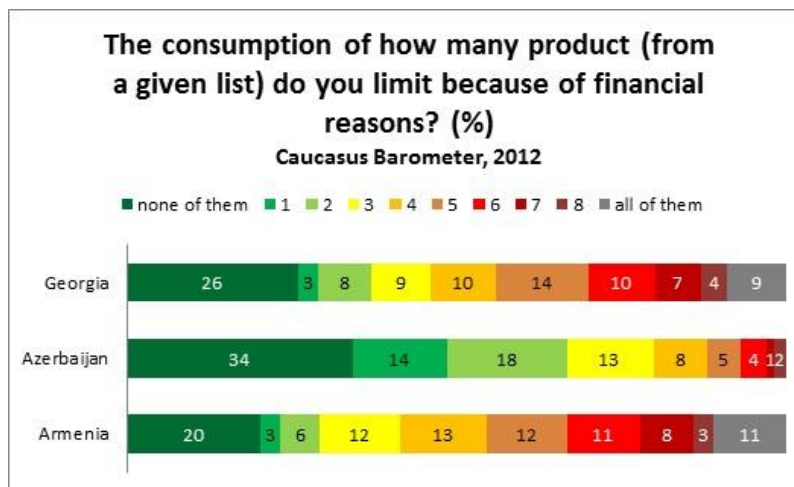


## Material deprivation and quality of life in the South Caucasus

Quality of life and life satisfaction has been a central topic in social science research, as well as an increasingly popular area of interest for many policy makers. Balanced development is especially important in developing societies where political and economic changes can impact social inequality, as well as material wealth and health. This post uses data from the Caucasus Barometer (CB) 2012, as well as the Life in Transition (LIT) 2010 survey (carried out jointly by the European Bank for Reconstruction and Development and the World Bank) to explore issues detrimental to the general quality of life in the South Caucasus region. These issues include the material situation of households (as reflected in the consumption of goods and services), and its impact on health-related indicators and general life satisfaction across the region.

According to the 2010 LIT survey, the average amount of monthly savings was 1628 dram (\$4) in Armenia, 7 manat (\$9) in Azerbaijan and 10 lari (\$6) in Georgia. However, the standard deviation from the mean was high for all 3 countries, which means there were substantial differences between the amounts of money saved by different individuals. This is also reflected in relatively high values of the GINI coefficient for income in these countries. The coefficient measures inequality in income distribution within a population. Across the region the values of the GINI index were 31.3 for Armenia (2010), 33.7 for Azerbaijan (2008) and 42.1 for Georgia (2012), as reported by the World Bank.

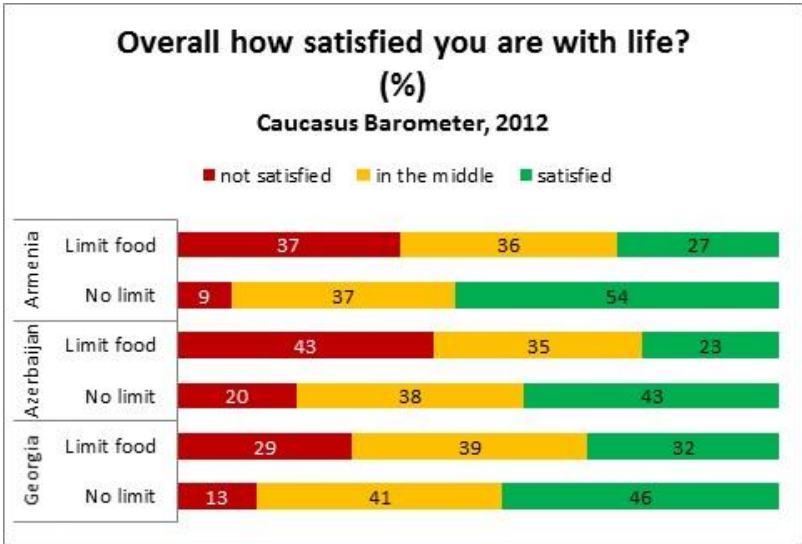
Unequal income distribution and material deprivation are also apparent in differences in food consumption across all households included in the CB 2012. The survey asked about which of the following products households limits due to financial reasons: bread and pasta, butter and milk, poultry, beef, pork, fish, fruit and vegetables, potatoes, sweets and chocolates. From this list, 80% of households in Armenia, 66% in Azerbaijan and 74% in Georgia cut down on the consumption of at least one type of food products due to financial constraints.



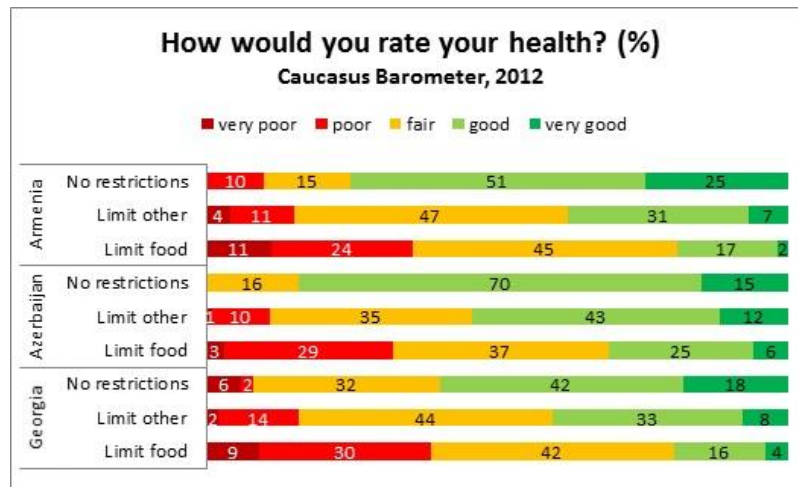
In terms of the purchases of goods and services such as electricity and gas, slightly more than half of Armenians (55% and 58%, respectively) and Georgians (52% and 55%, respectively) limit their consumption of these items due to financial reasons. Azerbaijanis seem slightly less likely to do so with 49% cutting down on electricity or gas use, yet the difference between the values reported for Azerbaijan and Georgia is within the margin of 3% error.

Material deprivation, both in the case of limited food consumption or utilities (electricity, gas) is significantly higher in the rural areas. These differences are highest in Armenia and lowest in Azerbaijan, where the difference between material deprivation in the capital and other urban areas is non-significant.

Living conditions, including material difficulties, can have a substantial impact on overall life satisfaction. An examination of the effect of food limitations on life satisfaction, while controlling for type of settlement (urban, rural and capital), gender, and age shows that across all three countries the necessity to cut down on food consumption has a significant negative impact on the general quality of life. Multivariate regression analysis shows that a cut in each additional food item results in a significant drop in the average life satisfaction level. No cutback on food is used as a reference category in the model, while the other options included 1 to 9 indicating the food items. Gender is not found to affect the level of life satisfaction in any of the countries. Settlement type has an impact in Armenia and Azerbaijan where people living in the capitals declare, on average, significantly higher levels of life satisfaction than in the countryside.

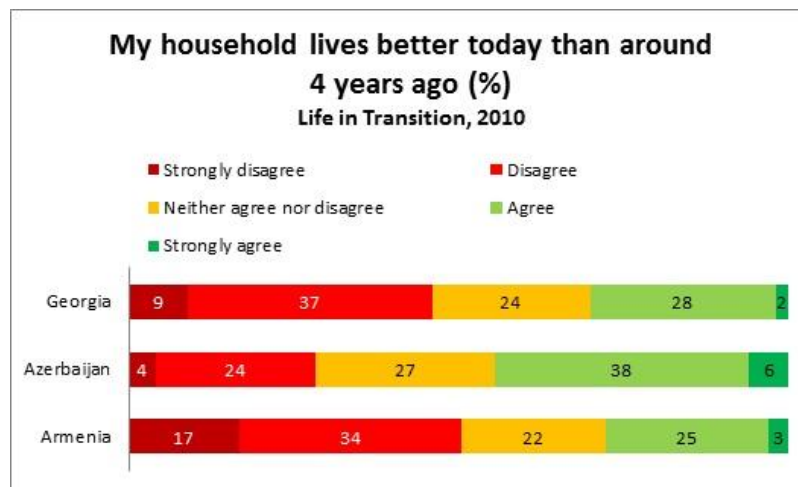


Life satisfaction is not the only variable strongly related to material conditions. Depending on the economic situation of the household (e.g. those that need to limit food consumption, or other expenditures), the subjective assessment of individual health varies. People from poor households are significantly more likely to consider themselves to be in very poor or poor health. Causality is not established here though as poor health might be both the result as well as the reason for material deprivation.



The relationship between health and material deprivation is not a surprise and it has been well-researched in the social science. However, it deserves strong emphasis, taking into account the high number of households that needs to restrict their food and utilities consumption in the South Caucasus.

Monitoring changes in the material situation of households is thus of major importance. Analysis of a LIT 2010 question “My household lives better nowadays than around 4 years ago” shows substantial regional differences in this respect. According to the subjective individual assessment, the quality of life in Armenia and Georgia seems to have deteriorated rather than improved compared to around 4 year ago, whereas in Azerbaijan the assessment of the change in the household situation was more positive.



As the most recent LIT data come from 2010, the situation and standards of living in Armenian, Azerbaijani and Georgian households might currently be different. Yet, as the CB 2012 shows, most households still face material problems that force them to limit consumption of basic products such as food. Since there is a significant positive relationship between the financial situation of a household and individual health and wellbeing, all of these factors require special attention and long-term monitoring in the region.