411 (51.3196)	0.0385 (0.7654E-02)	128.986 (42.7151)
FCM	480.744 (30.3720)	0.0301 (0.5368E-02)	19.0931 (16.4869)
FPM	742.438 (42.1612)	0.0415 (0.6464E-02)	32.1763 (23.2794)

Dependent variable: NFE

HHs Categ.	NFE(-1)	INCOME	INCOME(-1)	PAY
HT	0.6743 (0.0747)	0.0581 (0.0154)	-0.0557 (0.0112)	0.8654 (0.2865)
FWC	0.6617 (0.0954)	0.0789 (0.0209)	-0.0554 (0.0133)	0.5834 (0.5005)
FNC	0.6891 (0.1009)	0.0619 (0.0143)	-0.0537 (0.0150)	0.5328 (0.1710)
FAW	0.6183 (0.0830)	0.0438 (0.0234)	-0.0444 (0.0141)	0.9703 (0.3738)
FP	0.7291 (0.1070)	0.0497 (0.9511E-02)	-0.0381 (0.0123)	0.1865 (0.0688)
FCM	0.7169 (0.1184)	0.0639 (0.0158)	-0.0364 (0.0136)	0.1376 (0.3570)
FPM	0.8467 (0.1315)	0.0283 (0.8246E02)	-0.0218 (0.0101)	0.0781 (0.0403)

Dependent variable: NFE

HHs Categ.	C	INCOME	N
HT	393.847 (77.7944)	0.0926 (0.7997E-02)	-49.7042 (58.6097)
FWC	355.036 (67.9784)	0.0944 (0.7791E-02)	-29.9667 (51.0036)
FNC	557.199 (118.870)	0.0835 (0.0103)	-115.338 (112.879)
FAW	554.865 (103.731)	0.0844 (0.0118)	-148.289 (82.4610)
FP	291.488 (52.3085)	0.0488 (0.8009E-02)	-70.0781 (54.5448)
FCM	251.773 (29.4032)	0.0571 (0.7081E-02)	-23.2977 (26.1545)
FPM	220.142 (32.7568)	0.0302 (0.6536)	3.2335 (30.8046)

Dependent variable: SE

HHs Categ.	SE(-1)
HT	1.0182 (0.0115)
FWC	1.0166 (0.0126)
FNC	1.0206 (0.0117)
FAW	1.0123 (0.0222)
FP	1.0194 (0.0109)
FCM	1.0136 (0.0143)
FPM	1.0155 (0.0149)

3.2 ELASTICITIES[5]

Dependent variable:CONS

HHs Categ.	C	INCOME	J
HT	-0.9026 (0.2823)	1.0834 (0.0317)	-0.1289 (0.0465)
FWC	-0.7498 (0.2536)	1.0687 (0.0290)	-.1142 (0.04318)
FNC	-1.1462 (0.3961)	1.1042 (0.0429)	-0.1588 (0.0611)
FAW	-0.8208 (0.4010)	1.0700 (0.0455)	-0.2192 (0.0635)
FP	-0.8269 (0.2941)	1.0876 (0.0338)	-0.0580 (0.0484)
FCM	-0.8625 (0.2299)	1.0954 (0.0280)	-0.2941E-02 (0.0325)
FPM	-0.7334 (0.2661)	1.0804 (0.0316)	-0.0557 (0.0366)

Dependent variable: FE

Hhs Categ.	INCOME	NATI
HT	1.0091 (0.0474)	-0.3528 (0.0686)
FWC	1.0280 (0.0502)	-0.3814 (0.0720)
FNC	0.9590 (0.0431)	-0.2747 (0.0638)
FAW	1.1004 (0.0763)	-0.4593 (0.1008)
FP	1.0239 (0.0463)	-0.3204 (0.0676)
FCM	1.0458 (0.0618)	-0.3683 (0.0827)
FPM	1.0701 (0.0494)	-0.3715 (0.0699)

[5]All variables are now the logarithms of their previous values except dummy variables N, D, J.

Dependent variable: NFE

HHs Categ.	INCOME	NATI	N
HT	0.9041 (0.0467)	-0.1711 (0.0657)	-0.1128 (0.0786)
FWC	0.9210 (0.0479)	-0.1947 (0.0663)	-0.1192 (0.0786)
FNC	0.8795 (0.0502)	-0.1360 (0.0742)	-0.1138 (0.0977)
FAW	1.0005 (0.0974)	-0.2688 (0.1270)	-0.1526 (0.0955)
FP	0.8818 (0.0495)	-0.2184 (0.0735)	-0.1989 (0.1019)
FCM	0.9024 (0.0527)	-0.2099 (0.0709)	-0.0727 (0.0854)
FPM	0.8496 (0.0487)	-0.2149 (0.0695)	-0.2762 (0.0890)

Dependent variable: SE

Hhs Categ.	SE(-1)	D
HT	1.0171 (0.0120)	12.9433 (29.1138)
FWC	1.0154 (0.0131)	11.0194 (27.3095)
FNC	1.0205 (0.0122)	2.7609 (42.7479)
FAW	1.0030 (0.0220)	69.8147 (37.8949)
FP	1.0168 (0.0112)	28.2176 (29.3143)
FCM	1.0118 (0.0150)	9.5616 (21.0506)
FPM	1.0197 (0.0155)	-27.8869 (-0.9637)

Conclusions

This paper presents an introductory study of the impact of transformation measures on the household sector. This study as well as others has demonstrated that:

From a macroeconomic point of view the household sector is a relatively stable factor in the economic transformation.

The acceptance of transformation by the great majority of the populace has kept the social conciliation even in conditions of higher consumer price index than the index of income and resulting decrease in real income. The restrictive income policy, especially in the first years of reform, prevented expansion of the inflationary process. This policy has been very cautious since today and a soft regulation of wages is held even in conditions of decreasing share of wages in the total income of the populace and in conditions of higher growth of savings than the growth of expenditures.

The savings rate has been growing and the growth of interest rate has slowed down the impact of inflation on savings, even when it remains negative.

The economic activities of households, which were often hidden in shadow activities in the past, have created a hopeful and useful small business sector.

The household situation appears to be more complicated when analyzing different types. When compared to the previous state of prevailing equalization tendencies, the course of economic transformation has resulted in various impacts on different types of households. It has led to a differentiation in income levels. On the one hand, income level has risen in the groups of entrepreneurs and high officials with high incomes and savings, who have grown richer. On the other hand, the income level has fallen in the group of employees and farmers with children and pensioners, who have grown poorer.

The inflation rate, changes in income structure and the shift from unpaid or cheap services to paid services strongly influence the cost-of-living. The low rate of unemployment, a special problem and subject of another analysis, is connected not only with the restructuring of the entrepreneurial sector and the decrease of its activities, but also is a factor of the changing structure of the whole society - decreasing working activities of women, pensioners, and other factors.

The statistics of family accounts, as a main source of information on these processes, are not satisfactory:

- They do not cover the whole household situation, especially the new arising group of entrepreneurial households and rich households.

- The data which is available is too general for solving actual social problems. The situation of members of the same groups of families (i.e., pensioners) is very different depending on the concrete situation especially in housing and other conditions (health, etc.). Help for these groups can only partially be solved with the aid of general measures. It will be necessary to provide for aid to those in need of a social safety net. But even today, senior citizens are not aware of what they are entitled to. Therefore, social workers would be useful to organize outreach and assistance for the needy.

Some discrepancies discovered between the higher income level of the whole population and the statistically observed families testify that there are some sources of incomes which are not fully catching up and which can help extend means for solving social needs. Consequentially, redistribution of incomes in conditions of economic stagnation can not solve the problems. This can be expected only in conditions of a revival in the growth of economic entrepreneurial activities.

The system of information should include data representing the process of both income and wealth differentiation due to the new factors involving it: the arising new group of entrepreneurs, businessmen, managers, and the influence of the process of privatization and restitutions on the income distribution. This is one of the main tasks which statistical bodies must undertake.

List of Graphs and Tables

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