

## Differentiation of the standard of living of families in countries of the European Union

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### ABSTRACT

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The EU enlargement in 2004 and 2007 for the new Member States has influenced the social and economic situation of households in the EU countries, especially the newly admitted ones. Processes of adaptation to the new situation were expressed, among others, in the acceptance by the communities of countries with a lower level of economic growth the consumption patterns shaped in the countries with a higher level of development. This consumption model was based on the level and structure of spendings, which the households intended to meet their food and non-food needs.

The analysis covers the period 2004-2011 and aims at showing whether and how the consumption patterns in the households of the EU-27 have changed, especially in the countries joined in 2004 and 2007. The changes in consumption patterns in households have expressed in the improving of the living standard in the years 2004-2011, mainly in the newly admitted countries, that “catching up” in terms of standard of living, housing, transport, etc. countries with the longer membership in the EU.

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### Introduction

The transformations that have taken place after the EU enlargement with new Member States in 2004 and in 2011, had a significant impact on the social and economic situation of households sector of the EU countries, especially new ones. Processes of adaptation to the new situation have expressed themselves e.g. in adapting consumption patterns by Polish society that were shaped in countries of higher level of development. In a situation where generally supply exceeds demand, for some part of families availability of many goods and services is limited due to the low level of their income. This determines the volume and structure of expenditure, which establishes the strategy of family functioning and shapes their consumption patterns through the levels and stages of meeting their needs [Kołodziejek, Zielińska, 1989].

In the literature of the subject, the consumption expenditures rather than actual income are more and more often indicated as an indicator of the standard of living of the population. Expenses are, in fact, a more reliable indicator than the income declared by the family, for

instance, on the grounds that they are characterised by lower degree of underestimation than the income.

The purpose of the analysis is to answer the question, whether and how the EU enlargement with ten states in 2004 and a further two in 2007 has changed the consumption pattern of their families. This pattern is determined by the level and structure of households expenditures on meeting the food and non-food needs. The analysis covers the 2004-2011 period and was based on data published by Eurostat and the statistical publications of the EU countries.

The expenditure structure was taken as the primary determinant of family consumption pattern, while groups of households that implement the given pattern, were classified according to the share of expenditures on food in expenditures in total. Consumption expenditures depend on the level of income. Low level of income allows for the implementation of the basic needs necessary for life, namely the implementation of the basic consumption pattern. Along with the increase in incomes, households extend the scope of needs met to higher-order needs, which points to the implementation of secondary consumption pattern. Basic needs include mainly food and clothing, housing and health care. While, the needs in the field of education, culture and entertainment are higher-order needs that are met only after fulfilling basic needs at least within satisfactory scope. There is a regularity, which shows that as the incomes increase the share of expenditures on food declines, the share of expenditures on rent, fuel and clothing is relatively stable, but the share of higher-order expenditures increases<sup>1</sup>. This allows to indicate which consumption pattern do the families implement. The high share of expenditure on food in total expenditure indicates that the implemented consumption pattern is based on meeting basic needs. On the other hand, decreasing share of expenditures on food in total expenditures and increasing share of expenditures on non-food, communicates on the implementation of the consumption pattern at increasingly higher level than primary, thus indicating a gradual improvement in the living conditions of the family.

When characterising the family consumption pattern based on the level and structure of expenditure, it should be noted that it is structured not only by the level of income, but also subjective human needs and geo-climatic conditions that differentiate the costs of some needs (e.g., the cost of home heating will be higher in the countries of the Central and Eastern Europe than the Southern Europe).

## **GDP and private consumption in the Member States of the European Union**

Wealth of a country or region measured with its GDP per capita is one of the determinants of the levels and patterns of life in households. However, the level of this indicator differs considerably across the Member States of the European Union. In 2011, the value of GDP per capita, expressed in PPS<sup>2</sup> amounted on average to EUR 25,200 in the EU-27, and in individual countries – from EUR 11,600 in Bulgaria to EUR 68,100 in Luxembourg. Thus the spread is significant, almost 6-fold. The evaluation performed from the perspective of this indicator

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<sup>1</sup> The relationship between income and expenditures of the population structure is defined by the Engel right.

<sup>2</sup> PPS – purchasing power parity used to convert the national currency into artificial common currency, whose unit is a Purchasing Power Standard (PPS). The value of one PPS equals the number of currency units in a state equivalent to EUR 1 on domestic market taking into account the relative prices in a state to the prices in other states participating in the comparison. Expressing the GDP and its main components in one artificial common currency, by eliminating the effect of price differences, enables direct comparison of GDP volumes in all states participating in the survey.

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shows that Bulgaria is the poorest country in the EU, and Luxembourg is the wealthiest one. In case of Luxembourg, the very high level of GDP per capita may be explained by the fact that it employs tens of thousands foreign workers, mainly from three neighbouring countries: Germany, Belgium and France, that make a contribution to its GDP, but are not counted among its inhabitants. Therefore, to get a more realistic picture of wealth differences between the EU countries we need to use for the comparison, a different country than Luxembourg, the country that ranked second in terms of GDP per capita in 2011, namely the Netherlands (GDP amounted to PPS 32,900 per capita) In this case, the spread is reduced by half, to almost 3.0 times [Eurostat, 2012].

In the whole population of the Member States of the EU-27 the GDP per capita (expressed in PPS per capita) was significantly higher in the so-called “old 15” than in countries that joined in later. In 2011, the GDP level above the EU average was noted in 11 countries – all of the “old 15”, but it is very diverse group of countries. The GDP level was higher than the EU average by 171% in Luxembourg, 31% in the Netherlands, while in France only by 8%, and in Italy it was at the average level. Other countries were characterised by the value of GDP below the EU-27 average. This group consisted only of three countries of the “EU 15” – Spain, Portugal and Greece, which suffered the most due to the economic crisis; the next – are all countries included in the EU structures in 2004 and in 2007. The GDP relation to the average ranged from 98% in Spain to 46% in Bulgaria. This means that the value of GDP per capita in Spain was only by 2% lower than the EU average, while in Bulgaria it was less than half.

Poland in terms of GDP per capita, in relation to the EU average, occupied the fourth place from the end, it was “ahead of” Latvia, Romania and Bulgaria, only. The value of GDP in Poland was just 64% of the EU average (Table 1) [*GDP per capita ...*, 2012].

Table 1.

**Diversity of the Gross Domestic Product (GDP) and Actual individual consumption (AIC) per capita in the Member States of the European Union in 2011**

Countries	GDP	Actual Individual Consumption (AIC)	Countries	GDP	Actual Individual Consumption (AIC)
	EU-27 = 100 (%)			EU-27 = 100 (%)	
Luxembourg	271	140	Spain	98	94
Netherlands	131	113	Cyprus	94	98
Ireland	129	101	Malta	85	84
Austria	129	119	Slovenia	84	81
Sweden	127	116	Czech Republic	80	71
Denmark	125	113	Greece	79	91
Germany	121	120	Portugal	77	81
Belgium	119	111	Slovakia	73	70
Finland	114	112	Estonia	67	58
UK	109	118	Hungary	66	61
France	108	113	Lithuania	66	70
Italy	100	101	Poland	64	69
EU-27	100	100	Latvia	58	57
x	x	x	Romania	49	47
x	x	x	Bulgaria	46	45

*Source:* own compilation based on: [*GDP per capita ...* 2012, p. 2].

After the accession of ten new countries, including Poland, and then the next two (Romania and Bulgaria), the GDP was increasing in all EU countries, but the dynamics of growth was lower in “old” countries than in new ones. The growth of GDP in the EU-15 in 2005-2011 amounted to 8.7% (from 5.9% in Italy to 16.1% in Germany and 19.3% in Luxembourg), while in the EU-27: 12.0%. Among the countries that joined the European Union together with Poland, the GDP growth was highest in our country (40.9%), high – also in Latvia, Lithuania and Slovakia (from 32.4 to 36.3%). In other countries, such as Slovenia, Cyprus, the Czech Republic, Hungary, Malta and Estonia the GDP growth rate ranged from 6.6 to 32.5% [Eurostat 2012]. Thus, the poorer the state was prior to accession, the higher rate of economic growth after the accession to the European Union it showed, which resulted primarily from the guidelines of cohesion policy of the Community aimed at equalising economic and social conditions across Member States. The highest rate of economic growth characterised the states that accessed the EU as the last ones – the GDP growth in Romania totalled 44.3%, and in Bulgaria 41.5%.

For some time, the international comparisons of Eurostat use the new index, namely *Actual Individual Consumption* (AIC) (also known as *corrected individual consumption*) expressed in the so-called purchasing power standards (PPS per capita). As the actual individual consumption concerns goods and services actually consumed by individuals, irrespective of whether such goods and services are bought and paid for by households, government or non-profit institutions, it is more suitable for comparisons of the prosperity than GDP per capita. In fact, it describes the value of goods and services consumed by households, and not as GDP does - the effects of production which do not automatically determine the level of life [*Gross domestic product... 2012*].

In general, the levels of actual individual consumption per capita are more equal than GDP. Still, there are significant differences in the value of the indicator among the European Union Member States. It stood above the average level only in eleven of the EU-15 countries, while in the other three (Spain, Greece and Portugal) and all newly joined it was below this level. The spread, advantage over the EU average and the level of actual individual consumption ranged from 40% in Luxembourg to 55% in Bulgaria and 1% in Italy. However, in other countries it was lower than the average from 2% in Cyprus to 55% in Bulgaria [Gasic, Kurkowiak 2012].

In Poland, the level of actual individual consumption (AIC) was by 31% lower than the average in the EU-27. This relationship was thus, more favourable than the level of the prosperity of the country (GDP), which was by 39% lower than the average GDP in the EU. In the ranking of actual individual consumption, as in the case of GDP, Poland also ranked fourth from the end among the 27 EU Member States, and it was followed only by Latvia, Romania and Bulgaria. It should be noted, however, that in our country there has been a greater improvement in the standard of living of households than the prosperity of the country, as indicated by the higher growth rate of reducing the distance to the EU average level of actual individual consumption (AIC) than the GDP growth rate. Household expenditures are a decisive factor in shaping the Polish position, better in terms of actual individual consumption per capita than the general prosperity of the country; the government expenditures on social purposes are much less significant in this regards. It is indicated by a high share of private consumption in GDP, which in Poland is one of the highest in the European Union Member States.

### Consumption expenditure of households and GDP

Economic and social situation of the population of the given country is to some extent reflected in the relation between the private consumption expenditures in households and the GDP. Household decision about how much of the disposable income may be intended for individual consumption is one of the most important decisions in the economy. The part of income that is not meant for consumption constitutes savings and is used to finance investment. In national accounts, expenditure on private consumption in the household sector means expenditures on goods and services that households buy and for which they pay. So they do not include certain government-paid services, such as health care or education<sup>3</sup> (Table 1).

Along with the increase in wealth of a country, the share of expenditure for consumption in GDP decreases. In countries with the highest GDP per capita, such as Luxembourg, the Netherlands, Sweden, Denmark and Ireland consumption in 2011 accounted for less than half of the GDP (from 33.3% in Luxembourg to 49.8% in Ireland). In other 22 countries expenditures on consumption realised by households accounted for more than half of the GDP (from 50.5% in the Czech Republic to 75.5% in Greece; in Poland it is 61.3%). Thus there is less for e.g.: investments, government spending, or trade, which may result, for instance, in restriction on possibilities of making structural changes in the economy, creating conditions for the development of new branches of production or weakening of the dynamics of development.

Table 2.

**The consumption spending's share of GDP per capita  
in the Member States of the European Union in 2004 and 2011**

Countries	2004	2011	Countries	2004	2011
	percentages			percentages	
EU-27	58.4	58.0	Slovakia	57.4	57.5
EU-15	58.0	57.9	France	56.6	57.7
Luxembourg	37.1	33.3	Spain	57.9	58.3
Netherlands	49.4	45.0	Bulgaria	69.3	60.7
Sweden	48.3	47.6	Poland	64.7	61.3
Denmark	48.2	48.5	Italy	58.6	61.3
Ireland	46.2	49.8	Malta	66.6	61.4
Czech Republic	50.5	50.5	Romania	69.0	62.0
Estonia	56.3	50.9	Latvia	63.0	62.1
Belgium	51.7	52.6	Lithuania	65.5	63.8
Hungary	55.3	53.0	UK	64.7	64.3
Austria	54.8	54.4	Portugal	64.0	66.3
Finland	51.3	55.5	Cyprus	64.8	67.0
Slovenia	55.0	56.8	Greece	70.3	75.5
Germany	58.5	57.4	x	x	x

*Source:* own compilation based on: [*Private Konsumausgaben ...* 2012, p. 55, Statistical Yearbook 2012, p. 871]

<sup>3</sup> Private consumption expenditure. Applied to consumption, which is a category of the System of National Accounts. It forms a part of domestic demand, that is a part of GDP that is consumed in the country.

The analysis has showed that in the 2004-2011 period, on average in the entire EU-27 there has been little change in the rate of consumption spending. Its value has decreased, in fact, only by 0.4%. At the same time, there was a certain regularity, namely in all 12 of its countries admitted to the EU in 2004 and 2007 the share of consumption spending in the GDP declined, and the decrease was most severe for the youngest EU members, i.e. Bulgaria and Romania. This means an evident improvement in economic and social situation of the countries as a result of European integration, but it is also a cause for concern, since the longer the time after accession the slower the dynamics of the “improvement”, which may extend the time for equalling living standards across Member States.

A slightly different trend occurred in the group of the “old 15” countries. The share of consumption spending in the GDP declined in 2004-2011 only by 0.1%, but there was a considerable differentiation between countries. In six countries, namely . Luxembourg, the Netherlands, Austria, Sweden, Germany and the UK, the share of expenditure in GDP has decreased. In other words, after the EU enlargement these countries not only maintained the position of affluent societies (their GDP is well above the EU average), but they even benefited on the enlargement. In the remaining nine states of the “old – 15” there was an increase in the share of consumption spending in GDP. These countries are characterised by lower levels of economic development; their GDP is below or very close to the EU-27 average. The economic and social situation of the inhabitants of these countries has deteriorated. These countries are more affected by the European crisis. The worst situation was in Greece, where the increase in the value of the share of total expenditures in GDP was the highest (5.2 percentage points)

The consequence of the large share of consumption in GDP is lower savings rate of households and the accompanying low investment rate in the country. This is not a favourable situation in the long-run. Since, low propensity of households to save increases the rate of private consumption and improves living conditions, but in the short term. While limiting investment expenditure will result in slowing down the rate of economic growth in the country. It also means fewer opportunities to increase the quality of life for future residents of the given country – this concerns also Poland.

### **Household spending and their patterns of consumption**

The level and structure of public expenditure can be taken, though with some simplification, as reflecting not only the level of family life, but also their standard of living. It should be remembered that neither the level nor the pattern of life arise solely from the economic situation of the family, but they are also created by subjectivity and cultural and climatic conditions.

In the European Union there is considerable differentiation in the level of expenditure between individual Member States, especially between the “old” and “new” members. In 2011 the average annual expenditure per capita in the EU-27 amounted to EUR 14.3 thousand. The highest level of expenditure was recorded in Luxembourg, and the lowest in Romania (greater by 8.7 times<sup>4</sup>).

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<sup>4</sup> Due to the lack of comparable data for 2011, this difference relates to 2009. In 2009 expenditures expressed in EUR thousand per capita amounted to: in Luxembourg 28.8, in Denmark 19.4, and in Romania EUR 3.3 thousand. The rate of expenditure disparities does not include Bulgaria, since the available data related to 2005. In that year expenditures in Bulgaria totalled EUR 2.1 thousand per capita.

Higher expenses and much less diversity in their level characterised the group of the "old-15" countries, where in 2011 the average total expenditures were higher than in the EU-27 and amounted to EUR 16.5 thousand, and the highest (in Luxembourg) level of spending exceeded the lowest (in Portugal) by 2.8 times<sup>5</sup>. Lower average level of expenditure in the EU-27 compared to the EU-15, as well as increase in spending disparities between the richest and the poorest countries of the European Union, shows that households in countries that have "joined" the EU in 2004 and 2007 was characterised by a lower standard of living in comparison with countries that are members of the EU for a longer time [Eurostat, 2012; Private Konsumausgaben ..., 2012].

After the accession, the "new" Member States were covered by the EU structural policy and the Common Agricultural Policy.

They received substantial financial support for the development of their economies. Agriculture and rural areas (mainly due to the CAP) underwent a recovery just like other sectors of the economy, such as construction, trade and services sectors. Economic and social situation of households improved.

This is evidenced by both higher average growth rate of spending in the EU-27 (an increase by 16.2% over the 2004-2011 period) than in the EU-15 (an increase by 12.2%) and reduction of disparities in their levels across Member States. As far as in 2004, an average inhabitant of Luxembourg allocated 9.1 times more money to meet his/her needs than an average citizen of Latvia; in 2011, the prevalence had fallen to 5.1 times, respectively: Luxembourg / Poland - a decrease by 7.8 to 5.5 times.

The amounts allocated to meet the diverse needs of the households are divided into 12 main expenditure groups in the CSO and Eurostat statistics [Household budgets 2010].

As signalled above, analysis of the level and structure of expenditure made by households in the European Union points to the differences between the standard of living of residents of individual Member States. In order to show the scale of the phenomenon, first the share of expenditure on food in total expenditure was adopted as the primary indicator of the standard of living in households which was then considered in relation to the EU-27 [see Badach, 2012; Kozera, Kozera, 2011].<sup>6</sup> In 2004 the value of this indicator formed grounds for dividing the 27 Member States into two main groups. The first one included those in which the value of the above-mentioned indicator was below the EU-27 average and the second – where it was above it. However, a group, in which the share of expenditure on food was above the EU average was divided into two sub-groups: one represented states, where the share of expenditure on food was less than 19% of the total envelope of funds allocated to meet all the needs of the household; while the second – states, where the share of expenditure on food was  $\geq 19\%$  of the total envelope of funds allocated to meet all the needs of the household.

On the basis of such criteria, it was finally possible to specify three groups of states that have different consumption patterns pointing to the standard of living of their inhabitants; these are the following groups (Table 3 and 4):

1. The first group of states is the one in which households pursue the first pattern representing high standard of living (Group 1). They are characterised by a low share of expenditure on food in total expenditure, lower than the EU average, the rate of  $\leq 12.9\%$ .

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<sup>5</sup> In 2011 expenditures (an average per capita) expressed in EUR thousand amounted to: in Luxembourg 30.7; in Denmark 20.5; in Portugal 10.8.

<sup>6</sup> E. Badach classified the EU Member States into groups according to the share of expenditures on items directly related to the subsistence of the members of the household, while A.Kozera and C.Kozera give the classification of the EU Member States according to the level of life on the basis of synthetic measure.

Nine Member States were classified in this group, all from the "old-15". They were characterised by the highest GDP per capita in all EU.

2. The second group of states is the one in which households pursue the second pattern representing an average standard of living (Group 2). In this group the share expenditure on food in total expenditure is above the EU-27 average, and it is included in a range of 13.0-18.9%. This group consists of eleven countries, including six of the so-called "old-15" and the five of the so-called "new members" that joined the EU in 2004. It should be noted, that the "old" states had lower value of GDP per capita than countries that were included in Group 1 Whereas, the "new" states were characterised by a higher level of GDP per capita as compared to other "new members" that were in the Group 3.

3. The third group of states is the one in which households pursue the third pattern representing a low standard of living (Group 3). They are characterised by high, equal or higher than 19% share of expenditure on food in total expenditure. It is above the EU-27 average. In this group, there are seven countries - all from the so-called "new members" group: five of them joined in 2004 and the other two in 2007. These countries are characterised by the lowest GDP in the EU per capita.

Table 3.

**The structure of spending, on average, in groups of Member States of the EU-27, according to the model of the family life, a designated share of expenditures on food in total expenditures**

The structure of spending in groups of the EU Member States implementing different patterns of living. formulated on the basis of the share of expenditures on food in total expenditures.													
Group of States EU-27	Years	Food and non-alcoholic beverages	Basic needs*	Alcohol tobacco	Clothing and footwear	Housing	Furnishings	Health care	Transport	Communication	Leisure and culture	Education	Restaurants and hotels
percentages													
EU-27	2004	12.8	43.3	3.6	5.7	21.3	6.3	3.5	13.5	2.8	9.5	1.0	8.8
	2011	12.9	45.4	3.6	5.3	23.6	5.7	3.6	13.2	2.6	8.8	1.1	8.6
Group 1:	2004	10.4	41.5	5.4	5.0	22.8	6.2	3.3	13.9	2.9	10.0	0.7	7.8
	2011	10.7	43.6	4.7	5.0	24.7	5.8	3.3	14.0	2.5	9.5	1.0	7.7
Group 2:	2004	15.1	43.5	4.0	6.1	18.3	6.3	4.0	13.2	3.0	8.6	1.3	10.9
	2011	14.5	45.2	3.9	5.1	21.1	5.8	4.5	12.6	2.8	8.1	1.3	10.5
Group 3:	2004	22.8	52.1	6.5	5.6	20.5	4.7	3.3	11.2	2.8	7.9	0.9	5.1
	2011	21.8	53.6	6.9	5.0	22.6	5.3	4.2	12.8	3.6	7.3	1.4	5.6

Source: own compilation based on the data from: [Eurostat, Eurostat Datenbank 2012, *Private Konsumausgaben...*, pp. 61-66]

It should be noted, however, that the proposed division of households into three groups representing high, medium and low standard of living is only a breakdown indicating significant inequities in economic and social situation across the EU Member States. In fact, on a global scale all EU Member States are rich, because in terms of social development they belong to a group of very highly and highly developed countries In 2010, the HDI<sup>7</sup> index

<sup>7</sup> *Human Development Index, HDI*; a summary composite index describing the effects of socio-economic development of individual states (hence sometimes called an index of socio-economic development). The system was introduced by the United Nations for the purpose of international comparison. The index was developed in 1990, and since 1993 it is published in annual UNDP reports.



ranged from 0.910 for the Netherlands to 0.805 in Latvia (for Poland it was 0.813), which gave the EU countries the status of very highly developed countries, with the exception of Romania (0.780) and Bulgaria (0.771), which are classified as highly developed countries<sup>8</sup>. However, if we take into consideration only the 27 Member States of the European Union, it turns out that they have not only significantly different levels of economic development and social welfare, but because of the level and structure of household expenditures, they can be further divided into very wealthy, less wealthy or even quite poor countries. At the same time, the poverty is a relative term due to the different level of the at-risk-of-poverty threshold in each country. Among all the 27 Member States due to the value of the at-risk-of-poverty indicator, in 2010 the best situation would be for example in the Czech Republic (9.0%) in relation to 15.6% in Germany, or 17.1% in the UK. However, the at-risk-of-poverty threshold in EUR per capita (expressed in PPS) is nearly half lower in the Czech Republic (only 5.8 thousand) than in Germany, 10.6 thousand and the UK (10.2 thousand)<sup>9</sup>.

The analysis for the 2004-2011 period concerning the level and structure of expenditure in the households according to three separated groups of European Union states determined on the basis of the share of expenditure on food in total expenditure showed:

- expenditures of households in that period were characterised by an increase in the share of expenditures on the basic needs<sup>10</sup> in the total expenditures in all three Groups. Despite the increase, they still remained below the average for Group 1, as in Group 2, while in Group 3 they exceeded the average. This allows to conclude that in Groups 1 and 2 compared to Group 3, after meeting the basic needs secondary needs were satisfied to a greater extent;

- considerable differentiation in dynamics of partial expenditures was noted in the group of basic expenditures. Households from Groups 2 and 3 reported a decrease in the share of expenditure on food and non-alcoholic beverages, with a slight increase in Group 1. The proportion of expenditure on clothing and footwear and on health care in the richest group of countries remained unchanged, while in the other two less well-off, there was a decline in the share of expenditure on clothing and footwear in connection with higher expenditures on health care. Due to the lack of uniform solutions related to the functioning of health care systems in the EU Member States, it is difficult to determine whether the growth of health care expenditures results from an increase in public spending or an increase in the share of private expenditures. Regardless of the method of financing, an increase in spending on health means primarily an increase in the level of health care in the society;

- the greatest burden for the basic expenditures in all groups of households was an increase in housing costs;

- despite expenditures on basic needs, households realize expenditures arising from the need for security, a better existence, personal contacts and self-realization. Satisfying these needs depends on the level of socio-economic development of the country.

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HDI index estimates countries in terms of three basic aspects: 'long and healthy life', 'knowledge' and the last one – 'decent standard of living'. Since 2010 there were created the following indexes to measure them: life expectancy; the average years of schooling by people aged 25 or older; the expected years of schooling for children starting the learning process; the national income per capita in USD, calculated with the use of the purchasing power parity of currency (PPP USD). For: *Technical notes UNDP*, 2010, pp. 1-2, 10.

<sup>8</sup> *Development Report 2011*, report published each year by the United Nations Development Programme .

<sup>9</sup> Data for 2010, the highest amount in EUR per capita (PPS), constituting the at-risk-of-poverty threshold is in Luxembourg and it amounts to 16.0 thousand., and the lowest in Romania (2.1 thousand.); <http://epp.ec.europa.eu/statistic...>

<sup>10</sup> Basic needs are: food and beverages, clothing and footwear, housing (rent, electricity, gas, water, etc.) and health care.

It should be noted that the integration improved the standard of living for most households in countries in Group 3, including Poland. The EU funds contributing to economic growth, have paved the way to meet the needs of higher-order for many families that, before the accession, did not have such an opportunity. During this period, there was a little positive change in consumption patterns of households in Group 2, and actually stagnation in Group 1.

In the analysed period, the following basic changes were recorded in separate groups of countries:

- Group 1: a high standard of living. In the budget of families in Group 1, most of the money is involved in the meeting of basic needs, in which the dominant component are the costs of housing. The furnishings play a significant role in Austria and Germany, where a greater part of the budget is allocated to this element than clothing. After satisfying the needs related to food and housing, the costs of paid transport are paid, which may result both from a desire for convenience, and it may indicate the prevalence of this form of needs. In the group of transport expenditure, more than half of expenditures are those allocated to goods and services of automotive enterprises for private vehicles. The next in turn are the needs in the field of recreation and culture. A minor role is played by going to restaurants and staying in hotels. Relatively low place is taken by expenditures on health care and education, which in the group of rich countries may be the result of government subsidies for this purpose, as a basic component of health care expenditures is the purchase of medical and fitness equipment.

In the analysed period there have been few changes in the consumption pattern of households in countries classified in Group 1, which means that they satisfy their needs at a satisfactory level. However, the weakening pace of economic development has forced some savings. Expenditure on furnishings, communication, recreation and culture, restaurants and hotels were reduced. A significant decrease in expenditures on alcohol and tobacco was reported. However, the share of expenditure on food, transport and education has increased. This behaviour of households representing a high standard of living prove the adaptation of society to slower or decreasing pace of economic growth in most of the European Union Member States. Adaptation to the current economic situation is also manifested in the above-mentioned increase in the share of basic expenditures in total expenditures, including expenditures on food

- Group 2: an average standard of living. In households in Group 2, as in Group 1, most of the money is spent on basic needs, in which the costs of housing are the dominant component. The southern states like Malta and Portugal spent less on housing, which was dictated by their location in warmer climates than that of the central or northern parts of Europe. Countries in Group 2, compared to countries in Group 1, spend less in percentage terms on recreation and culture and transport, while more or the same amount on education and health care as well as restaurants and hotels, but it should be noted that these amounts are much lower. It can be suggested that countries representing an average standard of living in the field of these needs, try to "catch up" with wealthier countries and appreciate the importance of education.

The analysis showed that in households in the countries belonging to Group 2 there were small, but more dynamic than in Group 1, changes in consumption pattern. They were expressed, above all, in the increase in the share of expenditure on basic needs, which was a resultant of cuts in expenditure on food and clothing and footwear, and their simultaneous increase as regards housing and health care. The percentage of expenditures on education remained stable. Households representing an average standard of living were more affected by the economic crisis than households characterised by a higher standard of living. Savings, which included higher-order needs, including the greatest expenditure on recreation and culture, probably meant restrictions on the consumption of food. Costs of housing turned out to

be especially burdensome; they were higher than in the other countries included in Group 1 and Group 3.

In some countries, a significant role is played by going to the restaurants and staying in hotels. This is mainly due to climatic and cultural conditions, as the highest percentage of expenses for this purpose was reported in southern countries, such as Spain, Malta, Portugal, Greece and Italy. In the remaining countries, such as the Czech Republic, Slovenia, and Hungary the value of the indicator was lower by half. In this group convenience was also a major issue, as it is indicated by the relatively high share of expenditure on transport, mainly (almost half) on the goods and services of automotive enterprises for private vehicles. The relatively high importance is assigned to the furnishings. A greater part of the budget is spent on this purpose in households, than on education and health care.

• **Group 3: a low standard of living.** In this group, the basic subsistence costs account for over half of all expenditures, and in contrast to the richer countries, the dominant component is the cost of food, as in Bulgaria, Lithuania and Romania, and the cost of housing, as in Estonia, Poland, Slovakia and Latvia. The third position, in terms of the share in the total expenditure, is taken by expenditure on transport, including the goods and services of automotive enterprises for private vehicles. Much lower is the share of expenditure on recreation and culture, health care and education, and, unfortunately, higher is also the share of expenditure on alcohol, tobacco and other drugs. Considering the low level of total expenditure in this pattern it may be suggested that in the group of countries implementing the third pattern the needs in the field of health care and education are satisfied to an unsatisfactory extent.

Analysis of changes in the level and structure of expenditure in the countries belonging to Group 3 allows to determine that in the 2004-2011 period the group of the poorest countries underwent the most dynamic changes in the consumption pattern EU-wide. They were expressed particularly in the increase in the share of expenditure on basic needs, which resulted mainly from an increase in expenditure on housing and health care and a simultaneous decrease in the expenditures on food, clothing and footwear. More was spent on transport and communication as well as restaurants and hotels, although the importance given to the needs of going to the restaurants and staying at hotels results, as in Group 2, from the cultural conditions. Indeed the highest value of the indicator was recorded in the southern country, i.e. Bulgaria. In other countries, especially in Estonia, Latvia and Lithuania, a higher percentage of funds is spent on recreation and culture, which consists primarily of expenditures on services of leisure and culture (for example, in Latvia they represent nearly half of the total envelope of the group needs) [Statistical Office of Germany, 2012]. The reason for this may be that these countries are former republics of the Soviet Union, where a system of low-cost or free holiday packages to employees and camps for children, as well as tickets for cultural events (theatre, cinema) was implemented. Now they operate in a market economy, where the above system is not functioning.

After integration with the EU the positive changes in the consumption pattern of households in the countries belonging to Group 3 include the recognition for the need of education, which can be inferred from the higher growth rate of the share of expenditure on education than in Group 1 and Group 2. The share of spending on health care also increased, which may be the result of increased prevention. Unfortunately, savings pertained to recreation and culture. It should be noted, however, that despite the positive changes in the family consumption pattern of Group 3, spending on basic needs in total expenditure is still much higher than in other Groups of countries.

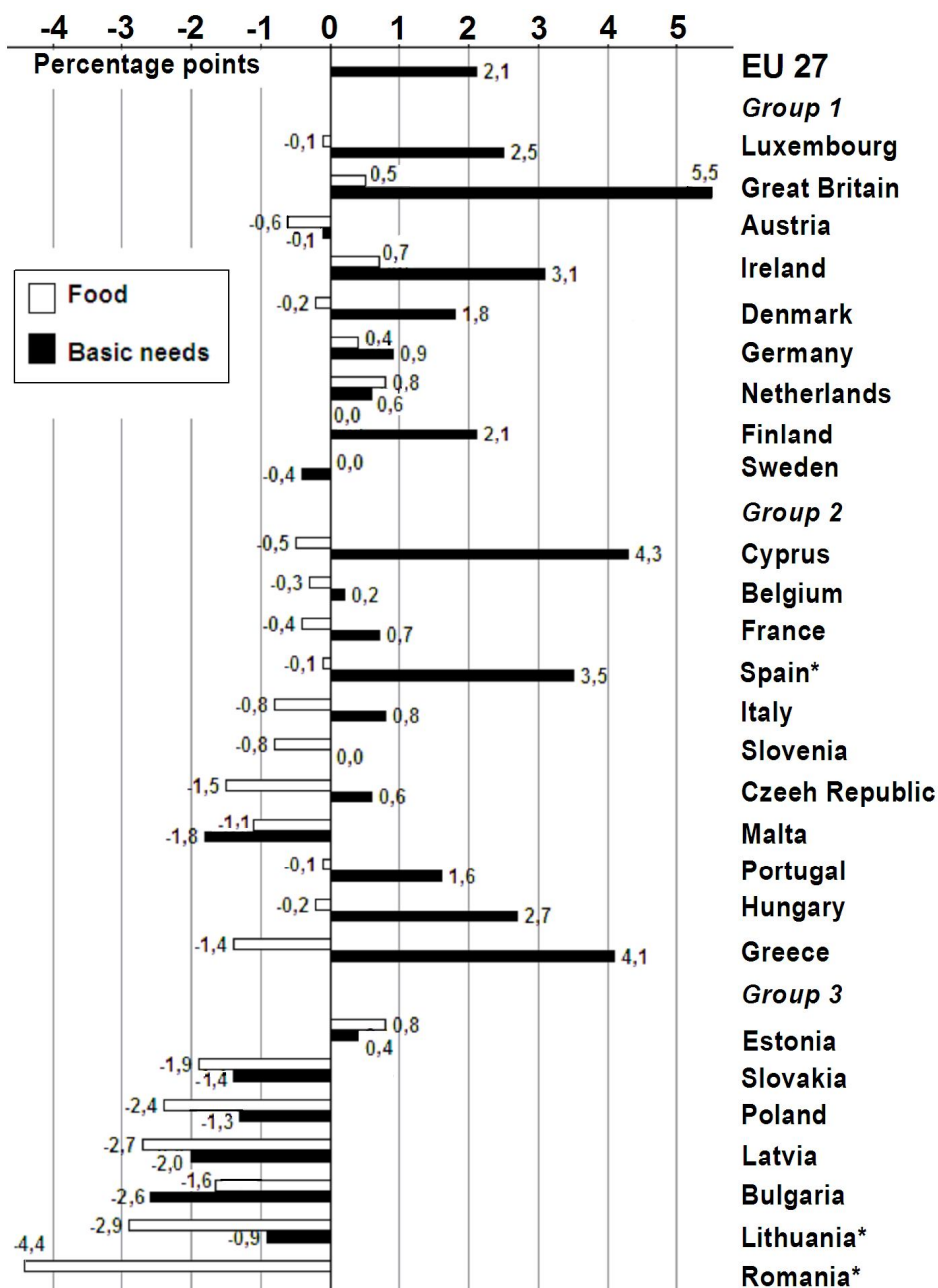
Table 4.

**The structure of spending in 2011 in groups of Member States of the EU-27 ranked, according to the model of the family life, a designated share of expenditures on food in total expenditures in 2004**

The structure of spending in EU Member States implementing different patterns determined on the basis of the value of the share of expenditures on food in total expenditures.													
EU Member States	Food and non-alcoholic beverages	Basic needs*	alcohol and tobacco	Clothing and footwear	housing	Housing facilities	health care	transport	Communication	Leisure culture	Education	Restaurants and hotels	
													2004
percentages													
Member States with a share of expenditures on food below the average in the EU-27 in 2004.													
Group 1. Member States implementing the first model representing the high standard of living.													
Luxembourg	8.6	8.5	39.0	8.4	4.6	23.9	6.4	2.0	19.1	1.7	6.9	0.8	7.0
United Kingdom	8.9	9.4	41.2	3.7	6.0	24.0	5.0	1.8	14.4	2.2	10.7	1.5	10.0
Austria	10.5	9.9	40.6	3.4	5.7	21.5	6.5	3.5	13.4	2.1	10.4	0.7	12.1
Ireland	9.7	10.4	41.3	5.8	4.4	21.5	4.6	5.0	13.3	3.0	7.4	2.2	13.1
Denmark	11.6	11.4	47.9	3.5	4.6	29.1	5.0	2.8	12.3	1.7	10.9	0.8	5.2
Germany	11.1	11.5	45.6	3.2	4.9	24.4	6.2	4.8	14.0	2.6	8.9	1.0	5.9
Netherlands	11.0	11.8	43.7	3.1	5.4	23.8	6.0	2.7	12.5	4.1	10.0	0.6	5.1
Finland	12.2	12.2	48.6	4.9	4.9	26.9	5.3	4.6	11.3	2.2	11.3	0.4	6.4
Sweden	12.2	12.2	47.1	3.6	4.8	26.9	5.0	3.2	13.3	3.3	11.1	0.3	5.6
Member States with a share of expenditures on food above the average in the EU-27 in 2004.													
Group 2. Member States implementing the second model of average standard of living (percentages of expenditures on food up to <19%)													
Cyprus	13.1	12.6	42.2	4.4	6.0	18.6	5.0	5.0	11.5	3.4	7.9	2.7	15.3
Belgium	13.7	13.4	47.9	3.5	5.0	23.9	5.7	5.6	12.4	2.1	9.0	0.5	6.1
France	13.9	13.5	46.8	3.2	4.3	25.1	5.8	3.9	14.4	2.6	8.4	0.8	7.1
Spain	14.2	14.1	43.0	3.0	5.2	20.2	4.8	3.5	11.6	2.8	8.2	1.4	16.9
Italy	15.0	14.2	46.9	2.8	7.4	22.4	7.2	2.9	12.8	2.4	7.3	1.0	10.2
Slovenia	15.6	14.8	43.4	5.4	5.5	19.4	6.1	3.7	15.1	3.2	8.7	1.2	6.9
Czech Republic	16.0	14.5	46.5	9.2	3.1	26.5	5.4	2.4	9.4	3.1	9.8	0.7	7.4
Malta	16.4	15.3	36.4	3.0	4.5	12.2	7.1	4.4	12.9	3.5	10.9	1.1	14.5
Portugal	16.9	16.8	44.0	3.1	6.0	15.3	5.8	5.9	12.6	3.1	7.2	1.3	11.2
Hungary	17.3	17.1	46.1	7.4	2.8	21.9	4.3	4.3	13.0	3.7	7.5	1.4	6.7
Greece	17.6	16.2	50.1	4.4	3.7	23.8	4.0	6.4	11.8	2.9	5.6	2.4	11.7
Group 3. Member States implementing the third model of low standard of living (percentages of expenditures on food up to ≥19%)													
Estonia	19.0	19.8	48.7	9.1	6.3	20.0	4.0	2.6	13.2	3.3	6.4	0.6	7.5
Slovakia	19.3	17.4	50.9	5.0	4.0	25.5	6.1	4.0	7.3	3.7	9.5	1.5	5.5
Poland	21.3	18.9	51.8	6.5	4.2	24.3	4.5	4.4	10.0	2.9	7.7	1.2	2.8
Latvia	22.6	19.9	53.4	7.4	4.9	24.8	3.5	3.8	13.6	3.3	7.3	1.8	4.8
Bulgaria	23.4	21.8	49.0	3.7	3.2	20.0	4.0	4.0	18.0	6.1	5.4	0.8	8.9
Lithuania	28.3	25.4	52.7	7.4	6.5	16.1	5.5	4.7	14.6	2.8	6.3	1.0	2.8
Romania	33.5	29.1	59.8	3.7	3.5	23.5	5.1	3.7	13.5	2.2	4.9	2.0	5.0

\* Basic needs = expenditures on food, clothing and footwear, housing and health care; Spain in 2010, Bulgaria in 2005, Latvia in 2009, Romania in 2009.

Source: own compilation based on the data from: [Eurostat, Eurostat Datenbank 2012, *Private Konsumausgaben...*, pp. 61-66]



**Fig. 1. Changes in the share of expenditures on food and basic needs in total expenditures in the 2004-2011 in the Member States of the European Union.**

\*Basic needs = expenditures on food, clothing and footwear, housing and health care; Spain in 2010, Bulgaria in 2005, Latvia in 2009, Romania in 2009. (Source: own compilation based on the Eurostat data.).

In Poland, the changes that have occurred in the structure of expenditure after the accession to the EU, primarily expressed themselves in a decrease in the share of expenditure on food, at the same time increasing the expenditures on housing and mainly furnishings and transport. This indicates the improvement in the living conditions of the inhabitants of our country.

At the same time, it is emphasized that in the separate Groups of countries there was a significant differentiation in the scale and dynamics of changes in individual countries, as illustrated by Table 4 and Figure 1.

The literature of the subject also mentions the difference between the percentages of their spending on basic needs as an indicator of the scale of diversity in the living conditions of families. It is assumed then that poor households spend at least 20 percentage points more on the basic needs than an average household in the analysed population [*Metody identyfikacji ubogich*, 2012]. Comparison of the share of expenditures on basic needs to the EU-27 average (45.4%), does not point directly at any of the Member States to be poor according to the indicator, as the difference between the average rate in the EU and the indicator in Romania (59.8% - the highest value of the 27 Member States) is 14.4 percentage points (so there is almost 6 point short of 20). Only the comparison between countries shows that in the EU-27 this phenomenon occurs. For example, see the difference in the share of expenditure on basic needs between Malta and Romania, which in 2011 was 23.4 percentage points.

## Conclusions

In the 2004-2011 period the standard of living, especially in poorer countries, Group 2 and Group 3, has improved because of the changes in the consumption patterns of households determined by the share of expenditures on food in the total volume of expenditures on consumption, that took place in the Member States of the European Union after its enlargement to 27 countries (in the structure of expenditure, the share of expenditure on food declined). Changes in the richest countries, which are in Group 1 were small (in the structure of expenditure, the share of expenditure on food increased slightly).

The highest growth, especially in the states implementing the second and third consumption pattern, was noted in expenditures on housing, namely rent, water, gas and electricity payments. In these countries, the dynamic development of the technical and road infrastructure occurred after the accession. This created the conditions for the countries joining the EU in 2004 and 2007 to "catch-up" in terms of standards of living, housing, transport, etc. with the countries being members of the EU for a longer time. However, when assessing the impact of European integration on changes in family consumption patterns it should be noted that these changes were not revolutionary.

Countries belonging to Group 1, which in 2004 implemented the first pattern continued it in 2011. A share of household expenditure on food in total expenditure was below the EU-27 average. These were the states representing a high standard of living. Only Cyprus joined this group, which from the Group representing an average standard of living in 2004, was "promoted" in 2011, to the Group representing high standard of living.

Countries belonging to Group 2, which in 2004 implemented the second pattern, continued it in 2011, except for Cyprus mentioned above. A share of household expenditure on food in total expenditure decreased, even though it was still above the EU-27 average. These were the states representing an average standard of living. The accession also contributed to the "promotion" of two countries representing a low standard of living to the Group representing

an average standard of living. They were Slovakia and Poland. The integration has opened up the new opportunities for development and these countries have used them effectively. Measurable effect was an improvement in the structure of household expenditures. The share of expenditures on food in total expenditure stood in 2011, still above the EU average, but its value has decreased to less than 19%. This allowed for the inclusion of Poland and Slovakia in the Group representing an average standard of living.

States representing a low standard of living, belonging to Group 3, which in 2004 implemented the third model, continued it in 2011, with the exception of Poland and Slovakia. It should be noted, however, that even in the countries of Group 3 there was, after the accession to the European Union, the improvement in the conditions of life, as indicated by a decrease in the share of household expenditure on food in total expenditure (most in Romania). But it was still much higher than the EU average

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