

Economic insecurity in transition: Evidence from a recent survey

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Plan

- Motivation
- Economic insecurity from the Human Right perspective
- Data
- Variables and methodology
- Conclusions

Economic insecurity in transition: motivation

“Instability is our life. It seems that everything is developing rather quickly now – if you want to find a job, you will find it, it is not a huge problem here. But even if you have a job, you don’t feel secure or confident about the future. Even though business is developing very fast, it could come to an end very quickly. Regardless of how good a job you have and how good things are for you now, there is a feeling that anything could happen at any time. You cannot be confident that things will be good forever.”

CESSI (2007)

Economic insecurity in transition: motivation

“What the Russian people have feared most in the last 15 years is an uncertain future and things that are out of their control. People’s feelings in today’s Russia are similar to those of people who live near a large active volcano or who experience a natural disaster from time to time: even when things are quiet they are expecting the worst and they cannot control it or do anything to prevent it. Even prosperous and well-off people do not feel safe and confident about the future; they feel powerless.”

CESSI (2007)

Insecurity in transition

- Insecurity and instability have been inherent to transition process
 - Fall in real incomes during the first decade of transition :
 - Drastic fall in GDP + soaring inflation
 - Increase in unemployment and income inequality
 - Weak welfare state
- Special mechanisms to cope with insecurity
 - Illegal employment
 - Sending migrants abroad
- Features of both developed and developing countries
 - Relatively high education levels
 - Weak welfare state
 - Substantial income variation both within and across transition economies

Economic insecurity: definitions

- The existing definitions have evolved around the notions of :
 - *1) the likelihood or risk of an adverse event in one's life;*
 - *2) perceptions of this risk;*
 - *3) anxieties and concerns associated with this risk;*
 - *4) the ability to cope with or to recover from the costly consequences if an adverse event takes place*

(Bossert and D'Ambrosio, 2009; Osberg, 1998; Osberg, 2010)

- Definitions imprecise and ambiguous
- No single definition
- Often, the definitions depend on research questions and data availability

Economic insecurity: definitions

- Insecurity versus poverty
 - Future versus present?
 - Past, present and future?
 - Are the poor more insecure?
- Insecurity versus vulnerability
 - Anxieties of all people versus the risk of falling into poverty
 - Wealthy versus poor countries
 - Transition economies: rich or poor?

Economic insecurity: Human Rights approach (Osberg 2010; Osberg and Sharpe 2011)

- UN Universal Declaration of Human Right: the right of people to access or afford particular primary commodities – ***food, clothing, housing and medical care***
- The measurement of insecurity and vulnerability should involve identifying how many people are deprived of the consumption of specific primary commodities ('backward-looking' measure).
 - Plus worries about the future consumption of primary commodities ('forward-looking' measure)
- Arguably, insecurity about primary commodity consumption is the ultimate form of economic insecurity
- Limited empirical evidence – this paper fills the gap

Questions I

- Which groups of people are deprived of primary commodities?
(current consumption)
- Which groups of people are more worried about the consumption of primary commodities? (anxieties about future consumption)

Variables of particular interest

- **Ethnicity**
 - *The ethnic Russian minority (former Soviet migrants and their descendants)*
 - *The non-Russian minorities (e.g. Romani)*
- **Remittances**
 - *Other things equal, remittance receivers experience lower levels of economic insecurity*
 - *But more insecure households send migrants abroad in the first place (migration as a strategy of risk diversification)*
- **Health**
 - *Both the cause and consequence of economic insecurity*

Questions II

- What are the possible effects of economic insecurity on:
 - Likelihood of emigration
 - Acceptance of corruption
 - Trust
 - Life satisfaction

Data

- The UNDP/UNICEF Social Exclusion Database
 - *Regional Human Development Report on Social Inclusion for Eastern Europe and Central Asia*
- The survey carried out in November-December 2009
- Six countries:
 - *Kazakhstan*
 - *FYRO Macedonia*
 - *Moldova*
 - *Serbia*
 - *Tajikistan*
 - *Ukraine*
- 2,700 individuals per country (altogether 15,901 observations)

Variables capturing economic insecurity

Affordability of primary commodities

- Four variables are created based on the question: *“There are some things that many people cannot afford. Can I just check how often your household could afford it in the past 12 months:*
 - *1) buying food for three meals a day;*
 - *2) buying medication that you or your household needed;*
 - *3) buying new clothes and shoes that you or your household needed;*
 - *4) keeping your home adequately warm? “*
- *Possible answers: ‘never’ (1), ‘seldom’ (2), ‘sometimes’ (3) and ‘often’ (4)*
- A composite variable ***afford*** created by summing up the four variables
 - Ranges from 4 to 16
 - Correlation with the four variables: 0.69 – 0.75

Variables capturing economic insecurity

Worries about (future) consumption of primary commodities

- Three variables are created based on the question: “*There are many situations that could negatively affect you or your household. How worried are you about:*”
 - *1) hunger;*
 - *2) denied access to health care practitioners;*
 - *3) lack of housing (eviction);*assessing each item from 1 to 5 (‘1’ not worried at all and ‘5’ very worried)?
- A composite variables **worried**
 - Ranges from 5 to 15
 - Correlations 0.82 - 0.86

Variables explaining economic insecurity

- Education (4)
- Income (7)
- Activity (8):
 - employed in a private firm;
 - working in public sector;
 - having own business or being self-employed;
 - education;
 - unemployed;
 - retired;
 - homemaker;
 - other
- Age group (6)
- Gender
- Children
- Ethnicity
- Receiving remittances
- Self-reported health
- Four types of settlement
 - village;
 - small town;
 - regional/economic centre;
 - capital
- Six country-fixed effects

Affordability and worries: summary statistics

How often could you afford:

	<i>Buying food for 3 meals per day</i>	<i>Buying medication</i>	<i>Buying new clothes</i>	<i>Keeping house warm</i>
Never	4%	3%	4%	2%
Seldom	10%	21%	30%	7%
Sometimes	21%	38%	43%	21%
Often	65%	38%	23%	70%

How worried are you about:

	<i>Hunger</i>	<i>Denied access to health care</i>	<i>Lack of housing</i>
1 - Not worried at all	21%	14%	39%
2	14%	12%	12%
3	18%	22%	12%
4	18%	22%	11%
5 – Very worried	30%	31%	25%

Estimation methodology

- Binary or ordered probit
- Estimations at individual and household level
 - *HH characteristics available: gender, age and level of activity*
- Country-fixed effects included in all specifications
- Results show correlations rather than causalities

Results I: correlates of affordability of primary commodities

	Food	Medication	Clothes	Home warm	Afford
Female (HHH)	---	-	---	---	---
Children (HH)	+++	+	+++	+++	+++
Education (HHH): <i>Primary</i>	---	---	---	---	---
<i>Vocational</i>	+	++	+++	+++	+++
<i>Tertiary</i>	+++	+++	+++	+++	+++
Income: <i>no income</i>	++	++	+++		+++
<i>2nd quintile</i>	+++	+++	+++	+++	+++
<i>3rd quintile</i>	+++	+++	+++	+++	+++
<i>4th quintile</i>	+++	+++	+++	+++	+++
<i>5th quintile</i>	+++	+++	+++	+++	+++
Activity (HHH): <i>Own business</i>	+++	+++	++		+++
<i>Unemployed</i>	---	---	---	---	---

Results I: correlates of affordability of primary commodities (cont.)

	Food	Medication	Clothes	Home warm	Afford
Age (HHH):					
<i>15-24</i>		--			
<i>25-34</i>					
<i>35-44</i>	-				-
<i>55-64</i>			---		
<i>65+</i>		+++	---		
Ethnicity					
<i>Non-Russian min.</i>	--	---	---	---	---
<i>Russian minority</i>			-		
Remittances	+++	++	+++		+++
Poor health	---	---	---	---	---
Type of settlement:					
<i>Village</i>	---	---	-		---
<i>Regional centre</i>				++	
<i>Capital</i>	+++	---			
Number of observ.	15,000	14,863	14,980	14,869	14,599

- Less likely to afford primary commodities:
 - *low income*
 - *non-Russian minority*
 - *poor health*
 - *living in rural area*
 - *head of HH: female, unemployed, low educated*
- More likely to afford primary commodities
 - *households receiving remittances*
 - *head of HH: business owner or self-employed*

Results II: correlates of worries of primary commodity consumption

	Hunger	Access to medication	Lack of housing	Worried
Female (HHH)	+++	+++	+	+++
Children (HH)	++			+
Education (HHH): <i>Primary</i>	+++	+++		+++
<i>Vocational</i>	-			-
<i>Tertiary</i>	---	---	--	---
Income: <i>no income</i>				
<i>2nd quintile</i>	---			---
<i>3rd quintile</i>	---	---		---
<i>4th quintile</i>	---	---		--
<i>5th quintile</i>	---	--		
Activity (HHH): <i>Own business</i>			-	
<i>Unemployed</i>	+++	+++		++

Results II: correlates of worries of primary commodity consumption (cont.)

	Hunger	Access to medication	Lack of housing	Worried
Age (HHH):				
<i>15-24</i>			+++	++
<i>25-34</i>	++		+++	+++
<i>35-44</i>	++	++	+++	+++
<i>55-64</i>			---	
<i>65+</i>			---	-
Ethnicity				
<i>Non-Russian min.</i>	++			
<i>Russian minority</i>		+++		
Remittances	+		+++	+++
Poor health	+++	+++	+++	+++
Type of settlement:				
<i>Village</i>	+++	+		+
<i>Regional centre</i>	+++		+++	+++
<i>Capital</i>	+++	+++	+++	+++
Number of observations	14,964	14,937	14,817	14,700

- High worries about primary commodity consumption:
 - *head of HH: young, female, unemployed, low educated*
 - *poor health*
 - *children in the HH*
 - *receiving remittances*
 - *living in metropolitan and rural areas*

Comparing the determinants of affordability and worries

	Low affordability	High worries
Head of HH: female	+	+
Head of HH: unemployed	+	+
Head of HH: low education	+	+
Poor health	+	+
Living in rural area	+	+
High income	-	...
Head of HH: young	...	+
Living in a metropolitan area	...	+
Non-Russian minority	+	...
Remittances	-	+
Children in the HH	-	+

Questions II

- What are the possible effects of economic insecurity on:
 - Likelihood of emigration
 - Acceptance of corruption
 - Trust
 - Life satisfaction

Variables explained by economic insecurity

Acceptance of corruption

- “Do you consider it acceptable or not acceptable to make unofficial payments/gifts in the following situations:
 - *1) interacting with road police;*
 - *2) requesting official documents (visa, passport) from authorities;*
 - *3) interacting with the police on matters other than traffic and documents;*
 - *4) doing your regular job;*
 - *5) going to courts for a civil matter;*
 - *6) receiving medical treatment;*
 - *7) receiving public education;*
 - *8) requesting unemployment benefits;*
 - *9) requesting social security benefits.”*

Acceptable - 1; not acceptable – 0.

- Sum up the nine answer to get the variable acceptance of corruption
 - Ranges from 0 to 9
 - Correlation 0.79 and 0.84

Variables explained by economic insecurity

- Likelihood of emigration

- “What is the probability for you to go abroad to find employment?” (0: not probable and 1: probable).

- Level of trust

- “Generally speaking, do you think most people can be trusted?” (1: rather yes and 0: rather no)

- Life satisfaction

- “Are you satisfied or dissatisfied with your standard of living?” (5: completely satisfied, 4: satisfied, 3: neither satisfied nor dissatisfied, 2: dissatisfied, 1: completely dissatisfied).

Economic insecurity and ‘outcomes’

	Likelihood of emigration	Acceptance of corruption	Trust	Life satisfaction
High affordability		- - -	++	+++
High worries	+++	+++	- - -	- - -
<i>Individual and contextual controls</i>	Yes	Yes	Yes	Yes
<i>Number of observations</i>	14,953	12,276	13,937	14,903

Conclusions

- The paper reveals **individual-level determinants of economic insecurity** in six transition economies
- Human Right approach to economic insecurity:
 - affordability and worries about the consumption of primary commodities (**food, clothing, medication and shelter**)

Low affordability and high worries	HH – female, low educated, unemployed; Poor health, living in rural area
Low affordability	Non-Russian minorities, low income
High affordability	HH – business owner/ self-employed; Receiving remittances
High worries	HH – young; Big city, receiving remittances

- Significant positive association between **low affordability and high worries**, on the one hand, and more favourable **attitudes towards corruption**, lower levels of **trust** and lower levels of **life satisfaction**
- Significant positive association between low **high worries** and **high likelihood of emigration**

***Thank you
for your attention!***