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The Timeline of Poland’s Rural Economy

Abstract: The paper presents some suppositions as to the future of Poland’s rural economy, the development of which is intended to lead to an improved standard of living and general sustainable development in rural areas. The rural economy, shaped by factors involving human, physical and environmental capital, is presented on a timeline. These factors are mainly determined by the market and policy-making. The suppositions are based on a theoretical analysis of statistical data and research results from the literature. The main conclusion is that the trajectory of the rural economy’s development will split into many possible paths in the future.

Keywords: rural economy, standard of living, timeline, agriculture.

1. Introduction

The aim of the paper is to present some suppositions as to the future of the rural economy in Poland. This economy is sketched along the timeline: past – present – future. The uniqueness of the timeline is that the development trajectory for the past is already set, while that for the present is a mixture of the continuation and decline of trends from the past and the germination of new ones, leading to a future of potential paths, but with no certainty as to which of them will become an actual trajectory. That depends on the current state and, above all, on the challenges and determinants of future development. The past was not kind to rural areas, the present is reversing some long-term trends, and as for the future – that is the question – made all the more difficult by the fact that the great diversity of rural localities means there will be many paths, because there is no single path appropriate for every rural locality. The strategic direction – or roadmap – of rural development should be spatially varied sustainable development. Such development is gaining in importance with the emergence of new challenges and circumstances. These include the progressive degradation of the natural environment, climate change,
the threatened supply of public goods, growing pressure to reduce disproportions in the standard of living, the negative effects of excessive urbanisation, and the diminishing well-being of rural landscapes and cultural values. Rural areas have a special responsibility for shaping the conditions needed to fulfil the idea of the whole country’s sustainable socio-economic development, if only because they account for over nine-tenths of the land area and are home to two-fifths of Poland’s population.

The rural economy is of critical importance for the “to be or not to be” of rural Poland, because producing added value is the key to increasing the prosperity of rural residents, i.e. improving their standard of living or quality of life. This standard is expressed by the fulfilment of tangible and intangible needs, and by environmental and social conditions. Rural areas can achieve this aim by taking advantage of their fundamental resources, i.e. the natural environment and human capital, which, together with physical capital (assets), determine the level of income. The characteristics of capital and standard of living, in turn, determine the sustainable development of rural areas (the countryside),\(^1\) which is an important political goal on account of rural residents’ standard of living as well as – or perhaps even above all – its significance for the sustainable development of the entire country, including its developing metropolises. The economic development of the countryside is thus in everyone’s interest, which means there is a need for a rational agricultural and rural development policy, taking into account a holistic and multi-sectoral approach, the countryside’s ties to urban areas, and local authorities’ cooperation with nongovernmental organisations, entrepreneurs and the rural community. Shaping civil society in rural areas assumes special importance, including the formation of various social organisations bringing people together in activities serving the local community’s well-being.

The rural economy is shaped by market and political forces. The former are mainly based on the relationships between demand, supply and competition. They lead through the well-known mechanism of agricultural price scissors to the economic depreciation of agriculture and the diminishing importance of agriculture in food chains, which consequently weakens the rural economy. The latter serve the interests of the leading social strata (groups). This has always been the case, it is so today, and will likely continue. However, policy-making today cannot ignore the necessity to protect the natural environment or the countryside’s role in supplying not just food and other raw materials, but also public goods as well as ecosystem services, for which there is a need but no demand. Such demand has yet

\(^1\) Rural areas will be understood according to public statistics in Poland (GUS; Central Statistical Office) data, and the countryside as localities in areas outside towns and cities.
to be created through government intervention. At the same time, it turns out that the more the rural space shrinks, the more the countryside’s values are appreciated.

The countryside is extremely varied not just in terms of the natural environment, but also the demographic and socio-economic situation, and this diversity is deepening. Quite often, the actual boundaries between rural and non-rural localities are fluid: mutual permeation occurs as towns sprawl into rural areas, and some rural localities are legally turned into towns as well. Furthermore, some rural localities that are gmina/commune capitals as well as those fulfilling recreational/tourism and health-related functions start resembling settlements and small towns. Considering the growing economic and social interactions between rural localities and towns/cities, it is hard to find precise criteria for separating rural from non-rural areas. In many cases, there are no grounds for a dichotomous division into urban and rural, and localities that are rural by name have to be placed on the continuous line between centre and peripheries, on which we find both strictly rural localities and many towns/cities.2

The present paper is based on public statistics, research results available in many publications (some of which are listed in the references), and the author's own studies and reflections.

2. The past: in the past

The countryside dominated development for millennia, whereas towns expanded slowly as agriculture increased its economic surplus over and above the needs of its own existence. This process accelerated, and very rapidly at that, as a result of industrialisation, whose progress was significantly served by agriculture and the countryside, mainly through satisfying the demand for labour, especially in industry, and the demand for food from the growing urban population as well as growing rural demand for manufactured goods for agricultural production, capital goods and consumer goods. It was in the interest of capital for both labour and food to be cheap. On the other hand, industry and other sectors had a growing influence on agriculture and the countryside. In the case of agriculture, the main issue was subordinating it to market-economy rules and launching the process of its industrialisation,3 and in the case of the countryside,

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2 These issues have been discussed extensively in numerous publications, e.g. Bański 2014; Ekspertyza 2019; Halamska, Stanny and Wilkin 2019; MROW 2016; Stanny 2013; Wilkin and Hałasiewicz 2020; Zegar 2018.

3 At the same time, the driving forces of agricultural development were moving out of the countryside: farming equipment production and food processing was taken over by industry, usually located outside rural areas, which caused the economic depreciation of rural areas due to the migration of jobs and income and
it meant agriculture being pushed to a more distant position in the socio-economic structure (deagrarianisation), the depletion of rural human and social capital, and the elimination of crafts and small-scale rural industry.\textsuperscript{4} Operations involving lower productivity – less new added value – remained in rural areas. The progressive commercialisation of a growing number of areas of rural life as well as cultural changes, including a changed model of consumption, directed rural demand towards goods and services produced outside the countryside. Rural residents' money served ever less to create demand for goods and services produced in the countryside, and increasing amounts went to entities outside the rural locality. Drawn into the technological grind characteristic of agricultural industrialisation, and despite increased productivity and work efficiency, agriculture did not increase its produced added value, either; this was mainly due to changed relationships between the factors of production and agricultural price relations. Of course, this kind of money circulation undermined the economics of rural localities (local economics) to the detriment of local communities. This caused negative trends like excessive migration and the depopulation of many peripheral localities, ageing of the population, low labour productivity, low rural social capital, impeded access to places providing public services, education, culture and healthcare, the unsatisfactory condition of technical infrastructure etc. This set a vicious circle in motion: low population density → low level of business creation → fewer jobs → migration and population ageing → lower population density (see e.g., Halamska, Stanny and Wilkin 2019; OECD 2006; Zegar 2018). Meanwhile, the vitality of the countryside requires the development of social capital resources – other than the economy – for the preservation of customs, tradition, heritage, public services and infrastructure. To this we might add diminishing natural capital and consumption and lifestyle patterns becoming similar to those of urban residents, which grew increasingly attractive as a lifestyle model, pushing the traditional rural farmer culture from the stage. The impact of the market, deprecating agriculture and the countryside, was supported by policy-making that served the interests of capital.

The transformation of rural areas in Poland occurred in a similar manner to the countries of Western Europe, although it was slightly delayed by comparison. There were also some differences: migration from rural Poland chiefly only disposed of the surplus stemming from the relatively high birth rate, folk culture survived in better condition, and agricultural industrialisation was less advanced, which meant that the natural environment was preserved in better condition as well.

\textsuperscript{4} Industrially manufactured goods gradually replaced the products of rural trades and handicrafts, thus downgrading jobs and income-generating sources in the countryside, moving them to towns/cities.
3. The present: in the making

After World War II the development of industry and urban areas took place at the cost of agriculture and the countryside. This did not change during the period of political transformation after 1989, when the interests of agriculture and the countryside were subordinated to the interests of capital and towns/cities. We see proof of this in Poland's policies all the way to the country's accession to the European Union, especially during the time of “shock therapy”, a policy that assumed support for metropolises, from which positive impulses were meant to radiate to other areas, including peripheral ones. The political transformation lifted the restrictions hindering the action of market mechanisms, while EU membership provided funding for the development of agriculture and the countryside. In the case of agriculture, the industrial transformation of agriculture (“farmerisation”) accelerated, undermining the vitality of peripheral rural localities, while in the case of the countryside the process of its divergence in relation to towns/cities was halted. The modernisation of the countryside accelerated, which was reflected in the structure of employment and sources of income, the technical and social infrastructure, and changes in rural human capital. As regards employment, the trend involved a drop in employment in the countryside in agriculture to about 20%, for income it was a decrease in agricultural income to about 10% and an increase to 48% for hired labour and over 7% for self-employment, and also a (temporary) decrease to 32% in income from social insurance benefits. According to national accounts reported by public statistics (GUS), the real-term disposable income in households overall and in the subsector of farm-owner households increased by 31% and 40%, respectively, in the years 2010–2019 (RS 2020, p. 729, table 23(583)).

The disparity of income between the rural and urban populations diminished after Poland's EU accession. The disposable income of the rural population accounted for 66% of the urban population's income in 2004 and 77% in 2018, which is not significantly different from the average for EU countries. The decrease in the disparity of rural income was largely due to transfers made to agriculture and

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5 The justification for this lay in the strategy for Polish agricultural development from 1990: “Rural development is indispensable to help the rural sector keep its population, develop employment, and relieve pressures on the urban sector until the latter adjusts to the new economy” (WB 1990, p. 1).

6 This is well documented in numerous publications (Chmielewska and Zegar 2019; Ekspertyza 2019; Wilkin and Hałasiewicz 2020; Zegar 2018).

7 This happened despite farmers’ growing incomes thanks to CAP transfers, whose proportion in income from factors of production increased rapidly after EU accession and now oscillates around 40%. This contributed to a decrease in the disparity of income between farmers and hired workers in the period 2004–2019, from 31% to 9%, and between farmers and the self-employed from 42% to 23% (farmers were in the best situation in 2017, when the disparity in relation to these groups was 2% and 18%, respectively).
the countryside under the mechanisms of the common agricultural policy (CAP) and the EU’s cohesion policy and social policy, supported by the developing labour market, migrations and other transfers of social policy funding. In the period 2004–2018, the per capita disposable income of rural residents increased by 158%, while for urban residents this was 119%. The stream of direct payments for farmers played a major role in the first years after EU accession; subsequent years saw the growing importance of the development of jobs in the countryside – also thanks to transfers of EU funding (EC 2017; Wilkin and Hałasiewicz 2020).

Indicators of the extent of poverty in the countryside are decreasing gradually, but are still higher than those for urban areas. This is also reflected in rural residents’ subjective evaluation of their financial situation: they continued to view it less optimistically than urban residents, but there was a noticeable decrease in the difference between these indicators. The percentage of households judging their financial situation as “very good” and “good” in 2018 was 46.3% in towns/cities and 39.3% in the countryside (2003: 15.2% and 8.2%, respectively); the figures for “rather bad” and “bad” were 7.7% in urban and 8.7% in rural areas (2003: 33.1% and 38.2%, respectively).

There has been relatively rapid improvement in the coverage of rural areas with technical infrastructure: roads, water supply, sewerage, gas supply etc. In the post-accession period, the length of the water-supply network and the number of mains connection points for residential buildings grew by over a quarter, while the sewerage network length and the number of connection points for residential buildings grew by almost a half; the length of the gas distribution and transmission network increased by a fifth, the number of connection points for residential and non-residential buildings grew by a quarter, and the number of mains-gas buyers by a third. However, the percentage of households equipped with “complete” water, sewerage and gas infrastructure is still lower than in urban areas, especially in terms of network connections. In rural Poland, more households use local systems and cylinder gas. Households are now better equipped with durable goods. The percentage of rural and agricultural households with access to the internet and satellite and cable TV has increased, as has the proportion of those fitted with new-generation durable goods (Ekspertyza 2019).

The development of infrastructure improves the comfort of living in the countryside and creates new development possibilities, including for operations

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8 In 2019, the percentage of people in households with spending below the relative poverty line stood at 8.0 in urban areas and 20.8 in the countryside (in 2010: 11.9 and 25.9, respectively), below the legal poverty line it was 5.1 in urban areas and 15.2 in the countryside (in 2010: 4.3 and 12.2, respectively), and below the extreme poverty line it was 2.1 in urban areas and 7.5 in the countryside (in 2010: 3.4 and 9.6, respectively) (RS 2020, p. 326, table 12(221); Wilkin and Hałasiewicz 2020, p. 144).
traditionally existing there, like agriculture and crafts, but also for new activity. The development of transport facilitates contacts with cities/towns and other rural localities, reducing the costs of moving goods and services and travelling to work. Electronic communication greatly reduces the cost of information flow and financial capital transfer, freeing them of barriers created by distance. Technological progress in communication gives rural communities a chance to overcome their geographic and informational isolation. Social infrastructure is essential for human capital development and quality of life, creating the material foundation for satisfying a wide range of needs; it is necessary for sustainable rural development and for civilisational progress in general.

The countryside has also preserved a great good in quite sound condition, namely the natural environment, which is also important for urban residents. This good is increasingly appreciated, forming an important component of social well-being and encouraging urban residents to settle in rural areas. This applies not just to “senior citizens” but also to professionals, whose move is facilitated by progress in electronic communication. This progress is reflected in the subjective assessment of life by rural and urban residents. The countryside is no longer passé; it is becoming an attractive place to live and often also to work, a trend supported by the spread of the internet, the development of remote working and e-services as well as the shift towards a more knowledge-based economy. Another relevant factor is the growing percentage of the elderly in the population and the need for senior care, which creates new opportunities for farms in the form of social farms (care farms). These are important “buds” that may yield fruit in the future.

Overall, there has been a significant improvement in rural residents’ quality of life, and a reversal of a long-term (historical) trend of the economic and social deprivation of the countryside (Ekspertyza 2019; Zegar 2016). In this, there is significant spatial diversity across the whole country, not only regarding the environment, which is natural, but also in terms of the level of socio-economic development, and thus the standard of living of the rural population. This diversity is especially noticeable at the rural locality level when considering the population size, natural environment values, functions fulfilled, residents’ sources of income, wealth etc. For demographic reasons many of these localities are doomed to disappear in the nearer or more distant future, while some will evolve towards becoming small towns. One important element in the aforementioned diversity is how advanced the deagrarianisation process is depending on the distance from urban centres (urban, suburban and peripheral villages). This has been excellently captured by Monika Stanny, who has presented the varied levels of socio-economic
development of rural communes along the east–west and centre–peripheries axes (MROW 2016; Stanny 2013). At the same time, the urbanisation of suburban villages is intensifying, together with migration from urban areas to the countryside – the colonisation of rural localities by the incoming population (Sadura, Murawska and Włodarczyk 2017). This is followed by an increase in suburban populations, especially in Functional Urban Areas, and a decrease in the peripheries.

Other new factors of rural development are also manifesting themselves, related to the natural environment, landscapes, local food systems (previously as a necessity, now as a conscious choice), digitisation etc. The most important focus has to be on sustainable rural development with strong support from EU instruments.

4. The future: in the offing

The course towards sustainable rural development has been politically defined, but the paths of that development are highly uncertain and blurred due to new challenges and circumstances as well as the clashing of market and political forces. These forces determine how endogenic resources, especially human and environmental potential, are used, how added value is created and distributed, and also how closed circulation works in rural areas. We are witnesses to an incredible acceleration of time, of technological and cultural changes and innovations. We are talking about biological, ICT and satellite technologies and innovations, about production capital being replaced by knowledge, about values and growing planetary consciousness. All this creates opportunities, but also threats. It is uncertain whether the market will create greater opportunities or threats for rural economics. As for policy-making, it seems that policies need to be more focused than before on preserving environmental values directly and indirectly – through the internalisation of external effects in the economic calculation of businesses and households.

Demographics emerges as the leading factor in rural Poland’s development. The ageing process also affects the countryside, its demographic trend following that of urban areas; the countryside is entering the stage of negative natural population growth. According to the GUS demographic forecast, within 30 years (2020-2050) the Polish population will drop from 38 to 34 million, i.e. by approx. 11% overall, by 17% in urban areas and by 1% in the countryside. This portends more than just great perturbations, all the more since the working age population will decrease by 27% overall (from 22.8 to 16.6 million), by 33% in urban areas (from 13.3 to 8.9 million) and by 19% in the countryside (from 9.5 to 7.7 million), whereas the post-working age population will increase by 44%, 30% and 70%, respectively. The number of people of working age per 100 people of non-working (pre- and
post-working) age will drop from 60 to 49 nationwide, from 59 to 47 in urban areas, and from 62 to 51 in the countryside.\textsuperscript{10} Elements adjusting the labour market might include an increase in the activity of working age people, i.e. a growing employment rate, as this is relatively low in Poland, an extended working time for people going into (voluntary?) retirement, and the migration balance. Shortages of human labour might be alleviated by digitisation and robotisation. Nevertheless, there is a possibility that there will be an increase in the existing urban demand for the rural work force, especially from farming families. This is sure to have enormous consequences for the rural economy.

The rural economy will continue mainly to comprise three sectors: agriculture, operations linked to the natural environment, and other operations. Agriculture will remain important, and its significance for the rural economy may even increase, the reason being changes in the food system (Goszczyński 2014; Zegar 2018). These include trends such as the already begun downward tendency in meat consumption, growing consumption of organic products, the revitalisation of local markets and local agri-food processing, food purchases directly from producers, and changes in agricultural technologies (a move away from chemicals towards agrobiology). In addition, non-food sectors of the bioeconomy create virtually unlimited demand for agricultural biomass. On the other hand, threats are emerging in connection with competition from foreign producers (including threats caused by e-commerce), growing difficulties in finding hired labour (which runs contrary to specialisation), and increasing problems with farm succession due to a lack of natural successors and the growing aspirations of increasingly better-educated young people from farming families (Dudek 2016). The halting or even reversal of the trend towards agriculture’s economic depreciation by the market following EU accession might be strengthened by the requirement to account for full production costs, i.e. including social costs, which also consist of environmental costs and payments for ecosystem services provided by agriculture.\textsuperscript{11} Accumulating labour problems and economies of scale require growth of farming-related services, whether in the form of farmers’ cooperation or through separate entities acting as service providers.\textsuperscript{12} This is why we should expect the farmer’s status to change towards that of a farm manager.

\textsuperscript{10} These data, which have been rounded off, are based on RS 2020, p. 228, table 27(158).
\textsuperscript{11} This has already been started by CAP instruments, but it is still a long way from full costs. The results of studies on the hidden costs of the system (especially those related to health and the environment) are astounding (FAO, IFAD, UNICEF, WFP and WHO 2020): these costs exceed the market value (FOLU 2019).
\textsuperscript{12} For example, there is no economic justification for owning expensive specialist farming equipment. It is more economical to use third-party services.
Operations based on environmental resources are definitely appropriate for sustainable rural development, which can progress most successfully through the effective utilisation of rural assets, i.e. the resources and values of the natural environment – drawing benefits from natural resources and values (land benefits, natural benefits), developing local enterprise taking advantage of local natural, cultural and other resources. We are thus talking about using local resources in such a way as to leave as many benefits as possible in a given locality, being guided by the needs and capacity of the local community, the local population's participation in development (the idea of a social economy), developing social capital (lower transaction costs and cooperation), and a territorial approach instead of a sectoral one. Favourable factors include growing demand for services related to rural recreation and tourism, including agritourism, usually involving taking advantage of local cuisine specialities, and other kinds of tourism: arts (handicrafts), hunting, nature and wildlife watching, recreation for older people (Davidova, Mishra and Thomson 2019).

In the longer term, renewable energy would have a promising and important place in the rural economy, being able to provide not just prosumer energy to rural residents but also contributing to supplying urban areas with renewable energy.

The countryside has a long small-business tradition, including crafts and small-scale industry. Improved infrastructure – transport links with towns/cities – and remote working (which has intensified due to COVID-19) increase the countryside's opportunities to undertake highly productive operations. This is also supported by the noticeable migration of professionals and managers to the countryside. Demographic forecasts suggest a growing number of elderly people in both urban and rural areas. More and more of them will require permanent or temporary care, since the percentage of multigenerational households and the number of family members are decreasing as the number of single-person households grows. More and more often, adult children do not provide care for their ageing parents, for various reasons. This means there is an emerging need to set up appropriate establishments like round-the-clock and day-care centres (nursing homes), medical care facilities and others. This also creates opportunities for rural families in the form of social farms (care farms) targeted not only at senior citizens but also at children with disabilities and people in need of rehabilitation or long-term care, and even people requiring resocialisation. For this, support from central and local government is needed, also to take advantage of the experiences of other countries (Ekspertyza 2019).

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13 Relying on external transfers or providing services at the expense of the environment (e.g. waste storage, setting up harmful industrial plants) would only be a short-term option.
A major role in the development of the rural economy is played by policy-making, including EU policies, especially as regards the role of rural areas in achieving the goals of the European Green Deal, i.e. implementing a strategy to build a climate-neutral economy and to separate economic growth from natural resources. This involves numerous local programmes and initiatives, and especially the intensification of the CAP’s “ecologisation” and the biodiversity strategy. With regard to the CAP, this is the “farm to table” strategy, which provides for new pro-environmental instruments (eco-schemes, strengthened conditionality, pro-environmental and pro-climate actions, having organic farming on 25% of arable land by 2030, and limiting the use of agricultural chemicals). This will be conducive to improving the quality of food and the environment, and will eliminate the causes of climate change and serve the protection of biodiversity. When we add activities aimed at consolidating protected area networks and ecological corridors as well as continued infrastructure development, the result will be a new architecture of development for these areas, which will have a powerful impact on the organisation of rural space.

5. Conclusion

The historical process whereby agriculture was pushed to the margins of economic development, and the countryside to the peripheries, is a fact. However, there are signs of change, indicating a limit to the urbanisation process as well as a revitalisation of the countryside. Changing relations along the urban–rural axis are key to this process, as are new trends defining the potential possibilities of improving the economic well-being of rural communities in Poland, in particular by increasing added value. It turns out that, just as the countryside responded to urban demand for labour and cheap food in the period of industrialisation, today it can respond to the demand for quality (healthy) food and environmental and social services. At the same time, what once diminished the countryside’s possibilities of creating added value, namely agriculture and rural crafts, can now be reversed by the necessity to change the model of agriculture as well as the renaissance of rural crafts in the form of small-business operations. If creating added value is the key to increasing rural prosperity, then taking advantage of all relevant opportunities is an essential issue. Rational agricultural and rural development policies are thus needed, covering new values related to the natural and cultural environments,

14 Presented by Andrzej Hałasiewicz (Wilkin and Hałasiewicz 2020), among others.
15 The biodiversity strategy assumes being on the path of recovery by 2030, and rebuilding and protecting all ecosystems by 2050.
which would create agricultural opportunities (organic farming and farm-related activities) and give freshly emerging operations a chance. This is also fostered by support from EU structural funds, including the CAP (RDP, AECS, LFA, HNV; LEADER – CLLD programme, Smart Villages concept).16

Besides the economy, sustainable rural development requires spatial chaos to be reduced and greater care to be shown for the aquatic environment (a need for retention in natural floodplains and marshes as well as artificial reservoirs, reducing water pollution), the air (reducing GHG emissions from agriculture by a change in technology, and from households by switching to RES), the soil (increasing carbon and organic-matter absorption), biodiversity (halting its reduction), and the rural landscape (preserving its values).

References


16 Other favourable factors include investment priorities financed from cohesion policy funds (entrepreneurship, green jobs, building R&D potential, digitisation of agricultural education) and the National Recovery Plan (e-services, agricultural consulting services, precision farming, support for the tourism sector’s recovery, investments by agritourism farms, infrastructure projects, RES).
Gospodarka wiejska w Polsce na osi czasu

Streszczenie: Celem artykułu jest przedstawienie supozycji co do przyszłości gospodarki wiejskiej w Polsce, której rozwój ma prowadzić do podnoszenia poziomu życia i do zrównoważonego rozwoju obszarów wiejskich. Gospodarkę wiejską kształtowaną przez czynniki kapitału ludzkiego, fizycznego i ekologicznego ujmuje się na osi czasu. Czynniki te są określone przede wszystkim przez rynek i politykę. Supozycje sformułowano na podstawie analizy teoretycznej bazującej na danych statystycznych i wynikach badań dostępnych w literaturze przedmiotu. Podstawowy wniosek sprowadza się do rozszerzania się trajektorii rozwoju gospodarki wiejskiej w wiele możliwych ścieżek w przyszłości.

Słowa kluczowe: gospodarka wiejska, poziom życia, oś czasu, rolnictwo.