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The Fundamental Characteristics of Social Inequality in Poland in the Context of Economic Development

INTRODUCTION

The subordination of market-oriented processes in Poland to neoliberal ideology made the assessments of economic changes rely on microeconomic effectiveness criteria, economic growth stability and public budget balance. Consequently, until the EU accession, the problem of income distribution was not given much attention in the policies adopted by the subsequent governments. Changes in this area were not made until EU accession and the resulting implementation of the principle of subsidiarity and Community social and economic cohesion policies under the Lisbon Strategy.

The first decade of the EU membership revealed the problems resulting from a diffusion and polarised development model. Simultaneously, the problem of the irrational and unjust state and the division of Poland into two distinct regions (modernised metropolitan areas and excluded regions in terms of their economic and social advancement) remained unsolved. Expectations with regard to narrowing regional gaps are not fulfilled. Employment rates remain low despite huge numbers of emigrants for economic reasons. Disparities between much higher productivity and compensation levels increase, leading to the violation of fair wage principles. The system of the effective control of public transfers does not function. The recipients of public transfers are not always those who really need them but often those who know how to find access to them, or those who operate in an informal economy.

The paper aims to present social inequality in Poland over the period of 25 years of the process of transformation, market development, and the implementation of EU social and economic cohesion policies in the period of the last dec-

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ade. This analysis is presented in the context of Poland's changing positions in the rankings of market development and economic growth. The results of empirical studies provide a basis for formulating recommendations for growth-oriented economic policies aimed to reduce income and social inequality.

POLAND IN THE WORLD RANKINGS OF MARKET DEVELOPMENT

The results of the transformation process in Poland from the perspective of the development of markets, reflected in doing business index (competitiveness and quality of business environment), as well as economic freedom (Table 1), are unquestionably positive. All global rankings position Poland as a country which is catching up with EU27 and OECD nations, but still representing average levels of competitiveness, and a country shifting from traditional economic structures towards an innovative economy. According to the competitiveness business index of the World Economic Forum (based on Porter's methodology), Poland advanced from the 60th position in 2004 to the 42nd position in 2014. As a result, among former centrally planned economies – the EU signatories, Poland ranks behind the Czech Republic and Estonia.

Table 1. Poland's position in world rankings of market development

Indicator	Source	Year	Number of countries examined	Position of Poland
Global Competitiveness Index	www.weforum.org, (data access: 01.09.2015)	2004 2014	104 144	60 43
Bertelsmann Transformation Index	www.bertelsmann-transformation-index.de, (data access: 01.08.2015)	2003 2008 2014	116 125 117	7 11 5
Index of Economic Freedom – Heritage Foundation	www.heritage.org, (data access: 25.07.2015)	2004 2005 2007 2009 2011 2014	123 127 157 179 179 178	71 78 87 82 68 50
Project Doing Business, World Bank	www.doingbusiness.org (data access: 01.09.2015)	2006 2009 2012 2014 2015	155 183 183 189 189	54 72 62 45 25
Corruption Perception Index Transparency International	http://cpi.transparency.org/cpi2013/ (data access: 30.11.2015)	2001 2004 2005 2009 2013 2015	91 146 159 180 177 167	45 69 74 49 38 30

Source: own study.

The index of economic freedom, which reflects a national economy's compliance with liberal principles (created by *The Heritage Foundation* and *The Wall Street Journal*), positioned Poland No. 71 (2004). In 2014, Poland advanced to the 50th position among 183 countries. Before the outbreak of the 2006 crisis, the World Bank's Doing Business Project ranked Poland No. 54, while in 2014 No. 45 among 178 countries.

The development of markets is accompanied by real convergence, measured by GDP per capita, or the Human Development Index (HDI) (Tables 2 and 3). It should be noted that if average real convergence dynamics in terms of GDP per capita were close to values achieved in 2004–2014, Poland would narrow its GDP per capita gaps in relation to Germany's economy by a mere 5% in one decade. It implies that the catching-up process (GDP per capita) would take as many as 55 years (assuming an overoptimistic scenario of the economic growth rates in the two countries remaining at the present level)[2].The slow real convergence process is based on the transfer of technologies, leading to unequal innovativeness potentials. It results in very low levels of internal innovativeness – mainly based on human capital resources – and a weak tendency to implement domestic innovations or strengthen business – R&D cooperation [Bal-Woźniak, 2012, pp. 227–232]. Moreover, all these phenomena contribute to social inequality and pose a threat of 'middle income trap'.

Table 2. GDP p.c. Poland, the EU and the CIS in 1990–2007 (USD at PPP, constant prices of 2000)

Country	GDP p.c. (USD)				Average annual growth of GDP p.c. (%)				
	1990	2004	2008	2012	1990–1995	1996–2001	2002–2007	2008–2012	1990–2012
Poland	5976	13003	18021	22783	2,3	4,7	4,5	3,4	3,8
Ukraine	6806	6075	8439	8478	-12,3	0,0	7,4	-0,6	-1,4
EU-15	17395	32002	39486	41365	1,8	2,8	2,4	-0,2	1,8
EU-7	9598	16153	22894	25013	-4,4	4,3	6,5	-0,4	1,6
EU-27	14520	25602	31967	34164	2,1	3,7	2,7	-0,6	2,1
OECD	16298	28408	34114	36804	2,3	3,0	2,5	0,5	2,1

EU-7: socialist countries that joined the EU in 2004 without Poland

Source: Own calculations based on World Bank data: http://data.worldbank.org/data-catalog/world-development-indicators, (data access: 23.06.2014)

[2] The neoclassical growth theory (R. Solow) shows that with increasing income level of GDP p.c. the gains become smaller, and thus real convergence and slower. A detailed description of the dynamics of real convergence, and in the sphere of Polish regulations in relation to the EU-15, post-socialist countries of the EU and CIS. See: [Tokarski, 2013, pp. 593–622].

Table 3. The level of HDI for Polish and Ukraine against OECD countries, EU-15 and EU-7

Coun-try	1980	1990	2000	2005	2008	2012	Difference 2005-1990	Difference 2012-2005	Difference 2012-1990
Poland		0,683	0,778 (40)	0,798 (39)	0,811 (37)	0,821 (37)	0,115	0,023	0,138
Ukraine		0,714	0,673	0,718	0,736	0,74	0,004	0,022	0,026
EU-15	0,753	0,800	0,858	0,881	0,889	0,893	0,081	0,012	0,093
EU-7	0,692	0,725	0,789	0,828	0,842	0,845	0,103	0,053	0,156
OECD	0,694	0,736	0,782	0,809	0,822	0,831	0,073	0,022	0,095

In brackets position in the ranking

Source: own study based on data from UNDP, http://hdr.undp.org/ (data access06.05.2014). Polish data for1990 years taken from: [Woźniak, 2012, p. 337].

Since 2008, as a result of the severe impact of the economic crisis on the development of most EU-27 countries, especially in southern Europe and the Baltic States, and the absence of recession in Poland, the process of narrowing development gaps in our country has been accelerated. However, it is not the case of Germany (Fig. 1 and Fig. 2).

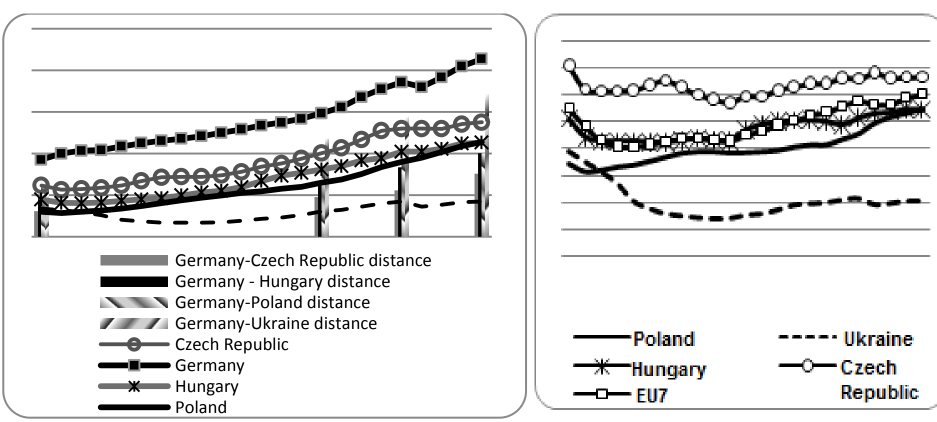

Figure 1. GDP in selected countries in USD by PPS, current prices and GDP pc. EU15 =100

Source: Own calculations based on World Bank data, http://data.worldbank.org/data-catalog/world-development-indicators (data access: 23.06.2014).

The following question arises: how does the process of narrowing development gaps in terms of GDP per capita translate to the personal development of individuals? GDP is an aggregate which does not comprise all the values that constitute individual development goals. Such values include not only economic factors, but also those which relate to social recognition, decision-making authority, empowerment, natural environment, family well-being, spiritual development, etc.

GDP components contribute to achieving these values, but their distribution tends to be unequal. Therefore, principles for distributing generated value cannot be disregarded in the assessment of economic systems, especially those related to harmonised development in all spheres of human existence – they can impact on an increase in GDP in various ways and, consequently, affect the achievement of goals in the particular spheres of human existence. In this context, Poland's economic development is characterised by numerous adverse trends which accompany the transformation process.

THE PICTURE OF INCOME INEQUALITY

The dual transformation shock resulting from systemic changes and macroeconomic policy standards derived from the Washington Consensus, and the risk of a public finance crisis threatening the Polish economy led to disregarding such issues in the 1990s as social governance, especially income inequality, corruption, health care systems, education, work-life balance, depopulation, and successful ageing. In the 21stcentury, in the period preceding accession to the EU, a lesser role played by social policies resulted from the expected substantial costs of accession to be incurred by central budgets. The implementation of social policies was also hindered in the initial period of membership by contributions to the EU budget (approx. EUR 2bn annually), 20–25% national contributions to projects financed by structural funds, as well as the deferred benefits of structural and cohesion programmes. These conditions led way to increasing income inequalities and the percentage of population living at subsistence level. Also, official (statutory) poverty levels were very low. From the beginning of the transformation process until Poland's EU accession, income inequality (measured by the Gini coefficient) increased and relative poverty rates deteriorated, getting closer to EU-15 average values. According to official statistical data (Central Statistical Office, Eurostat),the Gini index almost doubled from 0.23 in 1990 to 0.345 in 2005, declining slightly in later periods (0.324 in 2011), but still exceeding average weighted values in EU-27 (0.307) by 5.5% (Fig. 2).

The general process of increasing income inequality was accompanied by a rapid rise in registered unemployment rates (from 6.5% at the end of 1990 to 20% in 2003). This negative process came to an end after accession to the EU and the beginning of economic recovery. Registered unemployment rates fell to 9.5% in 2008, rising again to 13.4% in 2013 as a result of the financial crisis. Interestingly, decile groups recorded a much higher level of diversity.

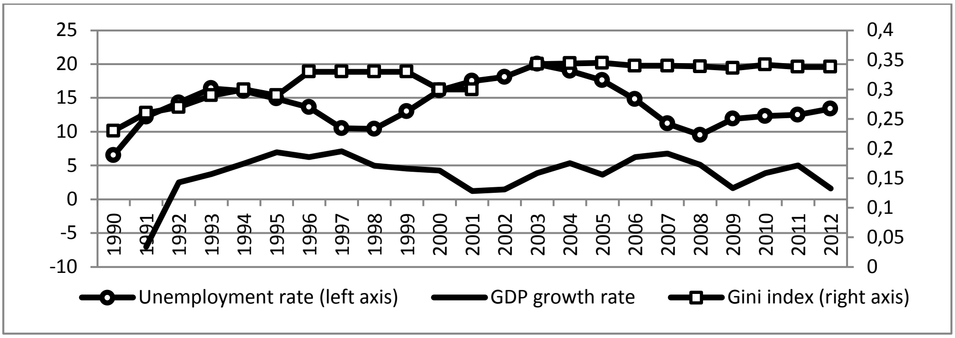

Figure 2. Rising rates of registered unemployment, GDP and Gini index in Poland in 1990-2012

Source: own study based on data from the World Bank, http://data.worldbank.org/data-catalog/world-development-indicators(GDP); CSO: Gini coefficient: Household budgets survey in2012, GUS,Warsaw2013 and the issue earlier, the unemployment rate-http://stat.gov.pl/obszary-tematyczne/praca-wynagrodzenia/bezrobocie-stopa-bezrobocia/stopa-bezrobocia-w-latach-1990-2014,4,1.html, (access06/23/2013).

In 2005, the income of the wealthiest 10% of the population was 12 times as high as the income of the 10% poorest. After 2012, this proportion changed – the income of the wealthiest decile group was 7.81 higher than income levels in the poorest decile group. As a result, income gaps between the poorest and the wealthiest deciles decreased as compared with average weighted values for EU-15 (8.31).

The income of the first decile (the poorest 10%) accounted for 4% of total income (1990), and by 1995 it had decreased by 50% – a similar level to that in EU-15. Consequently, the income of the first decile in Poland accounted for 3.1% (2012), and in EU-15 – 2.9% of total income. Simultaneously, the income of the 10% wealthiest accounted for nearly ¼ of total income (24.2%). This process is clearly reflected in the relations between the tenth and the first decile group (Fig. 3).

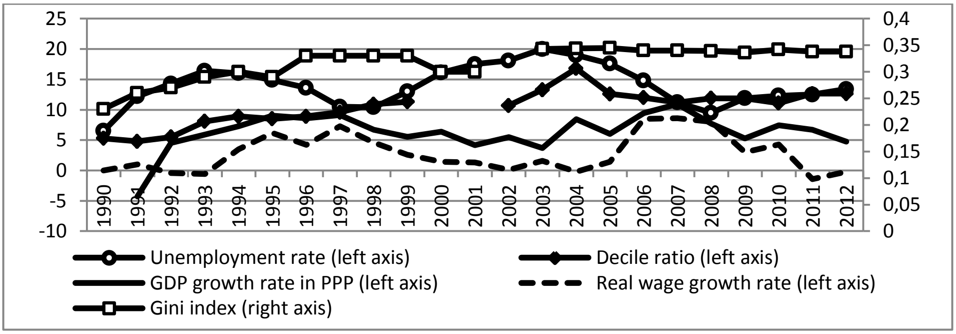

Figure 3. Selected ratios of social and economic incoherence

Source: Own calculations based on World Bank data, access: 23.06.2014, http://data.world bank.org/data-catalog/world-development-indicators, the Gini coefficient and the decile ratio based on GUS: *Household budgets survey in2012*, GUS, Warsaw2013 and the earlier editions.

An unprecedented increase in income gaps, as compared with other new member states, deepened poverty and social inequality. It led to the adoption of passive measures and, consequently, to pushing GDP values below its actual potential, adversely affecting the macroeconomic indicators of economic growth. Before the outbreak of the crisis, relative poverty in Poland was experienced by 9%–17% of its population. Higher rates among EU-27 countries were recorded only for Bulgaria and Romania. It should be noted that deepened inequality was not compensated for by an increase in GDP per capita. This general trend was changed after EU accession, when a new social policy recognised poverty as the absence of purposeful life, resulting from insufficient economic resources.

It can be inferred from Fig. 4 that the worsening poverty rates were accompanied by an economic recession or stagnation. Economic growth, however, did not reduce poverty rates. This process was counteracted by political measures, which is confirmed by economic trends after EU accession. However, a decrease in poverty levels was attributable to statutory standards. Inter-sector compensation gaps were narrowed, while inequalities among *powiats* (administrative territorial units), measured by the Theil index[3], continued to rise [Bartak, 2014, pp. 220-223]. The observed processes confirm the thesis that ”frustrating inequalities”, which encourage adoption of passive measures, resulted in lower GDP growth rates. Simultaneously, the implementation of EU social policies resulting from the priorities set out by the Lisbon Strategy was not very effective. It is reflected in increasing disparities in Polish voivodeships in terms of economic and social advancement, as well as in deepening social and economic incoherencies in these regions [Jabłoński, Tokarski, Woźniak, 2012, pp. 332-374].

The adopted transformation concept and policies were not the only factors determining relations between economic development indicators and social inequality.

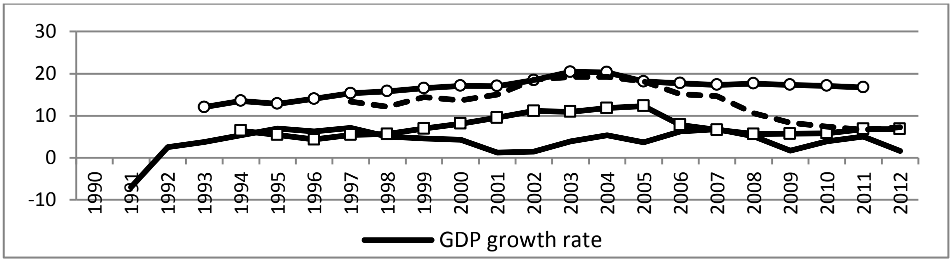

Figure 4. GDP growth rates and poverty rates

Source: own study based on data from the World Bank (GDP) and CSO(poverty rate) quoted for: [Szarfenberg, 2012]

[3] Theil’s coefficient is used to measure entropy. It provides information on the degree of the dispersion of a given structure in relation to an ideal pattern. In the case of income inequality, this pattern is represented by egalitarian distribution of income for which the value is zero, while the elements of the analysed structure can be represented by income dispersion in powiats (regions), sectors, etc. The higher the value of the coefficient, the higher the level of income dispersion. See: [Theil, 1967].

Economic policies mainly result from a national economy's response to development challenges and threats. The perception of these development challenges and threats resulted from the lack of understanding of the state's inefficient management of development processes (confirmed by the period preceding the year 1990), and from underestimating market inefficiency in such areas as income distribution and the local context of development processes, especially with regard to human and social capital characteristics, and autonomous adjustment processes related to values and informal institutions. Exogenic factors also generated new sources of social inequality. Major exogenic factors include (also in the past) the following phenomena:

- Building competitive advantages, freedom from social and temporal responsibility, and systemic changes which eradicate the sense of belonging to a specific cultural heritage,
- Marginalisation of state functions and social policies, creation of hyper consumerism financed by bank credit [Barber, 2009], the society of the spectacle [Debord, 2006], and citizens freed from moral principles.

Economic entities subjected to a shocking transformation process resorted to passive measures, expecting changes in social and economic policies. The absence of such changes resulted in a slow process of adopting pro-active measures, which was inevitably accompanied by the exclusion (from modernisation activities) of social groups advocating traditional values, jobless people and large families. These phenomena slow down economic and social development. It is confirmed by the values of indices published by UNDAP reports – HDI (Human Development Index) and Gini-adjusted index (IHDI). In 2012, social inequality lowered HDI values by 10.9% (in Poland), in EU-7 countries (former centrally planned economies which joined the EU in 2004) by 8.5%, and in EU-15 by 9.1%. Poland's position in this ranking is very low among other EU member states.

The above processes inevitably lead to chaotic, unstable, and polarising development. Poland, similarly to other countries, was affected by these processes, and their impact varied depending on the scope of ”xero modernisation”, derived from development standards and policies as well as systemic changes recommended by the IMF and the World Bank – the institutions representing the interests of transnational corporations and financial markets – justified by a theoretical consensus of mainstream economics. It can be proved, however, that reasonable policies could have counteracted the natural process of deepening “frustrating inequality”, enhancing the effect of ”activating inequality”. The former category of inequality can be exemplified by the Czech Republic, where Gini-adjusted HDI in 2012 decreased by a mere 5.6% (in Poland by 10.9%), and Nordic countries, while the latter category is represented by China and its staggering high increase in GDP over the recent years. China's success, however, has been achieved at the cost of high inequality levels, lowering HDI values by 28.6% in 2012.

The mechanistic transfer of development patterns is not a good practice. It poses a threat of ignoring unique development drivers, especially those related to adopting pro-active measures adjusted to development challenges and threats. Such drivers should be given consideration in developing growth-oriented strategies aimed to reduce social inequality, while economics should provide guidelines and appropriate institutional tools developed on the basis of business practice and theory.

A WAY OUT – RECOMMENDATIONS

The representatives of mainstream economics often claim that income flows between the rich and the poor contribute to capital accumulation and economic modernisation, increasing productivity and GDP rates. Increasing outputs are beneficial not only for those who have the ability to effectively use their available resources. Improvements are made in such areas as living standards, the quality, availability and diversity of goods and services, and the productive engagement of human potential and its resources. In this approach, income inequality is an economically justified cost of modernisation and general prosperity.

However, the above considerations disregard the fact that negative freedom can result in excluding entire social groups from modernisation processes, jeopardising long-term GDP growth and its stability. Inequality leading to poverty results in the asymmetric distribution of the possible benefits of this freedom. In order to benefit from freedom, it is indispensable to achieve a state of functioning which enables people to act as independent individuals and thinkers who pursue their desires and assume responsibility for their choices, and who are able to explain their purposefulness [Sen, 1992; 2000].

The question arises whether the institutional governance in which individuals are not provided with appropriate nutrition, health care and free movement opportunities, and who are deprived of respect and dignity, and whose emotionality is manipulated in the name of political, business or bureaucratic interests can still guarantee their free choice and active participation in modernisation processes. It is clear that in such cases equal rights do not protect people against unfair social inequality. Instead, they provide incentives for wasting human and social capital potential that could be used to face development challenges and threats, to improve life quality and increase economic competitiveness.

Solving the problems of unfair social inequality should be based on the awareness of its multidimensional impact on economic development and its dependence on whether it leads to pro-active or passive measures. Hence the need for differentiating between frustrating and activating inequalities. The state should make all possible efforts to eliminate frustrating inequalities and, consequently, to encourage positive micro- and macroeconomic activities enabling individuals to achieve specific functional conditions for participation in modernisation processes. The effective use of positive freedom – which implies an individual's free choice and responsibility for this choice as well as the ability to explain its purposefulness – requires the state's co-participation in the process of ensuring people's good health, providing them with high quality knowledge, and ensuring their mobility, respect and dignity. A free market economy and a liberal minimal state are not capable of providing all these opportunities. The contemporary wave of globalised liberalisation encourages the internationalisation of monopolistic capital. A free market economy acts as a capitalist system of financial, industrial and trade mega-alliances. Economic policies and institutional reforms are subjected to the interests of mega-corporations.

Also, the process of achieving social goals should be based on the awareness of the fact that counteracting social inequalities must be linked with facing the challenges of a new type of competition encouraged by globalised liberalisation. This new type of competition requires developing an economy based on innovation, i.e. modernisation through increased creativity and entrepreneurship as well as through activating the inner potential for innovation. It necessitates adoption of new systemic institutional solutions and new social policies for encouraging self-responsibility, increasing employment activities, and investing in human capital and family-oriented policies.

Since the EU accession, the convergence policy has evolved towards development- and investment-oriented policies. However, these policies are currently driven by the EU and central budget funds which will not be available in the future. Without access to these funds Poland is likely to face 'a middle income trap' and the risk of deepened economic, social and spatial incoherencies. The problem of social inequality is likely to arise again. Consequently, it will be necessary to activate internal development mechanisms at regional and local levels, focused on integrated development – effective instruments for supporting self-responsibility, intra- and intergeneration responsibility as part of a development vision and strategy comprising all spheres of human existence (Fig. 5), and based on a coherent institutional system.

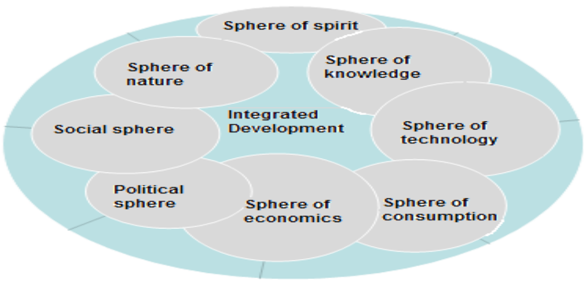

Figure 5. The areas of integrated development – significant for programming the process of reducing inequalities

Source: own study.

It implies the need for redesigning institutional governance, including a territorial system for the effective management of integrated management – not through distributing external resources but, in the first place, through integrating, supporting and stimulating the three pillars of responsibility. This redesigning process should be based on the above 8-sphere development area matrix, and it should aim to achieve synergy effects resulting from the allocation of necessary resources for achieving development goals in the particular spheres.

Long-term and sustained economic growth cannot exclusively rely on market-oriented reforms. On the one hand, such reforms are prerequisites for arousing a sense of self-responsibility for individual well-being, and for eliminating incautious and ineffective decisions. On the other hand, they provide opportunities for benefiting from competitive advantages, and they result in information asymmetry and insufficient competences, reducing an individual's ability to make free choices and cautious decisions. Sustained economic growth is not possible when systemic solutions lead to frustrating inequalities which, in turn, encourage adoption of passive measures. It is confirmed by the recent financial crisis, which started in the real estate market and led to a general aversion to take credit risk. Reduced revenues and demand led to a recession which was to be counteracted by government monetarist intervention. It escalated public debt, but did not give rise to significant changes in demand and supply [Woźniak, 2012, pp. 205–212]. All these processes lead to frustrating inequalities which result in deteriorating labour market conditions - rising unemployment rates, unsatisfactory working conditions and lower wages, as well as an increased number of migrants for economic reasons, especially among young well-educated people. This process ultimately leads to worsened outlooks for economic growth and the achievement of social coherence goals.

In the conditions of radical restrictions in the area of growth-oriented economic policies a key role is played by labour market reforms, the issue of minimum and fair wages, counteracting the paradoxes of human capital development through higher education reforms, and institutional changes adjusted to the needs of integrated development.

With regard to higher education, the baby-bust period provides an opportunity for consolidating and transforming higher education institutions into learning organizations and R&D centres. The great significance of such a process also results from the fact that high quality human capital is a grassroots driving force in narrowing gaps and harmonising all spheres of human existence. However, it requires investing in educational and research activities aimed to eliminate the paradoxes of human capital development [Woźniak, 2013, pp. 191–230] in order to adjust human resources and their quality to the needs of an innovative economy. It is necessary to promote competences based on holistic thinking, which allows for benefiting from the appropriate allocation of resources to particular spheres of human activity, as well as increases the awareness of threats to life quality in connection with the manipulation of human emotionality. The elimination of such human capital deficiencies requires the use of autoreflexive competences which facilitate good understanding of human psyche and its limitations. This process and decision-making can be supported by behavioural economics and psychology, as well as by giving priority to those incentives and institutions which enable people to make decisions in support of their long-term interests, and in compliance with intra- and inter-generation responsibility principles. It should be noted that such competences are indispensable to the proper functioning of a civic society and to exercising control over those groups which allocate resources to specific programmes within the framework of integrated development.

Recommendations for labour market active policies – focused on job search and employment consulting, job centre activities and professional trainings – play a significant role only in solving current problems – on condition, however, that markets create new jobs. Apart from such activities, it is necessary to create a new strategy for educational development which would offer real opportunities for adopting pro-active measures and for the participation of university graduates in creating the labour market. This strategy should set the following goals:

- incorporation of education into market structural networks and their new organization, focused on independent, critical and creative thinking, an ability to compete and cooperate, and consideration given to all spheres of human existence,
- promotion of methodological holism and the necessity of prospective, strategic, integrated and interdisciplinary thinking,
- development of continuous learning in accordance with holistic paradigms,
- education focused on understanding the benefits of self-responsibility, social responsibility and the culture of partnership.

The implementation of this strategy must be supported by the state, but not only through providing funds for education (apart from the public sector, other participants can be represented by the business sector and families). All these entities benefit from human capital investments. These benefits should be estimated and determine particular contributions to formalised education. These activities could be accompanied by pro-family policies – tax allowances determined on the basis of the number of financially dependent family members under age, tax incentives or education loans (they could be refunded on condition of beneficiaries' internships in companies operating in the Polish territory, enabling them to repay such loans with personal income tax payments).

Of equal importance in this context is the problem of regaining social confidence through rebuilding a fair state system, free from corruption and not focused on temporary political gains. Institutional changes cannot free government bodies from their responsibility for transforming the organised workforce into the precariat – working people deprived of their negotiating authority, blamed for uncertainty, unpredictability, instability and low wages in flexible labour markets[4], subjugated citizens, and the easily manipulated society of the spectacle.

The engagement of economic entities in creating innovative competences for integrated development requires the support of institutions which promote technological innovation, knowledge accumulation, property rights protection, and guaranteed profits for innovators – to contribute to technological advancement.

Another issue to be included in the area of modern social policies is the paradox of higher income levels being accompanied by increasing poverty, which has an adverse impact on demand and leads to the exclusion of large social groups from the process of economic modernisation.

Poland is still among the EU's poorest countries, and work in Poland does not protect people against poverty [CBOS, 2008]. Lower than average wages before the outbreak of the crisis were earned by as many as 2/3 of employees, while 16.5% of them earned wages below poverty levels. As many as 26% of children and 13% of adult population were threatened by poverty [KE, *Raport*…, 2008]. Currently, marginal income gaps, measured by the decile ratio, have similar values to those in EU-27. However, they increased 12-fold as compared with 1990, while in EU-15 they remained steady.

Poverty mainly threatens large families, people caring for persons with disabilities, and those who support people permanently out of work. Public funds spent on counteracting poverty should be allocated to people who cannot be blamed for their poverty. In other cases, public support should target specific groups and adopt indirect measures (being conditioned by such factors as sending children to school), and take up such forms as tax credits for working parents – not direct cash transfers for unspecified purpose.

Increasing poverty cannot be effectively counteracted without giving consideration to the multiplier effect of minimum wages and fair wages[5]. The poorest social groups mainly purchase basic commodities to satisfy the physiological and educational needs of their children – locally manufactured goods based on non-imported components. Therefore, increased income in the poorest groups leads to the multiplier effect, stimulating GDP growth, unlike in the case of the wealthiest social groups which purchase luxury and imported goods. Increased demand leads to the multiplier effects in overseas markets. Therefore, these obvious macroeconomic correlations should be given consideration in adopted tax policies, as well as insolving problems related to minimum and fair wages. Tax

[4] The precariat in Poland is also discussed in: [Urbański, 2014]. The number of employed and regularly paid people suffering from precarity is estimated at 1.4 billion (apart from people out of work, jobless and those who are not employed – 2.4 billion) [Foster, McChesney, 2014, pp. 286-298].

[5] An interesting method for setting the level of fair wages based on human capital estimations is proposed in Mieczysław Dobija's numerous publications, see: [Dobija, 2013, pp. 157-190].

policies and the related multiplier effect may contribute to GDP growth, while fair wages act as social equity instruments for reducing income inequality and, as a result of pro-active measures, contribute to development both at individual and macroeconomic levels.

The idea of fair wages cannot be questioned in the context of a new type of competition and a knowledge-based economy. A dilemma arises, however, how to combine the requirements of rating agencies with Poland's long-term development goals in carrying out public finance reforms. Focusing on the current goals of budgetary policies is not an appropriate solution. Fair wages mainly aim to harmonise economic and social development, and to integrate economic and social development targets with the requirements of a competitive system. It also results from family investment in human capital. Also, it can protect the national economy against brain drain. This interpretation of fair wages justifies the engagement of the world of business in co-financing human capital development programmes not only through education projects but also through supporting family life – families *do* contribute to human capital and its quality.

It should be noted that a compensation system which does not protect families against poverty generates social costs and leads to adverse external effects, hindering economic development. Apart from brain drain, it leads to an erosion in people's attitudes to work, business and state institutions, it creates the culture of dependence on social aid programmes, increases crime rates, promotes antisocial attitudes, and increases tax burdens in connection with government expenses on social schemes. Continuous violations of fair wage principles result in unfair competition in the labour market and disparities between compensation and productivity, ultimately leading to decreasing the role of national consumption demand as a driver of economic growth. In 2000-2007, profits in the private sector rose by 26%, while labour unit costs decreased by 15%. Because of the decreasing bargaining power of employees in 3-party negotiations after the outbreak of the crisis, a growing disparity between increased productivity and compensation levels could not be eliminated. In the context of low employment rates in Poland it is not surprising that brain drain rates are high, and Polish emigrants are not inclined to come back to their homeland despite the severe effects of the financial crisis in the Euro zone.

The barriers to integrated development, discussed in this paper, as well as the proposed improvement measures require further in-depth studies and analyses which should also focus on the barriers to the development of all spheres of human existence, including such issues as inequalities resulting from the irresponsible management of natural resources, unethical consumption, unfair trade, inefficient bureaucratic procedures for creating social and economic cohesion, promoted by the European Commission, etc. Integrated analyses require the participation of interdisciplinary teams of researchers as well as public and open debate, free from ideological prejudice. Such a debate is likely to be inspired by the Plan for Responsible Development, announced on 18th February by deputy Prime Minister Morawiecki.

A common area of issues undertaken in public debate on state and economic reforms, which also underlines their usefulness, is the natural goal that every individual has – the quality of purposeful life. The achievement of this goal is based on the particular functions of all spheres of human existence (Fig. 1). It indicates that the mission of the state and its bodies should be to improve the quality of life of all individuals, according to their will and regardless of their status. Only then can this mission be accepted by all citizens. It also implies the need for identifying, in continuous social discourse, the functions of development goals for various social groups, pertaining to the particular spheres of human existence and related values. It is a prerequisite of well-targeted reform activities, including legal regulations and the country's constitution. The 8-sphere development goals matrix, proposed in Fig. 1, seems to be an appropriate tool for organizing a reasonable parliamentary, media and social debate.

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Summary

The paper presents the process of changes in income inequality in Poland in 1990–2014. The author believes that counteracting increasing inequality should be based on social policies focused on those forms of inequality that lead to adoption of passive measures. The paper also identifies instruments which are effective in reducing social inequality as well as improving life quality in all spheres of human existence.

Keywords: inequality, Polish economy, integrated development

Fundamentalne charakterystyki nierówności społecznych w Polsce w kontekście rozwoju gospodarczego

Streszczenie

W artykule zaprezentowano proces zmian nierówności dochodowych w Polsce w latach 1990–2014. Dla przezwyciężania procesu narastania nierówności dochodowych wskazano na potrzebę koncentracji polityki społecznej na ograniczaniu nierówności powodujących dostosowania pasywne. W artykule wskazano również na narzędzia przydatne w przezwyciężaniu nierówności społecznych sprzyjające równocześnie podnoszeniu jakości życia we wszystkich sferach bytu ludzkiego.

Słowa kluczowe: nierówności, gospodarka Polski, rozwój zintegrowany

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