

## About



of respondents in Central Asia report they are currently happy with their lives overall.

## Life satisfaction in the transition region

Using data from all three rounds of the Life in **Transition Survey (LiTS)**, this chapter analyses the factors influencing life satisfaction in the transition region, studies its evolution over the past decade and investigates whether or not there has been a process of convergence towards the levels in western European comparator countries. Based on the latest available data, the chapter concludes that the life satisfaction gap between the transition region and western European comparator countries has finally closed.

### Introduction

Life satisfaction is increasingly recognised as an important aspect of well-being.<sup>1</sup> It is a combination of achieving one's aspirations in life and being able to balance both positive and negative feelings and experiences, and it is strongly associated with outcomes such as morbidity and mortality risks.<sup>2</sup> Therefore, understanding the determinants of life satisfaction is essential when designing sustainable and sound economic policies.<sup>3</sup>

Despite economic improvements and strong growth in income per capita and household consumption since 1989, life satisfaction levels remained relatively low in the transition region for a long time.<sup>4</sup> Indeed, previous research has shown the existence of a large "happiness gap" where people in countries that underwent a transition from a planned to a market economy were significantly less satisfied with their lives than their western European counterparts, even after taking their incomes into account.<sup>5</sup> The 2008-09 financial crisis contributed to these continuing trends, as those sections of society that benefited least from economic growth prior to the crisis were often the most vulnerable during the recession.

Using data from all three rounds of the Life in Transition Survey (LiTS), this chapter analyses the factors influencing life satisfaction in the transition region, studies its evolution over the past decade and investigates whether or not there has been a process of convergence towards the levels in western European comparator countries. Based on the latest available data, the chapter concludes that the life satisfaction gap between the transition region and western European comparator countries has finally closed.

The first section of this chapter provides a snapshot of the changes in life satisfaction over time and a brief analysis by demographic characteristics. The second section looks at satisfaction with public services and utilities, at determinants of material well-being, and at how differences in these factors affect life satisfaction. Lastly, the chapter concludes with an investigation into social issues, attitudes towards minorities, social interactions and perceptions of income inequality.

- <sup>1</sup> Stiglitz et al. (2009).
- <sup>2</sup> Kahneman and Krueger (2006).
- Extensive research on the "economics of happiness" has shown that life satisfaction is a multi-faceted phenomenon and requires an assessment of many elements, ranging from income and social life, job satisfaction and levels of tolerance of the society, to personal traits (such as optimism) and country level economic indicators. Dolan, Peasgood, and White (2008) provide a comprehensive overview of the topic.

### Life satisfaction

A number of stylised findings on life satisfaction have emerged from previous studies: women tend to be more satisfied with their lives; younger people and older people report higher levels of life satisfaction compared to the middle-aged; and transition countries are at the bottom of the life satisfaction ranking. In addition, life satisfaction is positively correlated with education and income and negatively associated with unemployment and ill health.

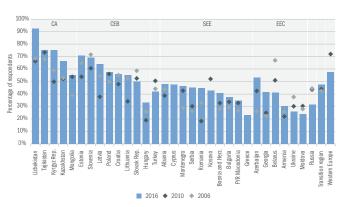
Life satisfaction is also affected by personal circumstances, such as life experiences, living conditions and social standing, and by country-level characteristics, such as the level of economic development, the quality of public services and utilities and societal attitudes and values, such as the degree of community acceptance of minority groups.

To determine the extent of any similar patterns occurring in the transition region, all three rounds of LiTS have presented respondents with a statement that reads "All things considered, I am satisfied with my life now" and asked them the extent to which they agree with it, ranging from 1 ("strongly disagree") to 5 ("strongly agree"). Chart 1.1 shows the percentage of respondents that agreed or strongly agreed with the statement in 2006, 2010 and 2016, with figures presented in decreasing order and grouped by region. The results show a greater degree of variation in satisfaction levels across regions than within any of them. In 2016, the 10 "happiest" countries in the sample are from Central Asia and central Europe and the Baltic states, while Russia, eastern Europe and the Caucasus and south-eastern Europe rank at the bottom of the life satisfaction index. At the country level, life satisfaction is higher in Uzbekistan than in any other transition country. The next five most satisfied transition countries are Tajikistan, the Kyrgyz Republic, Estonia, Slovenia and Kazakhstan respectively. By contrast, Greece has the lowest proportion of respondents who are currently satisfied with their lives, followed by Moldova, Ukraine and Armenia.

On the bright side, "life satisfaction" is higher in 2016 than it was in 2006 in almost all the surveyed countries. Life satisfaction has particularly increased in Central Asia, where about 70 per cent of respondents are currently happy with their lives overall. Similarly, life satisfaction among respondents in central Europe and the Baltic states has increased since 2006 and now compares well with Germany and Italy, where 73 and 43 per cent of the population are satisfied with their lives respectively. The only countries that have registered a decline in overall life satisfaction levels since 2006 are Belarus, Moldova, Russia, the Slovak Republic, Slovenia, Turkey and Ukraine – countries which, perhaps not surprisingly, also report the lowest levels of life satisfaction in the entire transition region (with the sole exception of Slovenia).<sup>6</sup>

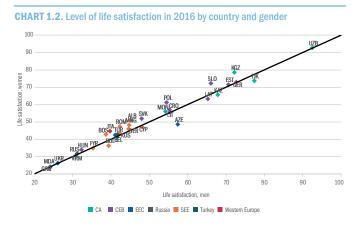
Taken together, these results indicate that the life satisfaction gap between the transition region and western European comparator countries has finally closed. The reason for this apparent "happiness convergence" is twofold: between 2010 and 2016, life satisfaction has, on average, increased in the transition region while it has declined in both Germany and Italy.<sup>7</sup>

### CHART 1.1. Level of life satisfaction in 2006, 2010 and 2016 by country



Source: LiTS I (2006), LiTS II (2010) and LiTS III (2016).

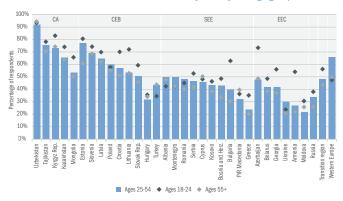
Note: "Life satisfaction" refers to the proportion of respondents in each country who "agree" or "strongly agree" with the statement: "all things considered, I am satisfied with my life now". This chart (and all the other charts based on LiTS data) uses survey-weighted observations. Regional averages are based on simple averages of the country scores. "Western Europe" denotes the average of France, Germany, Italy, Sweden and the United Kingdom in 2010 and the average of Germany and Italy in 2016.



Source: LiTS III (2016).

Note: "Life satisfaction" refers to the proportion of respondents of each gender and country who "agree" or "strongly agree" with the statement: "all things considered, I am satisfied with my life now".

#### CHART 1.3. Level of life satisfaction in 2016 by country and age groups



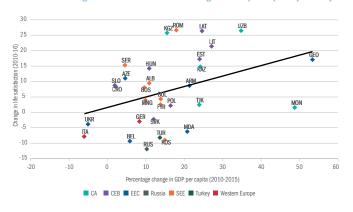
Source: LiTS III (2016).

Note: "Life satisfaction" refers to the proportion of respondents in each age group and country who "agree" or "strongly agree" with the statement: "all things considered, I am satisfied with my life now".

<sup>4</sup> Easterlin (2014) finds that life satisfaction levels in post-communist countries initially fell as incomes declined in the early years of the transition process and then increased following strong economic growth. However, his results still indicate the presence of a transition hapoiness gap.

- <sup>5</sup> See Sanfey and Teksoz (2007), Deaton (2008), Guriev and Zhuravskaya (2009) and Easterlin (2009).
  <sup>6</sup> Kosovo and the western European comparators were surveyed for the first time in 2010, during LITS II.
- Copyrus and Greece were surveyed for the first time in 2010, duri

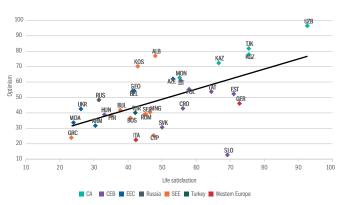
<sup>7</sup> See Chapter 2 of the EBRD's *Transition Report 2016-17*, "The impact of transition on well-being".



### CHART 1.4. Change in life satisfaction and change in GDP per capita by country

Source: LiTS III (2016), LiTS II (2010), World Development Indicators. Note: "Change in life satisfaction" refers to the difference in the percentage of respondents who agree or strongly agree with the statement "all things considered, I am satisfied with my life now" in 2010 and 2016. "Change in GDP" refers to the percentage change in GDP per capita in PPP terms (constant 2011 international dollars) between 2010 and 2015.





#### Source: LiTS III (2016)

Note: "Life satisfaction" refers to the proportion of respondents who agree or strongly agree with the statement: "all things considered, I am satisfied with my life now". "Optimism" refers to the proportion of respondents who agree or strongly agree with the statement: "children who are born today will have a better life than my generation."

Chart 1.2 compares the percentage of male and female respondents who are satisfied with their lives in all the countries included in the 2016 survey. The chart shows that life satisfaction levels for men and women are highly correlated: in countries where life satisfaction is high, both men and women are more likely to report higher life satisfaction than in countries where levels are lower. However, on average, women report slightly higher levels of life satisfaction than men, apart from in nine countries (Armenia, Azerbaijan, Belarus, Bulgaria, Cyprus, FYR Macedonia, Greece, Kazakhstan and Tajikistan) where men report a higher life satisfaction than women. In Azerbaijan the difference is nearly 10 percentage points, while in the remaining countries the discrepancies are less discernible. In Russia, Turkey and the western European comparator countries, the data indicate almost no gender disparity. Chart 1.3 shows that, on average, the level of life satisfaction decreases with age in the transition region.<sup>8</sup> However, in some countries (such as Cyprus, FYR Macedonia, the Kyrgyz Republic and Uzbekistan) life satisfaction is "u-shaped": it decreases towards midlife and increases subsequently towards retirement or from about the age of 55.<sup>9</sup> Additional analysis of the LiTS data shows that, on average, people who are completing their education and entering the labour market (those aged 25-30) report higher levels of life satisfaction in 2016 than respondents of the same age did in 2010. This may to some extent reflect the recovery from the financial crisis.

Chart 1.4 provides some evidence that life satisfaction dropped more in countries where GDP growth was limited or negative. This is expected since life satisfaction is closely associated with incomes in market economies. The chart reveals that the largest falls in life satisfaction occurred in Russia, Belarus, Kosovo and Turkey respectively. Mongolia is a noteworthy outlier, as the level of life satisfaction has hardly improved since 2010 in spite of its high GDP growth.

Improvements in both life satisfaction and income per capita took place across most of central Europe and the Baltic states. Indeed, findings from the EBRD's *Transition Report 2016-17* suggest that life satisfaction levels in post-communist countries are no longer lower than those in comparator countries. Moreover, when income per capita is controlled for, there is no longer a significant difference between post-communist and other countries.<sup>10</sup>

It is also important to note that being unemployed has a significant impact on life satisfaction.<sup>11</sup> Regression results show that being unemployed reduces the likelihood of life satisfaction by 12 percentage points, even after accounting for differences in incomes.<sup>12</sup>

Chart 1.5 presents a scatter plot of optimism and life satisfaction rates by country. The data show that people in most transition countries are more optimistic about the future of younger generations than their counterparts in western Europe. This is expected since respondents in western countries already have significantly higher living standards (on average) and therefore have less reason to believe that the next generation will fare significantly better than themselves.

Chart 1.5 also shows that the relationship between life satisfaction and optimism within the transition sample is positive. For example, similarly to 2010, Tajik respondents are not only happy at present but also believe that future generations will have a better life, whereas those in Moldova are relatively dissatisfied (compared with other countries) and also think that younger cohorts will not enjoy a better quality of life. Further analysis of the LiTS III data also shows that married people are more likely to be optimistic compared to those who are single. There is a statistically significant and positive relationship between optimism and monthly income and good health, as well as holding a tertiary-level education.<sup>13</sup>

Chart 1.6 reveals that job satisfaction (that is, a job that matches well with the employee's priorities and preferences, including job performance) remains relatively low in the

See Stevenson and Wolfers (2008)

<sup>&</sup>lt;sup>8</sup> Guriev and Zhuravskaya (2009) show that the gap in life satisfaction between transition countries and comparable non-transition countries is strongest in older age cohorts.

<sup>&</sup>lt;sup>a</sup> A growing body of literature documents a "u-shaped" relationship between life satisfaction and age over most of the life cycle. For example, see Blanchflower and Oswald (2008), Frijters and Beatton (2008) and Stone, Schwartz, Broderick and Deaton (2010).

<sup>&</sup>lt;sup>10</sup> See Chapter 2 of the EBRD's Transition Report 2016-17, "The impact of transition on well-being".

<sup>&</sup>lt;sup>12</sup> See the EBRD's Transition Report 2016-17 (Chapter 2, Table 2.1) for detailed regression results on life satisfaction. In summary, cross-sectional analysis shows that education and income are significantly and positively associated with life satisfaction. Women, people who live in rural areas and married individuals are more likely to be satisfied with their lives as well.

transition region. Although cross-country comparisons indicate a substantial variation across countries, on average, the level of iob satisfaction has fallen relative to 2010. The average level of job satisfaction in all countries is rather low, with the exception of Estonia (80 per cent), Tajikistan (70 per cent), the Kyrgyz Republic (67 per cent), Kazakhstan (65 per cent), Lithuania (64 per cent) and Slovenia (64 per cent). Only about 30 per cent of respondents are satisfied with their job in Armenia, Georgia, Greece and Moldova, a proportion that is considerably lower than the transition region average of 51 per cent.

Recent research shows that inequality of opportunity in the transition region is higher in terms of getting a "good job" than it is in terms of getting a job in general and also that job satisfaction is one of the most critical influences on life satisfaction.<sup>14</sup> Consistent with this. Chart 1.6 shows that there is a strong positive correlation at the country level between the two variables, which is particularly visible in central Europe and the Baltic states and in Central Asia. This is important as studies find that employment quality contributes to people's financial, social, physical and emotional well-being. This, in turn, suggests that the adoption of practices such as flexible work options may result in benefits for employers as well as employees.<sup>15</sup>

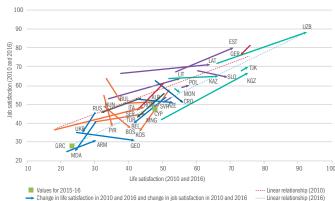
### Public service satisfaction

The following analysis focuses on responses to two sets of questions about eight different public services: traffic police; requesting official documents (such as a passport or birth certificate); civil courts; primary or secondary public education; vocational public education; the public health system; requesting unemployment benefits; and requesting other social security benefits.

For each service, respondents were asked "during the past 12 months, have you or any members of your household used these services?" All respondents who indicated that they or a household member had used a service in the 12 months preceding the survey were asked a follow-up question: "how satisfied were you with the quality and the efficiency of the service/interaction?" Responses were recorded on a 5-point scale: 1 (very dissatisfied), 2 (dissatisfied), 3 (indifferent), 4 (satisfied) and 5 (very satisfied).

The proportion of respondents who interacted with service providers varies considerably according to the type of service and by region (see Chart 1.7). The most frequently accessed service is the public health system, utilised on average by 56 per cent of the population in the 12 months prior to the survey. The countries with the highest utilisation rates are those in central Europe and the Baltic states and in Russia, where approximately 70 per cent of respondents reported that either they or a household member had used services provided by the public health system. This figure is higher than the averages for the western European comparators (55 per cent for Germany and 62 per cent for Italy) and twice the utilisation rate of Turkey. Utilisation rates for other

CHART 1.6. Changes in job satisfaction and life satisfaction in 2010 and 2016 by country



Source: LiTS II (2010) and LiTS III (2016).

Note: "Job satisfaction" refers to the proportion of respondents who agree or strongly agree with the statement: "all things considered, I am satisfied with my job as a whole." "Life satisfaction" refers to the proportion of respo dents who agree or strongly agree with the statement: "all things considered, I am satisfied with my life now"

reported services are much lower. The next highest rates are for requests for official documents (21 per cent), interaction with traffic police (19 per cent) and provision of primary or secondary public education (18 per cent).

Chart 1.8 illustrates satisfaction with public services by region. The vocational public education system receives the most favourable ratings, with 75 per cent of the respondents who utilised those services reporting to be either satisfied or very satisfied with their quality and efficiency. Similarly, 74 per cent of respondents were satisfied with the service provided by officials when making requests for documents and with the provision of primary and secondary education. Satisfaction with public health care services sits at about 60 per cent, which is substantially lower than the average for Germany (76 per cent) but higher than the average for Italy (54 per cent). By contrast, civil courts and unemployment benefits receive the lowest ratings with only about 45 per cent of respondents reporting to be satisfied with the quality and efficiency of these services.

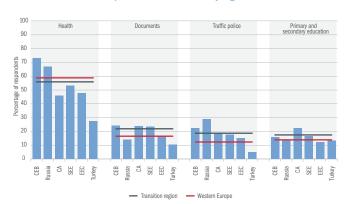
Overall public service satisfaction levels tend to be somewhat higher in central Europe and the Baltic states and in Turkey, and generally lower in Central Asia and in eastern Europe and the Caucasus, although there is considerable variation across individual countries. Interestingly, the two western European comparator countries, Germany and Italy, rank lower than central Europe and the Baltic states and Turkey for overall satisfaction with the quality and efficiency of public services, with 64 and 53 per cent of respondents reporting to be satisfied respectively. It is also noteworthy that satisfaction with service delivery in transition countries has, on average, increased compared to LiTS II levels (2010).

See the EBRD's Transition Report 2016-17 (Chapter 2, Table 2.1).

<sup>&</sup>lt;sup>14</sup> For example, see Tait et al. (1989), Judge and Watanabe (1993), Rode (2004) and Chapter 3 of the EBRD's *Transition Report 2016-17*, "Inequality of opportunity".

See Silverman et al. (2000), Fernandez-Ballesteros et al. (2001) and Johnson and Krueger (2006)

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Unemployment benefits

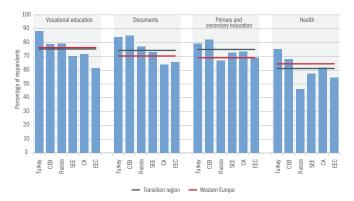
Courts

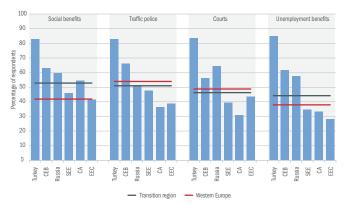
CEB ussia CA SEE EEC EEC

Social benefits

### CHART 1.7. Utilisation of public services in 2016 by region

CHART 1.8. Satisfaction with public services in 2016 by region





Source: LiTS III (2016).

CEB ussia S SEE EEC urkey

100

90

80 tespondents 60

Percentage of 50

40

30 20

10

0

Vocational education

Note: "Utilisation of public services" refers to the proportion of respondents who report that they or their family members used the given public services over the 12 months prior to the survey.

urkey

CEB Q SEE EEC

- Western Europe

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Transition region

CEB ussia

### **Factors influencing service** satisfaction in public health care and education

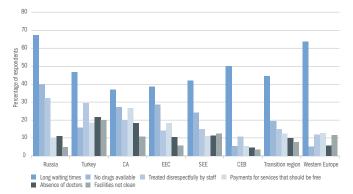
The analysis in this section focuses on the responses provided by users of the public health and public education systems in their countries. All the respondents who stated that someone in their household made use of services provided by primary, secondary or vocational schools or had sought medical treatment in the public hospitals or clinics were asked two additional questions. These questions were intended to elicit information on the most common problems that households might have encountered when using the mentioned services in the 12 months prior to the survey.

Chart 1.9 illustrates the main issues reported by respondents who visited public health clinics or hospitals. Long waiting times are the most recurrent problem, followed by lack of adequate drugs and perceptions of disrespectful treatment of patients by staff. Further statistical analysis shows that the

Source: LiTS III (2016).

Note: "Satisfaction with public services" refers to the proportion of respondents who report that they were "very satisfied" or "satisfied" with the quality and the efficiency of the given public services over the 12 months prior to the survey

### CHART 1.9. Reasons for public health care service dissatisfaction in 2016 by region



#### Source: LiTS III (2016)

Note: "Reasons for public health care service dissatisfaction" refers to the proportion of respondents who report the given category as one of the problems encountered in local public clinics or hospitals in the 12 months prior to the survey

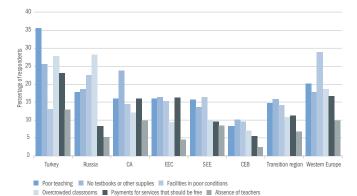
reported level of satisfaction with public health care services is positively associated with life satisfaction; that wealthier and highly educated respondents are less likely to be satisfied with the quality and efficiency of treatment received; and that the perceived necessity of making unofficial payments in order to access services is cause for dissatisfaction.

Looking at the country level, Germany, Italy and Russia report the highest incidence of complaints about waiting times within their public health care systems, with 54, 72 and 67 per cent of interviewed respondents respectively saying that they think waiting times are too long. Respondents in central Europe and the Baltic states follow at 50 per cent, then Turkey (47 per cent) and the countries of south-eastern Europe (42 per cent). Around 40 per cent of respondents in Russia and 30 per cent of respondents in Central Asia and in eastern Europe and the Caucasus report that lack of adequate drug treatment is an important problem. On average, however, LiTS III data show modest progress since 2010 with regard to public perceptions of the quality and efficiency of health care service delivery.

Chart 1.10 shows the main causes for concern in relation to the provision of public education, whether at primary, secondary or vocational level, are "poor teaching", "no textbooks or other supplies", "facilities in poor conditions" and "overcrowded classrooms". Statistical analysis reveals that the reported level of satisfaction with the public education system is also positively associated with life satisfaction and that there is no discernible difference in the type of problems encountered in urban educational facilities as compared to rural ones. In addition, service users who feel that unofficial payments are required to obtain the level of service desired are more likely to report dissatisfaction with education services.

While poor teaching and a lack of textbooks and other supplies are the most common areas of concern about the public education systems in transition countries, disaggregated results show that the rankings vary considerably across regions. In Turkey, dissatisfaction with teaching quality is among the highest across the transition region and substantially higher than the western European comparators (17 per cent for Germany and 23 per cent for Italy), but in central Europe and the Baltic states the level is one of the lowest. Significant differences can also be noted when it comes to satisfaction with classroom size, where the largest difference in averages between the transition region and the western European countries is observed (14 per cent for Germany and 21 per cent for Italy). However, a comparison with the LiTS II data reveals an increase in the proportion of respondents who are either satisfied or highly satisfied with the quality and efficiency of public education within the transition region between 2010 and 2016.

CHART 1.10. Reasons for public education service dissatisfaction in 2016 by region



### Source: LiTS III (2016).

Note: "Reasons for public education service dissatisfaction" refers to the proportion of respondents who report the given category as one of the problems encountered in local public schools in the 12 months prior to the survey.

### Satisfaction with public utilities and material well-being

People's living conditions can have a big impact on their life satisfaction, including material well-being (that is, asset ownership) and reliable access to basic amenities, including the internet. While these factors are essential to satisfy basic human needs, access to public services and utilities of a high standard can also contribute to a sense of well-being and life satisfaction. Eight types of utilities are considered in Chart 1.11: tap water; electricity (excluding electricity used for heating purposes); fixed telephone line; central/district heating; pipeline gas; postal service; and local roads. All respondents were asked *"do you have access to any given utility in this dwelling?"* and all respondents who indicated that they did were asked *"how satisfied are/were you with the quality of the service?"* Responses were recorded on a 5-point scale: 1 (very dissatisfied), 2 (dissatisfied), 3 (indifferent), 4 (satisfied) and 5 (very satisfied).

Chart 1.11 shows that satisfaction levels with fixed telephone lines, pipeline gas, electricity, water, heating and postal services compare well with the averages for Germany and Italy, where 83 and 77 per cent of respondents report to be either "satisfied" or "very satisfied". However, a significant proportion of people are not satisfied with the conditions of the local roads, including about 70 per cent of respondents in eastern Europe and the Caucasus and Russia. Turkey is the only country surveyed where most respondents are satisfied with local roads. Respondents in Central Asia are the least likely to report satisfaction with public utilities and in most cases their reported satisfaction levels are the lowest in the transition region and also considerably lower than in the western European comparator countries.

Access to the internet at home, including on a smartphone, varies across regions (see Chart 1.12). Overall, it seems to

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be positively correlated with public utility satisfaction and, on average, the figures for the transition region are about 10 percentage points lower than those of Germany (85 per cent) and Italy (80 per cent). In the transition region, access to the internet is higher among those who live in urban areas as opposed to rural areas (except in Kosovo and Turkey). More than 80 per cent of respondents in Estonia, Kosovo, Poland and Russia report having an internet connection at home. Respondents in Azerbaijan, Georgia, Mongolia and Tajikistan are less likely to have internet access at home and face more difficulties obtaining internet access in rural areas compared to their counterparts in the transition region.

The level of material well-being can directly influence life satisfaction,<sup>16</sup> so a few questions in LiTS III were asked to measure this among interviewed respondents and their households, such as:

Do you or anyone in your household possess (or use) the following items: a) telephone b) TV c) computer/laptop/tablet d) washing machine e) car f) bicycle g) motorcycle.

Chart 1.13 shows the results of the above question, broken down by items and by region. Overall, nearly all surveyed households possess a television, telephone and washing machine. The exception is Central Asia where only 62 per cent of households report having a washing machine. When it comes to the other items (bicycles, cars, computers and motorcycles) there is a visible gap between the transition region countries and the western European comparators where, on average, 62 per cent of German households and 66 per cent of Italian ones respond in the affirmative to these questions. For example, only 40 per cent of respondents in eastern Europe and the Caucasus have a car and about 20 per cent of respondents have a bicycle in Turkey, while more than 70 per cent of respondents have both a car and a bicycle in the two western European comparators.

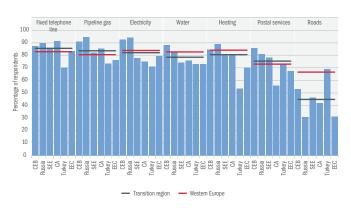
### More than

80%

of respondents in Estonia, Kosovo, Poland and Russia report having an internet connection at home.

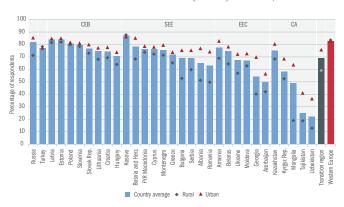
<sup>16</sup> For example, Pradhan and Ravallion (2000) show that subjective poverty lines can be derived using simple qualitative assessments of perceived consumption (food, housing and clothing) adequacy based on a household survey.

#### CHART 1.11. Satisfaction with public utilities in 2016 by region



Source: LTS III (2016). Note: "Satisfaction with public utilities" refers to the proportion of respondents who report that they were "very satisfied" or "satisfied" with the quality of the given services.

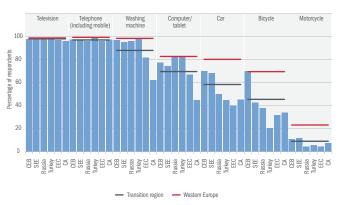
CHART 1.12. Access to the internet in 2016 by country and urban/rural status



Source: LiTS III (2016).

Note: "Access to internet" refers to the proportion of respondents who report that they have access to internet at home, including on a smartphone.

#### CHART 1.13. Material well-being in 2016 by region



Source: LiTS III (2016). Note: "Material well-being" refers to the proportion of respondents who report that they possess the given item. Work-life balance is not only important for people's life satisfaction but also for the relationships that people have with their friends, families and the wider community. Earlier research has documented that people are less stressed, have more energy and are more satisfied with their lives when they return from a holiday.<sup>17</sup> With this in mind, LiTS III investigates whether respondents are able to afford at least one holiday a year (results presented in Chart 1.14). Respondents were asked the following question:

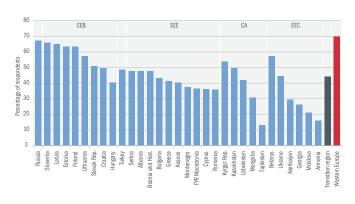
### In general, could your household afford (if it wishes), a oneweek holiday out of home, including a stay in a second home/ country house or at friends/relatives, every year?

As Chart 1.14 illustrates, the highest level of holiday affordability is in Russia, where 68 per cent of respondents indicate that their household can afford an annual one-week holiday away from home, followed by Slovenia, Estonia and Poland. At the other end of the spectrum, the lowest levels of reported affordability are found in Armenia, Azerbaijan, Georgia and Tajikistan, where less than 20 per cent of respondents report that their family can afford a one-week holiday. Altogether, the average reported level of affordability in the transition region is significantly lower than in the western European countries where, 79 per cent of German and 61 per cent of Italian respondents say they can afford a week-long holiday each year.

Chart 1.15 shows the percentage of people in each country who report that their households can afford to consume meat, chicken or fish every second day. The chart demonstrates that most countries in the transition region are close to the high levels of food affordability seen in western Europe, where 96 per cent of Germans and 84 per cent of Italians can afford to consume the aforementioned foods at least three times a week. Armenia, Azerbaijan, Georgia, Kosovo, Tajikistan and Turkey, however, still lag behind, with less than 50 per cent of households saying they can afford to eat meat, chicken or fish every second day, compared to around 65 per cent of the sample in the transition region as a whole.

Chart 1.16 reports the proportion of respondents who say that their household can "easily" meet unexpected expenses of an amount equal to the domestic poverty line with its own resources. As this chart shows, the highest levels of affordability among transition economies are observed in Albania, Central Asian countries (except Mongolia), Kosovo and Turkey. At the other end of the scale, Armenia, Azerbaijan, Bosnia and Herzegovina, Cyprus, Greece and Hungary have the lowest levels of ability to cope with unexpected expenses.

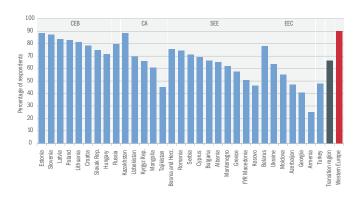
#### CHART 1.14. Affordability of taking a holiday in 2016 by country



Source: LiTS III (2016)

Note: "Affordability of faking a holiday" refers to the proportion of respondents who report that their household can afford a one-week holiday out of home, including a stay in second home/country house or at friends/relatives, every year.

#### CHART 1.15. Food affordability in 2016 by country



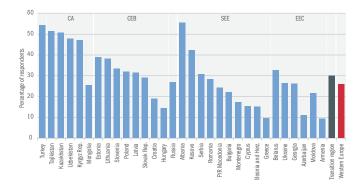
Source: LiTS III (2016).

Note: "Food affordability" refers to the proportion of respondents who report that their households can afford consumption of meat, chicken or fish (or a vegetarian equivalent) every second day.



of respondents in Armenia, Azerbaijan, Georgia and Tajikistan report that their family can afford a one-week holiday each year.

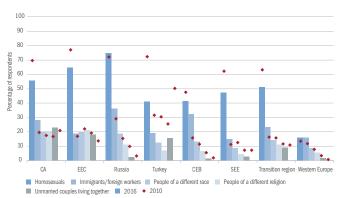
#### CHART 1.16. Affordability of unexpected expenses in 2016 by country



Source: LiTS III (2016)

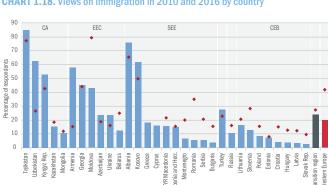
Note: "Affordability of unexpected expenses" refers to the proportion of respondents who report that their household can "easily" meet unexpected expenses of an amount equal to the domestic poverty line with its own resources

CHART 1.17. Attitudes towards minority groups in 2010 and 2016 by region



Source: LiTS III (2016) and LiTS II (2010).

Note: "Attitudes towards minority groups" refers to the proportion of respondents who chose the given category as a group that they did not want to have as neighbours.



#### CHART 1.18. Views on immigration in 2010 and 2016 by country

Source: LiTS II (2010) and LiTS III (2016).

Note: "Views on immigration" refers to the proportion of respondents who report that immigrants make a valuable contribution to the national economy of their country.

2016 • 2010

### **Tolerance**

The support for recognition and acceptance of minority or indigenous groups is an important indicator of social cohesion, which in turn affects life satisfaction. In LiTS III, respondents were presented with a list of different groups of people and asked to disclose which category or categories they would not like to have as neighbours.18

Attitudes towards five groups - immigrants and foreign workers; racial minorities; people of a different religion; gay and lesbian people; and unmarried couples living together - are analysed here in more detail.

The results are striking when it comes to stated attitudes towards sexual minorities. Chart 1.17 shows that, on average, more than 50 per cent of people in the transition region would prefer not to have gay or lesbian neighbours. There has nevertheless been a positive change in tolerance perceptions towards gays and lesbians compared to 2010, on average. The increase in tolerance was largest in Turkey and south-eastern Europe, while the trend of acceptance of same-sex relationships has seemingly reversed in Armenia, Kazakhstan, Romania, Russia and Uzbekistan. Introducing constitutional bans on samesex marriage may have played a role in the decline in tolerance in these countries.19

About one-third of respondents in Russia and in central Europe and the Baltic states report negative feelings towards immigrants or foreign workers. By contrast, about 85 per cent of people in south-eastern Europe, 89 per cent of respondents in Germany and 80 per cent of respondents in Italy have no issue with having immigrants or foreign workers as neighbours. Chart 1.17 shows that, on average, people in the transition region have become slightly less tolerant of the presence of immigrants in their countries since 2010.

Tolerance of racial minorities shows similar features. Overall, there is a slight rise in the percentage of respondents who say they have no problem having racial minorities as neighbours but a substantial amount of variation across countries can still be observed. There is also no strong evidence that links the changes in attitudes towards sexual and racial minorities, as well as immigrants, with the economic crisis.

In general, people claim not to object to having people of a different religion as neighbours. However, in Central Asia and in eastern Europe and the Caucasus, the proportion of respondents expressing such an aversion reaches about 20 per cent of the sample. In these regions many also express negative feelings towards unmarried couples.

Across the transition countries, the immigrant population has mostly arisen through the free-movement of labour and humanitarian migration, such as refugees and asylum seekers. In order to understand people's views on immigration in the transition region, LiTS III respondents were asked whether they believe that immigrants make a valuable contribution to the national economy of their country. The results are shown in Chart 1.18 and reveal that, on average, only about 25 per cent of respondents answered this question in the affirmative.

Respondents were provided with a list which included various groups of people: a) families with children; b) paedophiles; c) drug addicts; d) people of a different race; e) people who have HIV/AIDS; f) elderly people; g) immigrants/foreign workers; h) homosexuals; i) gypsies; i) people of a different religion; k) poor people; I) heavy drinkers; m) unmarried couples living together; n) Jewish people; and o) people who speak a different language. Due to the sensitive nature of the question, respondents were asked to read out the letter (such as "a", "b", and so on) shown in the questionnaire next to the relevant response

option instead of the response itself. They also had the option to refuse to answer <sup>19</sup> See Appendix Table 2.

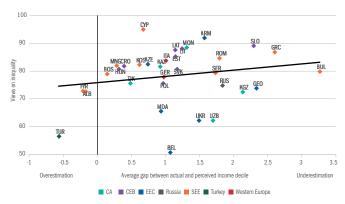
There is now less support for the presence of immigrant workers in 17 transition countries when compared with the situation in 2010. Support has noticeably dropped in most of south-eastern Europe and in central Europe and the Baltic states (except Albania and Kosovo). In general, respondents from the surveyed EU countries, who mostly benefit from free movement within the Union, are reluctant to indicate that immigrants make a valuable contribution to their national economy. In contrast, Turkey has seen a rise in support for immigration compared to 2010, despite the recent large influx of refugees.

# Views on inequality and the income perceptions gap

Household income provides an indication of what sort of goods and services families are able to afford and enjoy, as well as their social standing.<sup>20</sup> Respondents in LiTS III were asked to **"imagine a 10-step ladder where on the bottom, the first step, stand the poorest 10 per cent of people in [your country] and on the highest step, the tenth, stand the richest 10 per cent of people in [your country]."** They were then asked to state on which step of the 10-step ladder they believe their household currently rests. The stated position can be interpreted as a subjective ranking of a household's social standing.

With data on individual incomes, it is possible to calculate the gap between the respondents' own perceptions of their social standing and their real income. More specifically, the "income perceptions gap" is calculated as the difference between a respondent's actual income decile and their perceived (that is, self-reported) income decile, averaged by country. Views of relative social standing are particularly important because relative incomes are known to play a larger role in happiness and life satisfaction levels than absolute incomes.

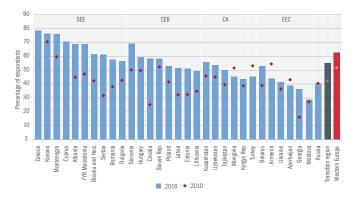
Chart 1.19 shows that in countries where people are more likely to underestimate their position on the income ladder, respondents also tend to agree more that the gap between the rich and the poor should be reduced. In most transition countries, on average, households tend to place themselves in lower deciles on the income ladder than they actually are (except in Albania, FYR Macedonia and Turkey). In addition, the majority of people in the transition region think that the gap between the rich and the poor should be reduced. Contrasting the results from LiTS II with LiTS III shows that people have become more worried about income inequality over the past six years. Notable exceptions to this increasing trend are Belarus, Turkey, Ukraine and Uzbekistan where less than 65 per cent of respondents think that income inequality should be reduced, compared to 77 per cent of respondents in Germany and 83 per cent of respondents in Italy. CHART 1.19. Views on inequality and the perceptions gap in 2016 by country



#### Source: LiTS II (2010) and LiTS III (2016).

Note: "Views on inequality" refers to the proportion of respondents in each country who "agree" or "strongly agree" with the following statement: "the gap between the rich and the poor in our country should be reduced". "The perceptions gap" refers to the difference between a respondent's actual income decile and perceived income decile, averaged by country. Lower values imply that respondents overestimate their position in the income ladder. Higher values imply that respondents underestimate their position in the income ladder.

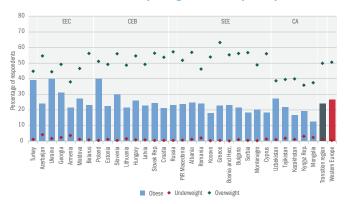
CHART 1.20. Social interactions in 2010 and 2016 by country



Source: LiTS II (2010) and LiTS III (2016).

Note: "Social interactions" refers to the proportion of respondents who report that they meet up with "friends or relatives who are not living with you in your household" at least once a week.

<sup>20</sup> For an in-depth analysis of inequality in the region, see Chapters 1 and 3 of the EBRD's Transition Report 2016-17, "Convergence and inequality" and "Inequality of opportunity".

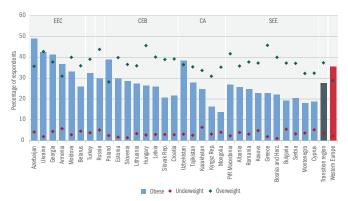


#### CHART 1.21. Prevalence of obesity among men in 2016 by country

#### Source: LiTS III (2016)

Note: "Obese" refers to the proportion of respondents with a body mass index (BMI) greater or equal to 30. "Overweight" refers to the proportion of respondents with a BMI greater than or equal to 25 and less than 30. "Underweight" refers to the proportion of respondents with a BMI below 18.5. The World Health Organization calculates BMI as a person's weight in kilograms divided by the square of their height in metres (kg/m<sup>2</sup>).





#### Source: LiTS III (2016).

Note: "Obese" refers to the proportion of respondents with a body mass index (BMI) greater or equal to 30. "Overweight" refers to the proportion of respondents with a BMI greater than or equal to 25. "Underweight" refers to the proportion of respondents with a BMI below 18.5. The World Health Organization calculates BMI as a person's weight in kilograms divided by the square of their height in metres (kg/m<sup>2</sup>).

### **Social life**

How people spend their time is an important determinant of their broader life satisfaction. Previous research has shown that strong social ties positively affect mental and physical health and therefore life satisfaction.<sup>21</sup> Chart 1.20 shows the percentage of respondents who report meeting up with friends or relatives (who do not live in their household) at least once a week. In 2016, 55 per cent of respondents in the transition region answered that they regularly meet up with friends or relatives, compared to 44 per cent in 2010. This indicates that social interactions are increasing in the region, although the incidence is still lower than in the western European comparator countries, with Germany at 64 per cent and Italy at 62 per cent. However, cross-country differences are relatively large - for example, there is a gap of nearly 40 percentage points between the levels reported in Greece, Kosovo and Montenegro (where around 76-79 per cent of respondents meet their friends or relatives at least once a week) and those reported in Azerbaijan and Georgia (where the corresponding figure is around 36-39 per cent). The chart also uncovers some regional patterns: for instance, respondents in south-eastern Europe are more likely to report meeting up with their friends and relatives on a regular basis compared to those in eastern Europe and the Caucasus and in Russia.

### Health

According to the World Health Organization (WHO), the incidence of overweight and obesity conditions is projected to increase in almost all countries worldwide. This is a worrying prediction, as the seriousness of the risks associated with these conditions is similar to those caused by HIV/AIDS and tuberculosis in low- and middle-income countries.<sup>22</sup> Charts 1.21 and 1.22 show that the highest prevalence of obesity among adults is observed in Azerbaijan, Georgia, Poland, Turkey and Ukraine, where more than 35 per cent of respondents are affected by the condition.<sup>23</sup> The lowest rates of obesity are found in Cyprus, the Kyrgyz Republic, Mongolia, Montenegro and Serbia, where less than one in every five adults is obses.

Women are less likely to be overweight than men in all the countries surveyed, including Germany and Italy. The highest incidence of women reporting to be overweight occurs in FYR Macedonia, Greece, Hungary, Latvia, Moldova, Russia and Ukraine (more than 40 per cent). Among men, on the other hand, the incidence is rather high, with more than 40 per cent of men reporting to be overweight across the entire region (except in Armenia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan). People in the transition region are also less likely to be underweight: the figures range from 1.6 per cent in Estonia to 6.3 per cent in Kazakhstan and, on average, compare well with the levels found in Germany and Italy, where about 2 per cent of the population is underweight.

<sup>22</sup> World Health Organization, Global Health Risks (2009).

<sup>&</sup>lt;sup>21</sup> For example, see Umberson and Montez (2010).

<sup>&</sup>lt;sup>3</sup> This observation is drawn from the self-reported measures of height and weight of LiTS III respondents, which are used to calculate individual body mass index (BMI). The scores are based on weighted averages according to the population size of each country.

The findings from LiTS III suggest that the happiness gap has finally been closed between western Europe and the transition region as a whole, both in terms of living standards and life satisfaction.



### **Conclusion**

The 2008-09 financial crisis has resulted in substantial social and economic costs across the transition region. Countries that experienced the deepest recessions have seen profound social knock-on effects. High unemployment rates, income losses and cuts in social security benefits have put households under severe pressure and worsened social conditions in many transition countries. Notwithstanding these negative developments, evidence from LiTS III shows that people's life satisfaction has increased across all regions compared to pre-crisis levels, except in Turkey and Russia.

This chapter has revealed some important differences with regards to demographic characteristics, public service and public utility satisfaction, tolerance, social interactions and perceptions of social position. Women report slightly higher levels of life satisfaction than men and the level of life satisfaction decreases with age. There is also a substantial amount of variation across countries in the extent to which people accept the presence of minority groups. People in the western European comparator countries tend to be more satisfied with their jobs and more tolerant than respondents in the transition region.

There is a strong case for designing government policies to support individuals to cope effectively with adverse circumstances. It is especially important to deliver effective employment and training support (such as apprenticeships and flexible education programmes, vocational training and so on) to prevent labour market exclusion of discouraged workers after the financial crisis. In health care and education, structural reforms that maximise efficiency and improve services are desirable as opposed to funding cuts that limit access to health care and education for low-income families. Policy-makers should also ensure that effective strategies are being designed and implemented to combat and prevent discrimination and to protect the rights of minorities. Policies may also be considered to widen tax sources to reduce governments' dependence on consumption and labour taxes, and to redesign tax systems in order to address rising income inequality.

Taken together, the findings from LiTS III suggest that the happiness gap has finally been closed between western Europe and the transition region as a whole, both in terms of living standards and life satisfaction. One important result discussed in this chapter is how countries with similar economic characteristics can have very different levels of life satisfaction, which highlights the importance of focusing on factors other than income that shape people's life satisfaction. It also suggests that ample opportunities exist for these countries to learn from each other in order to build strong, happy and healthy communities.

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### Appendix

### TABLE 1.A1. Satisfaction with public service delivery by country

	Percentage of respondents satisfied with quality and efficiency of public service delivery											
Country	Public health system	Primary/secondary education	Traffic police	Official documents	Vocational education	Social security benefits	Unemployment benefits	Civil courts				
Turkey	76	79	83	84	89	83	85	84				
Estonia	78	90	79	92	92	73	74	66				
Latvia	72	82	66	88	73	75	74	53				
Slovak Rep.	79	89	75	91	92	51	52	53				
Slovenia	78	80	59	85	83	70	55	68				
Lithuania	64	67	67	82	76	68	77	54				
Uzbekistan	79	88	65	86	87	57	43	49				
Romania	70	73	54	83	85	75	72	40				
Germany	76	81	62	67	87	41	41	54				
Russia	47	67	51	77	80	60	58	65				
Bulgaria	62	83	60	82	75	45	37	59				
Croatia	71	80	60	74	78	40	50	47				
Poland	40	92	52	90	71	44	46	60				
Georgia	80	77	65	79	61	40	19	74				
Kosovo	57	85	63	82	70	35	43	57				
Hungary	58	72	68	76	60	60	47	38				
Cyprus	67	67	54	82	66	62	41	37				
Armenia	63	81	39	76	73	49	43	37				
Greece	45	62	59	77	69	49	46	47				
Mongolia	60	73	39	61	75	55	50	31				
Italy	54	64	46	72	64	43	37	44				
Albania	53	72	54	68	68	38	21	37				
Serbia	61	72	35	64	74	42	30	25				
Kazakhstan	55	69	38	64	67	54	24	30				
Montenegro	54	75	40	69	76	37	23	27				
Azerbaijan	52	66	43	67	55	42	21	53				
Ukraine	40	65	34	44	54	55	48	54				
FYR Macedonia	61	66	50	72	59	12	22	38				
Bosnia and Herz.	48	70	40	66	63	30	21	35				
Tajikistan	58	63	29	41	67	27	53	37				
Kyrgyz Rep.	55	71	24	55	59	55	30	20				
Belarus	49	60	39	66	65	34	16	31				
Moldova	43	69	22	52	67	25	19	26				

Source: LITS III (2016). Note: "Satisfaction with public services" refers to the proportion of respondents who report that they were "very satisfied" or "satisfied" with the quality and the efficiency of the given public services in the 12 months preceding the survey. Countries are listed in order of average satisfaction rates across all eight categories.

### **TABLE 1.A2.** Attitudes towards minorities by country

	Percentage of respondents who would not like these groups as neighbours														
											Unmarried couples living together				
Country	2010		Change	2010	2016	Change	2010	2016	Change	2010	2016	Change	2010	2016	Change
Uzbekistan	12	25	13	18	34	16	57	58	1	9	28	19	30	43	13
Armenia	31	28	-3	12	12	0	70	85	15	28	42	14	15	16	1
Azerbaijan	27	24	-3	17	15	-2	91	58	-33	25	27	2	31	45	14
Georgia	13	27	14	8	25	17	81	56	-25	13	24	11	7	24	17
Kyrgyz Rep.	21	26	5	16	40	24	80	31	-49	24	31	7	21	23	2
Kazakhstan	8	16	8	21	34	13	72	76	4	7	13	6	4	11	7
Russia	15	19	4	29	36	7	72	75	3	10	11	1	3	2	-1
Belarus	14	22	8	21	30	9	71	61	-10	8	12	4	3	9	6
Mongolia	24	26	2	31	28	-3	57	46	-11	18	19	1	10	9	-1
Latvia	8	17	9	18	45	27	59	57	-2	4	8	4	1	1	0
Moldova	31	9	-22	24	18	-6	80	79	-1	30	12	-18	21	5	-16
Tajikistan	21	6	-15	10	5	-5	82	67	-15	26	12	-14	39	29	-10
Romania	8	12	4	9	30	21	63	68	5	5	5	0	4	3	-1
Estonia	8	17	9	24	41	17	45	45	0	5	12	7	1	2	1
Bulgaria	15	19	4	11	35	24	60	51	-9	7	9	2	1	2	1
Lithuania	17	16	-1	14	26	12	60	55	-5	12	13	1	2	2	0
Hungary	19	14	-5	24	45	21	52	38	-14	5	3	-2	3	2	-1
FYR Macedonia	20	7	-13	20	26	6	75	57	-18	10	5	-5	9	5	-4
Ukraine	14	12	-2	19	13	-6	69	51	-18	10	11	1	3	10	7
Turkey	30	13	-17	32	19	-13	72	41	-31	25	7	-18	50	16	-34
Serbia	8	10	2	9	18	9	54	52	-2	5	6	1	3	7	4
Slovak Rep.	10	14	4	12	33	21	40	34	-6	3	3	0	0	1	1
Poland	10	12	2	8	24	16	46	35	-11	6	5	-1	1	0	-1
Croatia	7	6	-1	7	24	17	43	40	-3	2	4	2	1	2	1
Bosnia and Herz.	10	5	-5	8	9	1	54	46	-8	7	5	-2	7	5	-2
Kosovo	18	6	-12	16	3	-13	64	52	-12	13	2	-11	20	4	-16
Slovenia	11	11	0	18	22	4	35	26	-9	6	6	0	3	1	-2
Italy	13	9	-4	14	20	6	22	19	-3	6	6	0	0	3	3
Montenegro	9	4	-5	10	5	-5	64	46	-18	4	1	-3	5	1	-4
Cyprus		7			12			33			4			1	
Greece		8			12			28			6			1	
Albania	12	6	-6	5	2	-3	63	39	-26	5	2	-3	6	2	-4
Germany	12	8	-4	17	12	-5	16	13	-3	4	5	1	0	1	1

Source: LITS II (2010) and LITS III (2016). Note: "Attitudes towards minorities" refers to the proportion of respondents who chose the given category as a group that they did not want to have as neighbours. Countries are ranked in order of average tolerance (that is, from the least tolerant to most tolerant) rates across all five categories.