Subjective Perceptions of the Impact of the Global Economic Crisis in Europe and Central Asia

The Household Perspective

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Abstract

This paper analyzes the subjective impact of the global economic crisis on households in Europe and Central Asia and relates subjective impacts to consumption, actual shocks, and coping strategies, using the 2010 Life in Transition Survey. Two-thirds of respondents in Europe and Central Asia report their household was subjectively affected, primarily through the labor market. The findings underscore the limitations of cross-country comparisons of subjective perceptions, due to reporting biases. Within countries, richer households felt a decline in their relative income position, consistent with evidence from household budget surveys that the crisis reduced the consumption of the middle and upper classes. But the analysis also finds that poorer households report being (subjectively) affected by the crisis more. Differences in the feasibility of coping strategies may help explain variations in subjective perceptions: the poorest

were forced to reduce their staple food consumption and health spending, and tended to depend on public safety nets. Richer households had more options to cope, pursuing so-called “active strategies” (such as increasing their labor supply), borrowing, and cutting spending on non-essentials. Transition countries differed significantly from western European comparator countries in that public safety nets had lower coverage, private safety nets and informal insurance mechanisms could not meet the shortfall in income, and a large proportion of their populations reduced the consumption of basic necessities. The paper finds subjective perceptions of the impact of the crisis to be relevant to socio-political outcomes: the harder the impact, the lower the life satisfaction level and the more negative the assessment of government performance.

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Subjective perceptions of the impact of the global economic crisis in Europe and Central Asia: The household perspective

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1. Introduction

The 2009-2010 economic crisis hit households in multiple ways, as workers lost their jobs, wage earnings were reduced, and remittances fell. The extent and severity of the impact on individual and household welfare has varied, depending on the nature of the shocks experienced, the policy response and the coping mechanisms available to households. Because such effects go beyond changes in consumption or incomes, subjective data can potentially yield important insights on both the impact of the crisis and its consequences. For example, the trauma associated with job-loss can go beyond the associated drop in household income, there may be increased insecurity about the future, and so on. The subjective impact of the crisis may therefore depend on the coping strategies adopted, the intrinsic value of employment, or the extent to which households value leisure, uncertainty or different types of expenditures.

Although subjective measures can capture impacts that are not fully reflected in objective (i.e. consumption- or income-based) measures, they also have important shortcomings, notably with regards to the comparability of responses across individuals and countries. There could be, for example, systematic reporting biases if different groups have systematically different perceptions of and attitudes to objective shocks (Bertrand and Mullainathan, 2001). This paper thus has two main objectives: (i) characterize variations in subjective perceptions of crisis impact across countries and, within countries, across individuals; and (ii) examine the extent to which subjective measures of impact are comparable, and whether they can be explained by the objective shocks experienced or the coping strategies available. The paper also analyzes the relevance of subjective measures of crisis impact, in particular their relation to other measures of well-being and socio-political outcomes, such as relative income status and perceptions of social mobility, satisfaction with life and perceptions of government performance. We use the second Life in Transition Survey (LiTS II), which allows such an exploration of the effects of the crisis, based not only on outcomes but also subjective perceptions, beliefs and choices, for 29 transition countries and five comparator countries in western Europe (France, Germany, Italy, Sweden and the United Kingdom).

While the poor report being affected by the crisis more (subjectively), household budget surveys suggest that the crisis had a marginal impact on poverty incidence and affected mostly the

incomes and consumption of middle- and upper-income households (Sulla, 2011). It is likely that the ability or inability of households to use effectively strategies to cope with shocks can influence their subjective perceptions of the crisis: faced with job loss or wage reductions, a household that is able to access social safety-nets, or to borrow from friends and family, or use savings, could have a more benign perception of the impacts of the crisis. Going beyond expenditure and labor supply adjustments, we therefore also examine coping strategies, as declared by households, in particular the extent to which they differed across countries and individuals and how they correlated to subjective crisis impact.

The paper begins by describing the data, household subjective perceptions of the impact of the crisis, and the transmission channels through which they were affected. We then analyze heterogeneity in the use of various coping strategies, distinguishing between strategies to increase earnings, private and public safety nets and expenditure reductions. Last, we examine the relationship between household perceptions of the crisis impact and socio-political outcomes.

2. Objective shocks and perceptions of crisis impact

2.1. The data

The Life in Transition survey was conducted jointly by the European Bank for Reconstruction and Development (EBRD) and the World Bank in 2006 and 2010. Nationally representative samples of between 1,000 and 1,500 households were interviewed in every country. In total, in 2010, almost 39,000 households were surveyed in 34 countries of Europe and Central Asia to assess public attitudes, well-being and the impacts of economic and political change.

The crisis impact module of the 2010 LiTS elicits subjective perceptions of the impact of the crisis, in addition to collecting information on the shocks experienced, the coping strategies employed, and access to public safety nets. Respondents were asked how much the economic crisis had affected their household in the past two years, with responses coded as follows: 1: “a great deal”, 2: “a fair amount”, 3: “just a little” and 4: “not at all”. Respondents who reported that their households were affected were asked whether they (or a household member) experienced shocks such as job loss, wage reductions and lower remittances, and which impacted the most. Regardless of the subjective impact, all respondents were asked if they (or a household

member) had taken any of a list of measures “as a result of a decline in income or other economic difficulty”. They were also asked whether they tried to borrow money, from whom and whether they were successful. Lastly, the module asked all respondents whether they (or someone in their household) applied for any of four types of government benefits (unemployment, housing, child support and targeted social assistance/guaranteed minimum income), the result of the application, whether the household had received its first payment, and how helpful this support was.

2.2. Subjective perceptions of the crisis impact and objective shocks experienced

Subjective perceptions of crisis impact and transmission channels

LiTS II confirms earlier findings that the impact of the crisis was widespread, and mostly through the labor market (World Bank, 2011). On average, two-thirds of the population report being affected: 16 percent of respondents declared that their household was affected “a great deal”, 26 percent “a fair amount”, 23 percent “just a little” and one-third “not at all”.

Figure 1. Main crisis transmission channels

Source: LiTS II (2010).

Households have been affected mostly through the labor market and particularly by reductions in wage earnings. Almost one-third of transition respondents report that a household member had

their wages reduced over the previous two years as a result of the crisis (see Figure 1)². The second most important transmission channel has been job loss: 17 percent of respondents report that at least one member of their household lost his or her job due to the crisis.

These labor market shocks, and particularly wage reductions, affected a much wider share of households in the transition countries than in the western European comparators (see summary statistics in table 1). In eight transition countries - Croatia, Latvia, Lithuania, Montenegro, Romania, Slovenia, Turkey and Ukraine - more than half of respondents report that a household member experienced wage reductions or arrears as a result of the crisis. Job losses or family business closures were experienced by one-third of households in Latvia, Macedonia and Tajikistan. Wage reductions were more widespread than job losses in all countries except Armenia and Georgia. But, while it affects a smaller number of households, job loss results in higher losses for those households and increases the perceived effect of the crisis to a much larger extent than reduced wages.

A reduction in remittances was the third main type of shock experienced by households, especially in countries with large numbers of migrant workers abroad. It was cited as an important crisis transmission channel, particularly in south-eastern Europe (by more than one-third of households in Bosnia and Herzegovina, and Serbia) and Central Asia (by over one-quarter in Tajikistan).

Differences in perceptions of crisis severity across countries

According to the subjective measure of crisis impact, the impact was greater in south-eastern Europe and the South Caucasus and lesser in Central Asia and Russia. It was also greater in all transition subregions than in the western European comparator countries as a group. In some of the new EU member states like Poland, the Czech Republic and Slovak Republic, the perceived impact is much more confined and closer to the experience reported by the western comparators (see Figure 2).

2 See Khanna et al (2010): wage reductions in transition countries resulted from reduced working hours and shifts in employment from industry to sectors with lower wages.

Figure 2: Subjective impact of the crisis - by country

Source: LiTS II (2010).

At the country level, the LiTS II data show a negative correlation between crisis severity and average 2009-2010 GDP growth rates (see Figure 3) but the correlation is weak, which may be due to the fact that households' subjective assessment of the impact of the crisis are based on a multitude of factors, some of which are not fully captured by objective (i.e. consumption- or income-based) measures.

Figure 3. Economic growth and perceptions of the crisis severity

Source: LiTS II (2010).

Note: The subjective crisis severity index is the weighted average, for every country, of responses to the question “How much, if at all, has the crisis affected your household in the past two years?” with answers recoded as: 0. Not at all; 1. Just a little; 2. A fair amount; and 3. A great deal.

In certain countries, the subjective measure of crisis impact is less consistent with the overall size of the economic contraction but reflects the broader experience of households. In Serbia, for example, the large fall in employment during the crisis may explain why over two-thirds of respondents report being affected (making it the second most subjectively affected country in the region) despite a smaller GDP contraction than many other countries (-3 percent in 2009). However, differences in subjective perceptions of the crisis impact cannot be fully accounted for by the objective consequences of the crisis for households; nor can they be fully explained by differences in government and household responses. The case of Latvia for example (with a lower subjective impact than the size of the objective shocks experienced would suggest) implies that there may be important cross-country cultural differences in reporting an impact, suggesting that it is difficult to compare subjective perceptions across countries.

Comparing subjective and objective measures of crisis impact across households

We now turn to comparisons of subjective crisis impact across households, within a given country. The subjective measure of crisis impact generally corresponds closely to shocks objectively experienced by households. Among households that declared being affected “a great deal” or “a fair amount” by the crisis, 90 percent experienced at least one labor market shock or income loss (such as job loss, closure of family business, wage reduction or lower remittances). Yet, in a few countries, when asked how they were affected, a non-negligible proportion answered "Don't know". This was the case in Bulgaria (32%), Georgia (31%), Mongolia (23%), Poland (21%), Estonia (12%) and France (11%).

To analyze differences in subjective perceptions of crisis impact across households, we estimate an ordered probit regression of the perceived impact of the crisis on selected household characteristics, with country fixed effects. The regression is estimated for all ECA countries (pooled) and for each transition sub-region taken separately, using ordered probit regressions. Using the LiTS II housing and expenses module (with seven expenditure items, including durables), we construct a consumption aggregate. The per capita consumption aggregate is then used to divide respondents into three consumption terciles in each country (lower, middle and

upper)³. We find that across the transition region, the poorest third of the population in each country is more likely to report that their household was adversely impacted by the crisis (see Table 4). Similarly, household asset ownership (ownership of a car, a secondary residence or a bank account) is negatively correlated with crisis impact. The greater subjective impact of the crisis on poorer households is consistent with the fact that they are much more likely than richer households to have experienced job losses.⁴

The subjective impact on the poorest households is greatest in Turkey, the western CIS (Belarus-Moldova-Ukraine) sub-region, the new EU member states and the south Caucasus. However, in Russia, Central Asia and south-eastern Europe, the LiTS II data do not suggest a differential subjective impact for the poorest third of households relative to richer households. Lastly, female-headed households⁵ and the elderly (or pensioners) do not report a significantly greater crisis impact than other households. These findings based on household perceptions corroborate some of the preliminary or partial information from objective measures but there are also some significant differences. Indeed, consumption data (from Household Budget Surveys) suggest that the crisis affected mostly middle-and upper-income groups (Sulla, 2011). This is consistent with the LiTS II finding that upper- or middle-class households report the largest drops in their social position (relative income). Nevertheless, poorer LiTS households (as measured by their current consumption) also report more being (subjectively) affected by the crisis than richer households.

There could be many reasons why subjective assessments may differ from objective measures. For example, the trauma associated with job-loss can go beyond the associated drop in household income, there may be increased insecurity about the future, and so on. The subjective impact of the crisis may therefore depend on the coping strategies adopted, the intrinsic value of employment, and the extent to which households value leisure, uncertainty or different types of expenditures. Finally, there could be systematic reporting biases if different groups have

3 Due to low response rates, actual or imputed rents are not included. Previous analysis showed that the consumption aggregates constructed from LiTS I compare well with conventional measures based on national accounts and household surveys (see Zaidi et al, 2009).

4 The greater impact of the crisis on the poor as well as the correlation between job loss and low consumption could be due to greater vulnerability of initially poor households to job loss, or to lower consumption caused by the job loss experienced by the household. The data do not enable a comparison between the two hypotheses as only current consumption is measured in LiTS II.

5 Because the LiTS data measure crisis impact at the household level, it is not possible to analyze differences at individual level. The lower likelihood that female-headed households were affected is consistent with the crisis impact on sectors that employed higher proportions of males (for example, construction).

systematically different perceptions of and attitudes to objective shocks (Bertrand and Mullainathan, 2001). In the section that follows, we therefore investigate the relationship between subjective crisis impact and coping strategies used by households.

3. Household coping strategies and subjective impact

The subjective impact of the crisis goes beyond lower aggregate consumption and may depend on the coping strategies adopted. In fact, 13 percent of those who reported that their household was affected "a fair amount" and 9 percent of those reporting "a great deal" also answered that they did not reduce their consumption. One-quarter of these households experienced job loss and one-half had lower wages, but they were able to maintain consumption using private and public safety nets as well as increasing their earnings. The LiTS II allows an examination of formal and informal coping strategies, beyond adjustments in consumption and labor supply: the survey collected information on a wide range of coping mechanisms (as declared by respondents), although the list is not exhaustive. For example, respondents were not asked if they reduced education expenditures⁶.

3.1. Coping strategies: Descriptive statistics

Typology and summary statistics

Following Lokshin and Yemtsov (2004), we combine coping strategies into “active”, “safety nets” and “passive” strategies. We further distinguish between public and private safety nets, and between cutting expenditures on necessities (staple foods and health) and other expenditure, thus analyzing how households differed in terms of their use of 5 broad coping categories:

- *Active strategies.* These include getting a second job or increasing working hours to compensate for reduced wages, enrolling in further education because of a lack of job opportunities, selling assets or moving to a new location.
- *Safety nets.* Households can draw upon public safety nets (state benefits from government) and private safety nets (borrowing money from relatives, friends or a bank).

⁶ However, World Bank crisis response surveys in five countries show no evidence of this (see World Bank, 2011).

- *Passive strategies.* These consist of cutting expenditures. They include reducing expenditure on staple foods and health expenditure, and reducing other expenditure.

The applicability of these options varies by country and according to household circumstances. We first present summary statistics on the various coping strategies used across countries, before analyzing the relationship between subjective crisis impact, coping strategies and household characteristics.

Figure 4. Coping strategies employed by households

Source: LiTS II (2010).

The most common coping strategy for transition households was reducing consumption, followed by using private safety nets (see Figure 4). About 70 percent of households that were affected “a great deal” or “a fair amount” by the crisis had to reduce consumption of staple foods and health expenditure, and a similar proportion cut other types of spending. Private safety nets were used by 40 percent of affected households, followed by active strategy options used by 23 percent). Even in times of hardship, a large proportion of households seemed able to increase their labor supply (by working increased hours, taking a second job or adding another household member to the labor force). Accessing public safety nets was the least used strategy, with less than one-fifth of affected households availing themselves of the four types of state benefits that

were considered in the LiTS II. The greater use of private coping strategies (relative to accessing public safety nets) in transition countries is in contrast to that in the western European comparator countries (see Figure 4). The south Caucasus, where the use of public safety nets was lowest (7 percent of affected households), also had the highest use (58 percent) of the private safety option. In Western Europe, public safety nets are as prevalent as private ones (both used by about 20 percent of affected households), and reducing essential expenditure is much less frequent (at 40 percent). The greater reliance on passive strategies in transition countries, and particularly on cutting staple food and health expenditure, could be explained by less efficient safety nets, lower stocks of household savings and food price inflation.

Figure 5. Proportion of households using various coping strategies (as a percentage of households affected by the crisis), by subregion

Source: LiTS II (2010).

Public safety nets

In response to the crisis, governments have deployed an array of instruments, including adjustments to social assistance programs, unemployment insurance or pensions, or the provision

of income support through public investment programs (as in Kazakhstan, Latvia, Russia and Turkey). LiTS II respondents were asked if, in the previous 12 months, a household member had applied for any of four types of state benefits, the status of the application and whether the first payment had been received. Such information provides only a partial picture of the coverage of public safety nets (it does not include pensions,⁷ for example) and does not distinguish between safety net assistance received regardless of the crisis and that provided as part of a specific policy response to the crisis.

Figure 6. Coverage of four categories of government benefits

Source: LiTS II (2010).

Note: Government benefits received in the past 12 months, including unemployment, child support and/or targeted social assistance/guaranteed minimum income. “Poor” households refer to the poorest third of households in every country as measured by consumption. Households affected by the crisis are those that reported being affected “a great deal” or “a fair amount”.

The availability and efficiency of public safety nets in protecting vulnerable households varies substantially across countries. Coverage was lower in south-Eastern Europe but higher in EU member states, especially Germany, Sweden and Slovenia where more than one-third of

⁷ Pensions serve as a safety net and have broad coverage in some countries. In Armenia, Romania, Russia and Turkey, minimum pensions were significantly increased in 2009 to protect the poor (see World Bank, 2011).

respondents who say they were affected “a great deal” or “a fair amount” by the crisis received at least one of the four types of benefits. Differences in the coverage of poor households that were affected by the crisis can be explained in part by differences in the proportion of the population that already received universal benefits (regardless of the crisis) and the policy response. However, because the proportion of poor households among those that report being affected by the crisis varies by country, the subjective coverage of public safety nets (as measured in LiTS II) is not equivalent to objective measures of coverage of the poor (as measured with administrative and household data).

The four type of benefits considered in the LiTS II are generally targeted towards the poor, but provide little insurance against unemployment in non-EU countries. In most countries the poorest third of the population were more likely to have received these benefits than other people. However, targeting benefits at those most affected by the crisis is constrained by the fact that only a small proportion of the population in non-EU member states is covered by unemployment insurance. In some countries, this is because a large portion of the workforce is employed in the informal sector. Only in EU member states did the proportion of households applying for and receiving unemployment benefits in the previous 12 months (among households in which at least one member lost his or her job due to the crisis) exceed 10 percent.

Private safety nets

Households mostly sought informal insurance mechanisms when attempting to raise a loan in the crisis. Over 60 percent of households tried to obtain loans from relatives and 48 percent did so from friends. Only 28 percent went to a bank. As expected, poorer households are even more likely to seek loans from relatives or friends, whereas those in the higher-consumption bracket are substantially more likely to borrow from a bank.

The crisis also had a negative impact on informal insurance networks. Thirteen percent of respondents from affected households and 9 percent of all respondents had to stop or reduce help that they were previously giving friends or relatives.

Passive strategies: Reducing expenditure

Figure 7: Expenditure adjustments in the previous two years

Source: LiTS II (2010).

The most frequent coping mechanism used by households affected by the crisis was reducing the consumption of staple foods such as milk, fruit, vegetables or bread,⁸ closely followed by cutting the consumption of luxury goods. More than half of households affected “a great deal” or “a fair amount” reduced their staple food consumption, compared with 20 percent among those unaffected by the crisis. Other frequent expenditure adjustments included delaying payments on utilities (29 percent of affected households), cutting back on vacations (26 percent), reducing spending on alcohol and tobacco (25 percent) and cutting health expenditures (24 percent). Seven percent of households had their utilities disconnected because of delayed payment.

⁸ This could be in response to a combination of lower income (from labor market shocks) and food price inflation.

3.2. Heterogeneity in use of coping strategies

Coping strategies varied among different types of households (see Table 4).⁹ Reducing the consumption of luxury goods was, for example, a less frequent adjustment strategy for poorer households because luxury goods represent only a small share of their usual consumption.

Using probit regressions with country dummies, we examine how household use of different coping strategies varied with household characteristics (including their consumption level, location, asset ownership and the age of the household head). For any household, unobserved variables may explain why they use a certain strategy rather than another. It is therefore likely that, in estimating five regressions of coping strategies on household characteristics, the error terms are correlated. Following Lokshin and Yemtsov (2004), we therefore estimate the household choice of coping strategies simultaneously, using maximum likelihood estimation. Our dependent variables are the five types of coping mechanisms. We estimate the system of choice equations first, for all households, then only for households who declared being affected by the crisis.

We find that the poorest third of households are more likely to rely on reducing staple foods and health expenditures and using public safety nets. In contrast, households in the higher-consumption bracket are more likely to depend on active strategies, private safety nets and reducing non-essential expenditures. Middle-income households are less able to rely on active strategies and private safety nets without also having greater access to public safety nets. Consequently, these households also had to reduce their staple food and health expenditures. Asset ownership,¹⁰ like a higher-income level, is associated with a greater ability to use active strategies and a lesser reliance on passive strategies and public safety nets. Households with assets are better able to maintain their expenditures on staple foods and health, and can cope with a fall in income by reducing non-essential spending and using active strategies. Despite their greater ability to access social safety nets (both public and private), female-headed households were not able to maintain their staple and health expenditures, which they had to reduce by more than the average household.

9 In this analysis, only the successful use of various strategies is measured. For example in the case of active strategies, only the success of a household in increasing the labor supply of its members is taken into account. It is not known if members sought additional work and failed.

10 Ownership of a car, a secondary residence, a mobile phone or a computer.

4. Crisis impacts on social mobility, life satisfaction and perceptions of government performance

4.1. Social mobility

Respondents in LiTS II were asked to “imagine a 10-step ladder where on the bottom, the first step, stand the poorest 10 percent of people in [their] country and on the highest step, the 10th, stand the richest 10 percent of people in [the] country”. They were then asked to state on which step of the 10 their household rests today, where it stood four years before and where it is likely to be in four years’ time. The stated position¹¹ can be interpreted as a subjective ranking of a household's social standing: it is (weakly) correlated to the measured consumption aggregate but, similar to class, it is better predicted by education and asset ownership.¹²

Such subjective views of relative social standing are important because relative incomes are known to play a larger role in satisfaction with life or happiness than absolute incomes.¹³ We find that respondents who place themselves at a higher point on the ladder have significantly greater life satisfaction than those who report lower positions. And social mobility matters for life satisfaction: those who think that they have slipped down the ladder over the previous few years are significantly less satisfied with life.

In all transition subregions, households on the lower steps of the ladder report small improvements in their position (compared to four years before), whereas those in the middle and at the top of the ladder are more likely to report large falls. The higher a household considered itself to be four years before, the larger its perceived drop down the social ladder. This pattern may be explained by the fact that those at the top have more to lose, as those at the bottom cannot fall much in relative terms. However, it is also consistent with preliminary evidence based on household surveys (Sulla, 2011), which suggests that consumption during the crisis increased slightly in many transition countries for the poorest ten percent of households and fell most for the richer households (and that inequality fell slightly). In summary, although poor respondents

11 Most respondents believe that they are in the middle, regardless of their objective consumption level. The median position on the ladder is between step 4 (lower-consumption group) and step 5 (higher-consumption group).

¹² See Bourdieu, 1979.

13 See Easterlin (1995). Kahneman et al (2006) argue that the correlation between satisfaction with life and income results from a "focusing illusion" because the life evaluation question draws “people's attention to their relative standing in the distribution of material well-being”.

report being affected by the crisis more than others, those at the top of the ladder (measured either by income or by subjective position) report the highest falls in their relative standing.¹⁴

Figure 8. Perceptions of changes in social position

Source: LiTS II (2010).

Note: * Includes the countries of Central Europe and the Baltics, Bulgaria, and Romania.

x-axis is household reported position on the 10-step ladder four years ago (relative income).

y-axis is the difference between the household reported position today and its reported position four years ago.

Looking towards the future, households are moderately optimistic about the next four years and most (those who feel they rose and those who feel they fell in the social ladder) expect an improvement in their social position. Large shocks, both negative and positive, seem to be viewed as transitory, as those who believe that they fell furthest down the ladder expect a rebound and those who gained most in relative terms expect a slight fall. Such expectations of social mobility may affect preferences regarding the role of the state in insuring and redistributing incomes as well as life satisfaction.¹⁵

¹⁴ This is both because households who report they were at the top of the ladder four years before are more likely to report a fall and because the perceived fall is larger for those who considered themselves to be at the top.

¹⁵ For example, the “prospect of upward mobility” may affect preferences for redistribution, as shown by Benabou and Ok (2001).

4.2. Life satisfaction

We construct an index of average satisfaction with life for every country, measured as the simple weighted average of answers of respondents to the statement: *All things considered, I am satisfied with my life now*, with the following coding: 1. strongly disagree; 2. disagree; 3. neither disagree nor agree; 4. agree; 5. strongly agree. We find that changes in satisfaction with life at the country level are correlated with the severity of the crisis impact, as measured by GDP growth (see Figure 9). Life satisfaction captures, at the individual or national level, many measures of well-being (Layard, 2005). It is worth noting that, because our baseline period is 2006, we are not able to compare changes in life satisfaction just before and after the crisis. The period since 2006 has included both periods of strong growth and the contraction during the crisis. We nevertheless analyze changes in life satisfaction with regards to the crisis, assuming that recent events matter most when answering life satisfaction evaluation questions.

Figure 9. Crisis severity and changes in life satisfaction

Source: LiTS I (2006) and LiTS II (2010), IMF WEO (October 2010 Update).

Note: Change in average life satisfaction is the difference between the 2006 and 2010 average life satisfaction, measured on a 1-5 scale (see footnote 20).

On average, (self-reported) satisfaction with life in the transition region has remained constant compared to 2006 levels (recorded in LiTS I), but this reflects different dynamics across countries. Satisfaction with life dropped in 15 countries and increased in 13. These changes are correlated with the severity of the 2009-10 economic contraction. The countries where average life satisfaction levels declined the most - Latvia, Lithuania and Romania - experienced severe recessions. Conversely, average satisfaction with life increased in countries that had higher growth - for example, Azerbaijan, Mongolia and Poland. This is consistent with the view that income is an important determinant of satisfaction.¹⁶

But recent growth (or lack of it) is insufficient to explain differences in the evolution of satisfaction with life across countries, as satisfaction *increased* in many south-eastern European countries compared to 2006 levels. In terms of individual comparisons - within countries, and after taking into account such factors as income, status, employment, health status, education and so on - those who were subjectively affected by the crisis report significantly lower satisfaction with life than those who were not, and the greater the severity of the impact the lower their satisfaction with life. We show in table 6 results of OLS, ordered probit and probit regressions (with country fixed effects) of life satisfaction on crisis impact and individual characteristics. Consistent with the literature on the determinants of life satisfaction, we find that relative income (measured as the respondent's assessment of his position in a ten-step income ladder) is strongly correlated with life satisfaction. In fact, when relative income (with respect to others and in relation to the past) is included in the regression, the positive association between absolute income and life satisfaction becomes non-significant. Good health, higher education and asset ownership are also positively correlated with higher life satisfaction.

4.3. Perceptions of government performance

The severity of the downturn was associated with more negative perceptions of the evolution of government performance (see Figure 10). In countries where economic growth remained strong,

16 See Deaton (2008), who shows that in the cross-country comparison, higher incomes are associated with higher satisfaction with life. However, he also finds that “economic growth is associated with *lower* reported levels of life satisfaction”. Much of the literature has found that, within countries and over time, growth in income has not been associated with higher life satisfaction (the “Easterlin paradox”) in the long run because of adaptation of material norms to higher incomes (see Easterlin, 1995), although income changes may have transitory impacts on life satisfaction (see Di Tella et al, 2007).

such as Azerbaijan, Tajikistan and Uzbekistan, there was a belief that the overall performance of their national governments improved over the past three years. Taking into account differences across countries, consumption levels, receipt of government benefits and other demographic factors, those respondents who were affected “a great deal” were, on average, 11 percent more likely than those unaffected to say that the overall government performance worsened in the previous three years.

Figure 10. Crisis severity and perceptions of national government performance

Source: LiTS II (2010), IMF WEO October 2010 Update.

Conclusion

Subjective perceptions confirm the widespread impact of the global economic crisis, with two-thirds of respondents in Europe and Central Asia being subjectively affected. Households were affected primarily through the labor market by job losses and reduced wages and remittances. Findings from the Life in Transition Survey underscore the limitations of comparisons of

subjective perceptions across countries, as there may be systematic reporting biases, including significant cross-country cultural differences in reporting an impact. Within countries, at the household level, we find that richer households felt a decline in their relative income position, which is consistent with evidence from household surveys that the crisis reduced mostly the incomes and consumption of middle- and upper-income groups. But we also find that poorer households report being (subjectively) affected by the crisis more. Differences in the feasibility of coping strategies can help explain variations in the subjective perceptions of crisis impact: the poorest third were forced to reduce their consumption of staple foods and health spending, and tended to depend on public safety nets. By contrast, richer households had more options to cope, pursuing so-called "active strategies" (such as increasing their labor supply), borrowing from friends and family or banks, and cutting spending on non-essentials. Transition countries also differed significantly from the western European comparator countries in that a large proportion of their populations resorted to reducing the consumption of basic necessities during the crisis. Private safety nets and informal insurance mechanisms could not meet the shortfall in income and, in some cases, the reduction of informal transfers reinforced the impact of the crisis.

We find subjective perceptions of the impact of the crisis to be relevant to socio-political outcomes. The severity of the impact influenced life satisfaction and perceptions of government performance: the harder the impact, the lower the satisfaction level and the more negative the assessment of government performance. However, reflecting the complexity of the relationship between economic growth and happiness, satisfaction with life in 2010 was lower in 15 countries (and especially so in Latvia, Lithuania and Romania) and higher in 13 countries compared to 2006 levels. Looking ahead, households are optimistic. Despite the shocks, they expect an improvement in their social position over the next four years. Their experiences during the crisis suggest that more efficient and better-targeted safety nets and social insurance mechanisms could help sustain and spread the gains from anticipated future growth.

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Table 1: Summary statistics – Shocks

*How has this economic crisis affected you (or other household members) in the past two years?
(percent of respondents)*

	Any household member lost job	Head of household lost job	Other household member lost job	Family business closed	Working hours reduced	Wages delayed or suspended	Wages reduced	Reduced flow of remittances	Family members returned home from abroad	Someone who was working took a second job or additional work	Increased work hours in existing job	Someone who was not working before found a new job (part-time or full-time)
Albania	26.6	13.6	16.3	4.5	19.6	14.9	16.1	14.7	8.3	3.1	5.7	1.8
Armenia	24.6	15.4	12.6	3.9	3.5	4.4	13.8	21.7	2.1	1.2	1.5	1
Azerbaijan	27.5	18.1	13.6	4.6	15.2	16.1	15.8	0.8	1	1.1	0.6	8.1
Belarus	5.6	2.4	3.5	1.7	7.3	16.5	33.9	4	1	8.3	9.5	3.6
Bosnia and Herzegovina	16.2	7.7	10.2	2.2	6	8.3	30.3	38.8	2	2.5	3.5	1.1
Bulgaria	21.3	10.9	13.5	1.4	4.4	15.4	26	4.9	2.2	3.1	6.3	2.3
Croatia	17.4	8.4	10.7	1.7	5.8	9.4	44.5	8.6	0.4	2.1	4.5	2.6
Czech Republic	12.6	5.1	8.4	1.3	4.9	4.3	29.6	0.7	0.7	5.9	11	2
Estonia	22.3	12.2	13	1.7	13.8	8.8	38	10.3	1.9	6.2	5.5	3.7
France	12.2	5.2	7.5	0.7	8.3	2.5	21.1	3.5	0.4	2.4	11.2	1.9
Georgia	22.7	12.7	12.8	4.6	4.1	1.1	6.3	1.1	0.5	0.5	1.3	2.4
Germany	8	3.5	4.7	1.4	10	4.5	7.3	11.9	0.5	3	4.9	2.2
Great Britain	10	6.6	4.3	0.8	6.5	2.6	11.8	9.3	0.9	2	6.4	2
Hungary	16.6	9	9.2	1.5	4.3	2.9	18.2	62.7	0.5	5.6	4.9	2.3
Italy	12.4	3.9	8.7	1.3	18.1	7.2	27.3	0.1	0.1	5	10.2	4.3
Kazakhstan	19.7	9.9	12	3	7.6	17.8	25	5.7	0.3	6.7	5.3	5.7
Kyrgyz Republic	11	5.5	6.4	3.3	5.3	8.8	12.4	11.4	3.6	4.7	4.2	2.5
Latvia	32.7	19.6	18	2	8.2	9	54	7.1	2.4	4.9	5.3	3.5
Lithuania	20.5	12.5	9.9	2.5	5.4	15	50.7	46.6	2.1	2.4	6.5	1.7
Macedonia	30.3	14.2	21.4	9	11.4	22.4	26.8	6.8	5.5	2.6	7.5	4.3
Moldova	30.3	20.7	18.7	3.8	12	19.5	31.5	9.5	6.4	3.3	6.1	4.1
Mongolia	17.1	7.4	11.8	5.5	4	8.6	20.3	7.3	2.2	6.5	7.5	6.1
Poland	9.1	3.1	6.3	1.3	4.6	6.5	16.5	0.6	2.8	2.4	5.1	1.4
Romania	23	8	17.3	2.8	8	19.7	44.9	12.6	2.5	2.9	10	2.5
Russia	14.2	7.3	7.7	1.5	7.4	15.3	33.1	4.6	0.4	5	4.6	2.4
Serbia	21	9.8	13.2	3.3	6.9	7	39.5	33.9	0.9	2.9	6.7	1.6
Slovak Republic	16.8	8.4	10.2	0.8	10.1	12.5	22.2	7.4	1.9	5.2	4.8	1.9
Slovenia	13.2	6.2	8.3	1.7	7.3	18.8	43.7	1.3	1.3	6.2	15.2	6
Sweden	4	2.3	2	0.2	4.6	0.2	7.8	4.1	0.1	1.2	2.5	0.8
Tajikistan	28.1	14.8	17.2	8	5.3	15.2	25.4	22.9	19	11.4	2.9	3.1
Turkey	23.8	19.2	7.8	4.4	7	21.2	41	5.6	0.3	4.9	8.4	2.4
Ukraine	18.6	9.2	11.6	1.7	11.7	22.6	34.7	7.7	1.1	7.2	5.6	3.2
Uzbekistan	18.3	10.1	9.9	2.2	9.9	22.9	16.1	3.9	2.1	2.5	2.4	2.4
Kosovo	23.6	12	14.5	8.7	14	18.1	30.1	26.1	8.6	2.6	3.9	0.8
Montenegro	16.7	7.9	10.8	4.7	13	10.6	44.9	24.3	1.9	2.2	5.2	1
ECA Average	17.5	9.7	9.5	2.4	7.7	15.7	31.1	8	1.4	4.7	5.7	2.6

Source: LiTS II (2010)

Table 2: Summary statistics – Coping

In the past two years, have you or anyone else in your household had to take any of the following measures as the result of a decline in income or other economic difficulty?

	Reduced consumption of staple foods such as milk, fruit, vegetables, bread	Reduced consumption of luxury goods	Reduced consumption of alcoholic drinks such as beer, wine, etc.	Reduced use of own car	Reduced vacations	Reduced tobacco smoking	Postponed /withdrew from university	Enrolled in further education because of lack of job opportunities	Postponed /withdrew from training course (Language, computer, vocational , etc)	Postponed or skipped visits to the doctor after falling ill	Cancelled health insurance (for self-employment activity)	Stopped buying regular medications	Stopped/reduced help to friends or relatives who you helped before	Delayed payments on utilities (gas, water, electric)	Had utilities cut because of delayed payment	Cut TV / phone / internet service	Delayed or defaulted on a loan installment	Sell an asset	Forced to move
Albania	35.1	58.2	32.0	18.1	36.9	16.0	5.6	3.1	5.5	10.0	6.7	10.9	6.6	12.9	3.5	3.3	2.0	0.8	1.4
Armenia	59.3	47.9	8.2	9.7	4.1	10.3	2.6	0.7	2.6	26.2	5.1	15.5	6.0	23.1	8.1	2.9	1.5	1.0	0.4
Azerbaijan	22.9	42.7	4.4	7.5	2.1	3.9	0.8	1.5	2.5	41.9	3.4	29.0	7.3	22.4	5.2	1.3	1.8	1.2	0.2
Belarus	26.2	33.1	10.1	9.2	10.9	7.5	2.2	2.1	3.2	8.1	1.2	4.9	12.6	9.6	0.2	2.6	1.9	1.6	0.9
BiH	24.0	46.9	14.3	15.0	19.6	14.1	1.3	0.8	0.4	8.1	1.1	4.7	3.9	11.0	3.4	19.1	1.8	3.2	1.1
Bulgaria	57.4	60.7	33.2	24.8	56.0	21.1	1.1	1.9	0.4	13.8	4.4	9.8	10.8	13.5	5.7	9.4	3.7	1.4	0.3
Croatia	37.1	53.5	19.4	26.9	33.9	13.2	3.7	2.2	5.8	3.5	1.1	2.8	9.1	10.0	1.7	4.4	3.0	2.2	1.3
Czech Republic	21.8	29.7	14.5	19.5	40.2	12.0	0.9	0.5	1.0	6.7	0.5	2.7	6.5	7.8	0.9	2.6	4.7	2.5	0.9
Estonia	25.8	44.7	17.0	20.3	7.0	10.5	1.8	2.9	7.8	14.3	1.4	9.1	9.9	9.7	2.5	4.4	4.3	2.1	1.8
France	13.1	31.9	8.2	23.9	39.1	8.1	0.5	0.8	1.7	5.2	0.5	2.4	3.7	6.0	1.0	1.7	3.3	4.1	2.6
Georgia	66.5	39.9	5.0	5.8	1.9	5.4	1.5	1.4	0.7	44.0	2.2	27.1	4.1	12.6	5.8	3.3	1.3	3.6	0.4
Germany	8.2	25.1	6.9	12.7	23.6	6.2	0.2	0.8	1.5	4.0	0.4	2.7	3.5	2.1	0.7	0.6	4.0	2.5	1.5
Great Britain	9.0	28.2	11.0	12.0	16.8	7.6	1.3	1.7	2.1	1.7	2.1	1.0	4.9	9.5	2.4	7.0	3.9	4.7	2.4
Hungary	56.9	47.0	17.4	24.3	31.5	12.9	1.6	0.4	1.9	13.3	0.9	6.5	11.6	19.2	2.4	2.8	4.4	4.3	1.7
Italy	19.7	55.6	13.4	25.3	57.8	10.1	1.6	2.7	2.1	6.8	2.1	2.7	3.6	12.0	2.0	1.6	4.5	3.5	0.8
Kazakhstan	35.6	33.2	8.8	6.2	13.7	4.0	1.3	0.5	1.6	12.6	1.0	7.7	12.3	19.0	4.5	4.6	3.1	1.7	0.8
Kyrgyzstan	44.5	45.6	5.8	6.5	4.4	2.0	3.6	0.2	2.3	11.0	1.2	10.5	14.3	16.0	1.6	0.6	1.3	1.5	1.2
Latvia	56.2	39.1	15.3	20.1	13.1	14.0	2.6	4.1	2.2	28.6	9.3	20.9	15.8	19.5	2.8	5.4	5.7	2.5	3.7
Lithuania	41.9	52.6	16.3	30.5	22.6	13.3	2.9	1.9	1.5	11.2	1.9	13.9	21.4	10.6	1.4	6.2	2.8	2.0	1.7
Macedonia	51.1	66.8	37.9	34.1	49.6	23.7	4.3	2.1	4.5	15.6	3.2	11.8	11.0	31.0	7.1	11.4	3.8	3.2	0.8
Moldova	46.7	53.0	22.0	12.4	26.4	9.3	3.5	2.2	3.5	16.9	14.8	24.1	13.2	12.0	4.1	4.3	3.6	5.0	1.3
Mongolia	38.8	36.0	38.8	16.5	12.7	17.7	7.9	4.0	2.5	3.4	7.6	4.6	7.5	6.7	9.7	4.9	3.9	4.0	4.6
Poland	20.7	26.6	11.3	7.5	17.6	9.9	1.3	1.6	1.3	4.0	0.9	3.4	3.1	7.0	0.6	1.0	2.8	1.2	0.7
Romania	45.2	46.5	18.1	14.5	32.9	15.7	2.7	2.2	2.0	13.8	3.1	17.7	11.5	26.8	4.8	6.3	6.6	2.7	0.8
Russia	35.2	30.0	7.8	5.9	14.3	4.0	2.0	1.2	1.8	6.6	0.7	5.7	9.0	12.7	0.8	2.3	2.6	1.0	0.9
Serbia	46.4	60.6	29.4	26.7	27.7	12.1	2.3	1.2	0.8	9.8	1.4	5.1	8.6	25.8	5.9	21.6	2.9	5.0	1.3
Slovakia	12.4	27.8	9.9	16.1	32.1	9.5	1.7	1.9	2.2	3.2	0.6	1.2	5.2	5.3	1.1	2.5	4.1	1.7	1.3
Slovenia	21.1	60.3	15.7	21.1	45.4	11.4	2.5	3.7	2.8	2.6	0.9	1.6	6.6	12.0	2.0	1.4	3.9	1.5	0.6
Sweden	3.1	17.8	5.1	8.7	9.3	1.5	0.2	1.1	0.6	2.5	0.4	0.6	1.7	1.4	0.1	0.6	1.3	2.4	0.5
Tajikistan	46.4	31.1	7.1	19.2	2.4	8.2	6.0	3.6	4.4	12.8	4.3	9.5	8.0	13.0	6.4	4.1	4.0	5.8	3.5
Turkey	40.9	41.2	4.2	7.5	15.5	12.2	1.7	0.8	1.8	5.9	0.9	2.9	5.8	27.8	13.8	10.7	12.4	6.9	1.0
Ukraine	53.3	43.7	16.3	9.1	19.0	11.7	1.7	0.9	2.0	20.4	1.9	14.6	12.5	21.4	1.9	2.3	4.6	2.2	1.1
Uzbekistan	23.1	40.7	14.6	9.0	18.4	12.4	2.9	2.2	2.4	10.7	3.3	12.0	8.5	21.2	6.5	3.2	0.4	5.1	1.5
Kosovo	32.2	65.7	25.7	35.2	49.1	20.0	10.0	11.2	9.2	8.0	5.6	8.2	16.2	17.2	7.1	11.7	2.9	1.3	0.5
Montenegro	30.7	56.7	19.2	19.1	26.3	10.2	2.1	1.2	2.2	4.5	0.5	2.9	5.4	30.4	7.3	17.8	6.6	5.8	1.1
ECA Average	37.4	37.6	11.4	10.0	18.7	9.1	2.0	1.4	2.0	10.3	1.6	8.0	8.8	16.9	3.9	4.5	4.4	2.7	1.0

Source: LiTS II (2010)

Table 3: Ordered probit results: Subjective impact of crisis by household characteristics

	Transition average	New EU member states	South- eastern Europe	Belarus- Moldova- Ukraine	South Caucasus	Turkey	Russia	Central Asia	Western Europe
Household consumption group									
Lower	0.0901*** (0.0158)	0.0996*** (0.0258)	-0.0334 (0.0344)	0.189*** (0.0532)	0.198*** (0.0538)	0.283*** (0.0906)	0.0369 (0.0775)	0.0459 (0.0457)	0.0959** (0.0390)
Middle	0.0562*** (0.0154)	0.0898*** (0.0251)	0.0563* (0.0336)	0.0785 (0.0510)	0.0938* (0.0513)	0.204** (0.0878)	-0.0111 (0.0762)	-0.00314 (0.0440)	-0.0555 (0.0376)
Upper	Reference category								
Location									
Metropolitan	0.129*** (0.0414)	0.0382 (0.0452)		0.0159 (0.0978)	0.314*** (0.0590)		0.162 (0.115)	-0.0437 (0.0884)	-0.147*** (0.0525)
Urban	-0.0345 (0.0284)	0.0675** (0.0318)	0.124*** (0.0329)	0.112* (0.0612)	0.266*** (0.0555)	-0.0585 (0.0881)	-0.224*** (0.0780)	0.102** (0.0492)	-0.136*** (0.0401)
Rural	Reference category								
Assets									
Own a car	-0.0655*** (0.0144)	-0.118*** (0.0250)	-0.118*** (0.0318)	-0.0575 (0.0490)	-0.114** (0.0478)	-0.0301 (0.0815)	-0.0988 (0.0682)	0.0163 (0.0401)	0.162*** (0.0472)
Own a secondary residence	-0.0478* (0.0272)	-0.0781* (0.0421)	-0.103** (0.0469)	0.163* (0.0982)	-0.111 (0.103)	0.0564 (0.156)	-0.0913 (0.134)	-0.258*** (0.0998)	-0.109** (0.0545)
Have a bank account	-0.241*** (0.0162)	-0.228*** (0.0275)	-0.248*** (0.0296)	-0.228*** (0.0743)	-0.310*** (0.112)	-0.333*** (0.0747)	-0.152** (0.0746)	-0.0814 (0.0880)	-0.288*** (0.0767)
Own a mobile phone and/or a computer	0.0946*** (0.0218)	0.133*** (0.0335)	0.0600 (0.0443)	0.243*** (0.0670)	0.0779 (0.0797)	-0.427*** (0.147)	0.232* (0.121)	0.0335 (0.0529)	0.124** (0.0617)
Main source of livelihood of household									
Salary or wages in cash or kind	Reference category								
Income from self-employment	0.0484** (0.0212)	0.110*** (0.0411)	0.0237 (0.0402)	0.123 (0.0798)	0.0889 (0.0544)	0.141 (0.0886)	-0.00784 (0.144)	0.0298 (0.0503)	0.217*** (0.0584)
Sales or bartering of farm products	-0.112*** (0.0432)	0.228*** (0.0749)	0.130** (0.0647)	-0.0620 (0.163)	0.0240 (0.0954)	-0.269 (0.356)	-0.817 (0.709)	-0.119* (0.0655)	0.0871 (0.463)
Pensions	-0.171*** (0.0208)	-0.150*** (0.0354)	0.0393 (0.0420)	-0.207*** (0.0657)	0.120* (0.0659)	0.0120 (0.115)	-0.407*** (0.110)	0.0250 (0.0656)	-0.0164 (0.0579)
Benefits from the state	0.354*** (0.0559)	0.570*** (0.0794)	0.340*** (0.112)	0.126 (0.177)	0.0907 (0.133)	-0.170 (0.341)	0.884** (0.365)	0.397** (0.179)	0.189*** (0.0698)
Help from relatives or friends	0.0100 (0.0452)	0.290*** (0.0893)	0.0443 (0.0677)	0.237* (0.128)	0.0830 (0.0921)	-0.336 (0.272)	-0.447 (0.323)	0.203** (0.0958)	0.432* (0.225)
Other	0.103 (0.0652)	0.206 (0.146)	0.394 (0.425)	0.0130 (0.316)	0.426** (0.174)	-0.00700 (0.218)	0.205 (0.370)	0.0641 (0.192)	0.0744 (0.155)
Age of household head									
18-24									
25-34	0.100*** (0.0288)	0.00889 (0.0562)	0.0937 (0.0984)	0.269** (0.124)	-0.0214 (0.101)	0.113 (0.125)	0.151 (0.124)	0.114 (0.121)	0.156 (0.120)
35-44	0.225*** (0.0289)	0.191*** (0.0564)	0.176* (0.0971)	0.416*** (0.124)	0.141 (0.101)	0.248* (0.129)	0.262** (0.123)	0.186 (0.118)	0.171 (0.116)
45-54	0.270*** (0.0294)	0.269*** (0.0566)	0.254*** (0.0955)	0.379*** (0.125)	0.253*** (0.0963)	0.306** (0.150)	0.261** (0.125)	0.264** (0.118)	0.265** (0.116)
55-64	0.106*** (0.0314)	0.109* (0.0588)	0.195** (0.0965)	0.319** (0.128)	0.232** (0.103)	0.0326 (0.174)	0.0655 (0.139)	0.159 (0.122)	0.107 (0.120)
65+	-0.115*** (0.0344)	-0.0401 (0.0630)	0.0215 (0.0993)	0.120 (0.138)	0.112 (0.109)	-0.443* (0.226)	-0.159 (0.159)	0.0839 (0.129)	-0.274** (0.125)
Female-headed household	0.00249 (0.0138)	0.0601*** (0.0213)	-0.0234 (0.0333)	-0.111*** (0.0423)	0.0107 (0.0433)	0.124 (0.112)	-0.00898 (0.0649)	0.0743* (0.0394)	0.0512 (0.0340)
cut1	-0.612*** (0.0799)	-0.840*** (0.0975)	-0.345*** (0.118)	-0.279* (0.149)	-0.0526 (0.150)	-0.724*** (0.198)	-0.238 (0.187)	-0.479*** (0.154)	-0.0172 (0.165)
cut2	0.0731 (0.0798)	-0.0738 (0.0971)	0.0100 (0.117)	0.442*** (0.149)	0.320** (0.150)	-0.167 (0.197)	0.523*** (0.188)	0.285* (0.153)	0.876*** (0.166)
cut3	0.899*** (0.0803)	0.851*** (0.0976)	0.825*** (0.117)	1.264*** (0.150)	1.330*** (0.151)	0.595*** (0.199)	1.340*** (0.192)	0.994*** (0.153)	1.893*** (0.168)
Observations	30,642	11,321	6,611	2,819	2,783	971	1,357	3,803	5,307
Pseudo R-squared	0.0395	0.0636	0.0180	0.0211	0.0148	0.0260	0.0401	0.0226	0.0825

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Country-level dummies not shown

Table 4. Simultaneous estimation of household coping mechanisms (maximum likelihood probit estimation)

	Transition countries - All households					Transition countries - Households reporting being affected by the crisis				
	Active	Social safety nets - private	Social safety nets - public	Passive -		Active	Social safety nets - private	Social safety nets - public	Passive -	
				staple and health expend.	Passive - other expend.				staple and health expend.	Passive - other expend.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Consumption group										
Lower	-0.0801* (0.0434)	-0.161*** (0.0388)	0.0800* (0.0468)	0.0377 (0.0373)	-0.236*** (0.0372)	-0.106* (0.0589)	-0.141*** (0.0541)	0.0173 (0.0662)	0.125** (0.0548)	-0.214*** (0.0583)
Middle	-0.0877** (0.0420)	-0.156*** (0.0368)	-0.00444 (0.0454)	0.0374 (0.0358)	-0.0556 (0.0356)	-0.184*** (0.0581)	-0.134*** (0.0520)	-0.0908 (0.0643)	0.0917* (0.0529)	-0.0142 (0.0574)
Upper	Reference category					Reference category				
Affected by crisis (self-reported)	0.549*** (0.0361)	0.454*** (0.0315)	0.211*** (0.0377)	0.891*** (0.0306)	0.574*** (0.0305)					
Female-headed household	0.0551 (0.0364)	0.0310 (0.0321)	0.171*** (0.0380)	0.129*** (0.0313)	0.00694 (0.0307)	0.0452 (0.0487)	0.117*** (0.0450)	0.161*** (0.0534)	0.167*** (0.0474)	-0.0115 (0.0475)
Location										
Rural	Reference category					Reference category				
Metropolitan	-0.0479 (0.0621)	-0.0419 (0.0538)	0.0497 (0.0643)	-0.0526 (0.0524)	0.0665 (0.0509)	-0.250*** (0.0871)	0.00242 (0.0765)	0.152 (0.0941)	0.00844 (0.0816)	0.0466 (0.0798)
Urban	0.0251 (0.0378)	-0.0315 (0.0343)	-0.125*** (0.0407)	0.0197 (0.0332)	0.120*** (0.0327)	-0.0501 (0.0522)	0.0559 (0.0482)	-0.0801 (0.0568)	-0.0220 (0.0497)	0.135*** (0.0518)
Household size	0.0268** (0.0124)	0.0755*** (0.0109)	0.164*** (0.0128)	0.0187* (0.0108)	0.0183* (0.0107)	0.00668 (0.0169)	0.0688*** (0.0151)	0.159*** (0.0177)	-0.000682 (0.0156)	0.0254 (0.0162)
Assets										
Own a car	0.0679* (0.0387)	-0.115*** (0.0350)	-0.212*** (0.0420)	-0.265*** (0.0335)	0.0978*** (0.0335)	0.104** (0.0509)	-0.157*** (0.0481)	-0.132** (0.0599)	-0.214*** (0.0495)	0.334*** (0.0514)
Own a secondary residence	0.162** (0.0700)	0.139** (0.0634)	-0.132* (0.0783)	-0.120* (0.0631)	0.0499 (0.0599)	0.201** (0.0959)	0.151* (0.0883)	-0.132 (0.108)	-0.155* (0.0888)	0.187* (0.0987)
Have a bank account	0.0426 (0.0466)	-0.0894** (0.0418)	0.0412 (0.0514)	-0.113*** (0.0393)	0.222*** (0.0391)	0.0955 (0.0627)	-0.0794 (0.0566)	-0.0359 (0.0707)	-0.110* (0.0570)	0.362*** (0.0611)
Own a mobile phone and/or a computer	0.161*** (0.0552)	0.0843* (0.0503)	-0.0729 (0.0609)	-0.143*** (0.0474)	0.178*** (0.0448)	0.127* (0.0774)	0.128* (0.0689)	-0.175** (0.0793)	-0.166** (0.0699)	0.144** (0.0661)
Age of household head										
18-24	Reference category					Reference category				
25-34	0.0694 (0.0767)	0.00478 (0.0701)	0.103 (0.0805)	0.170** (0.0699)	0.0307 (0.0682)	0.134 (0.114)	0.0627 (0.108)	0.179 (0.127)	0.0963 (0.112)	-0.108 (0.119)
35-44	0.0332 (0.0772)	-0.0270 (0.0704)	-0.0340 (0.0812)	0.192*** (0.0691)	0.0353 (0.0684)	0.0406 (0.112)	0.0249 (0.106)	0.0308 (0.126)	0.178 (0.110)	-0.211* (0.117)
45-54	-0.0315 (0.0770)	-0.106 (0.0707)	-0.225*** (0.0839)	0.184*** (0.0696)	-0.0132 (0.0681)	3.85e-05 (0.112)	-0.0699 (0.106)	-0.206 (0.128)	0.150 (0.109)	-0.123 (0.117)
55-64	-0.195** (0.0762)	-0.309*** (0.0701)	-0.274*** (0.0827)	0.216*** (0.0689)	-0.0906 (0.0671)	-0.100 (0.112)	-0.320*** (0.105)	-0.261** (0.127)	0.0760 (0.109)	-0.256** (0.116)
65+	-0.457*** (0.0853)	-0.573*** (0.0762)	-0.219* (0.0915)	0.250*** (0.0741)	-0.357*** (0.0709)	-0.360*** (0.123)	-0.525*** (0.113)	-0.365*** (0.136)	0.106 (0.115)	-0.411*** (0.121)
Constant	-1.643*** (0.111)	-1.118*** (0.0998)	-2.033*** (0.125)	-0.488*** (0.0971)	0.0807 (0.0948)	-1.055*** (0.151)	-0.748*** (0.138)	-1.644*** (0.172)	0.306** (0.141)	0.737*** (0.150)
Observations	30,642	30,642	30,642	30,642	30,642	15,152	15,152	15,152	15,152	15,152
p	p21=.0955***, p31=.0208, p41=.158***, p51=.159***, p32=.121***, p42=.213***, p52=.141***, p43=.0651, p53=.0474***, p54=.407***					p21=0.0995***, p31=-.008057, p41=.0844***, p51=.0102***, p32=.143***, p42=.219***, p52=.135***, p43=.0567**, p53=.0499, p54=.285***				

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Country-level dummies not shown

Note: Affected by the crisis: respondents declaring their household were affected "a great deal" or "a fair amount".

Table 5: Likelihood of experiencing 3 categories of shock (job loss, reduced wages and lower remittances): logistic regressions

	ECA			EU 10+2			SE Europe			Bel/Mol/Ukr		
	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.
Consumption group												
Lower	0.378*** (0.0665)	-0.0668 (0.0571)	-0.0236 (0.0933)	0.437*** (0.0817)	-0.0796 (0.0675)	-0.109 (0.105)	0.286*** (0.0820)	-0.136* (0.0726)	0.0423 (0.0834)	0.286* (0.159)	-0.0972 (0.127)	-0.0945 (0.222)
Middle	0.284*** (0.0669)	0.0572 (0.0556)	-0.0668 (0.0921)	0.294*** (0.0824)	-0.0343 (0.0667)	0.0172 (0.101)	0.207** (0.0820)	0.0853 (0.0719)	-0.0658 (0.0832)	0.239 (0.157)	0.0115 (0.124)	-0.0357 (0.216)
Upper	Reference category			Reference category			Reference category			Reference category		
Locality												
Urban	Reference category			Reference category			Reference category			Reference category		
Rural	0.131** (0.0614)	-0.248*** (0.0523)	-0.276*** (0.0843)	0.0593 (0.0735)	-0.350*** (0.0636)	-0.372*** (0.0982)	0.0608 (0.0674)	-0.228*** (0.0600)	0.0728 (0.0694)	-0.0278 (0.139)	-0.258** (0.113)	-0.657*** (0.216)
Metropolitan	0.397*** (0.103)	0.237*** (0.0863)	0.0673 (0.149)	0.167 (0.107)	-0.00370 (0.0917)	-0.0511 (0.118)				-1.187*** (0.274)	0.231 (0.188)	0.695** (0.276)
Female-headed house	-0.0435 (0.0569)	-0.0438 (0.0487)	0.0568 (0.0731)	-0.0217 (0.0679)	0.0721 (0.0562)	-0.0792 (0.0832)	-0.107 (0.0831)	-0.224*** (0.0724)	0.0465 (0.0805)	-0.146 (0.126)	-0.365*** (0.101)	0.353** (0.178)
Age of household head												
18-24	Reference category			Reference category			Reference category			Reference category		
25-34	0.0369 (0.135)	0.154 (0.108)	-0.000830 (0.199)	0.205 (0.161)	0.0596 (0.134)	-0.327 (0.229)	0.287 (0.223)	-0.145 (0.187)	-0.0460 (0.214)	0.00208 (0.337)	0.120 (0.230)	0.369 (0.388)
35-44	0.0837 (0.133)	0.356*** (0.108)	-0.0952 (0.193)	0.107 (0.156)	0.191 (0.131)	-0.197 (0.216)	0.382* (0.217)	-0.0875 (0.182)	-0.0780 (0.210)	0.297 (0.329)	0.299 (0.231)	0.261 (0.395)
45-54	0.411*** (0.131)	0.294*** (0.107)	-0.170 (0.189)	0.353** (0.154)	0.130 (0.130)	-0.0242 (0.214)	0.661*** (0.211)	-0.162 (0.178)	-0.149 (0.206)	0.580* (0.322)	0.170 (0.228)	-0.00367 (0.403)
55-64	0.200 (0.131)	-0.127 (0.107)	-0.111 (0.187)	0.0864 (0.156)	-0.419*** (0.133)	-0.119 (0.208)	0.571*** (0.213)	-0.517*** (0.181)	0.0767 (0.206)	0.436 (0.327)	-0.177 (0.231)	-0.00735 (0.409)
65+	-0.532*** (0.142)	-0.887*** (0.115)	0.133 (0.198)	-0.611*** (0.164)	-1.211*** (0.136)	-0.240 (0.201)	-0.130 (0.220)	-0.720*** (0.184)	0.269 (0.208)	-0.350 (0.347)	-0.841*** (0.238)	0.460 (0.390)
Constant	-1.253*** (0.142)	-0.434*** (0.119)	-1.547*** (0.190)	-1.458*** (0.170)	0.305** (0.143)	-1.748*** (0.224)	-1.447*** (0.213)	-0.0771 (0.180)	-1.754*** (0.211)	-2.866*** (0.352)	0.256 (0.223)	-3.186*** (0.416)
Observations	30,642	30,642	30,642	11,321	11,321	11,321	6,611	6,611	6,611	2,819	2,819	2,819
Pseudo R-squared	0.0374	0.0592	0.175	0.0455	0.0977	0.359	0.0316	0.0230	0.0562	0.0471	0.0401	0.0340

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Country-level dummies not shown

Table 5 (continued): Likelihood of experiencing 3 categories of shock (job loss, reduced wages and lower remittances): logistic regressions

	South Caucasus			Turkey			Russia			Central Asia		
	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.	Job loss	Lower wage	Reduced remitt.
Consumption group												
Lower	0.402*** (0.117)	-0.319** (0.132)	0.0481 (0.211)	0.829*** (0.198)	0.323* (0.168)	-0.366 (0.378)	0.138 (0.197)	-0.0937 (0.148)	0.216 (0.291)	0.361*** (0.111)	-0.276*** (0.100)	0.0929 (0.160)
Middle	0.177 (0.115)	-0.0936 (0.126)	0.0957 (0.211)	0.628*** (0.199)	0.453*** (0.167)	0.148 (0.352)	0.159 (0.193)	0.0757 (0.144)	-0.357 (0.353)	0.217** (0.110)	-0.172* (0.0965)	0.00351 (0.155)
Upper	Reference category			Reference category			Reference category			Reference category		
Locality												
Urban	Reference category			Reference category			Reference category			Reference category		
Rural	-0.417*** (0.115)	-0.825*** (0.135)	-0.894*** (0.224)	-0.222 (0.194)	0.205 (0.158)	0.636** (0.321)	0.603*** (0.174)	-0.412*** (0.138)	-0.906** (0.368)	0.0506 (0.103)	-0.226** (0.0909)	-0.106 (0.155)
Metropolitan	-0.112 (0.117)	0.0214 (0.124)	-0.532*** (0.196)				1.055*** (0.220)	0.390* (0.199)	-0.106 (0.398)	0.280 (0.188)	-0.206 (0.172)	-0.628* (0.374)
Female-headed house	0.0218 (0.0965)	-0.214** (0.109)	0.323* (0.182)	0.143 (0.229)	0.403* (0.206)	-2.563** (1.010)	-0.107 (0.154)	-0.0737 (0.119)	0.292 (0.249)	0.0965 (0.0946)	0.132 (0.0850)	0.105 (0.134)
Age of household head												
18-24	Reference category			Reference category			Reference category			Reference category		
25-34	0.131 (0.268)	-0.207 (0.247)	-0.181 (0.495)	0.00494 (0.264)	0.0267 (0.228)	-0.498 (0.442)	-0.135 (0.299)	0.290 (0.218)	0.651 (0.494)	0.274 (0.319)	0.495* (0.267)	0.468 (0.610)
35-44	0.591** (0.260)	0.105 (0.239)	-0.533 (0.454)	0.00112 (0.271)	0.474** (0.232)	-0.293 (0.448)	-0.0337 (0.302)	0.446** (0.223)	-0.123 (0.549)	0.398 (0.308)	0.454* (0.257)	0.899 (0.596)
45-54	0.886*** (0.250)	-0.0161 (0.228)	-0.265 (0.451)	0.465 (0.288)	0.405 (0.257)	-0.429 (0.509)	0.443 (0.288)	0.439* (0.224)	-0.316 (0.586)	0.433 (0.306)	0.495* (0.255)	0.827 (0.592)
55-64	1.032*** (0.258)	-0.143 (0.244)	-0.194 (0.445)	-0.304 (0.316)	0.117 (0.264)	-1.011 (0.627)	0.220 (0.286)	-0.112 (0.216)	-0.0113 (0.530)	0.369 (0.314)	0.318 (0.263)	0.991* (0.596)
65+	0.542** (0.266)	0.00551 (0.246)	-0.601 (0.457)	-0.831* (0.444)	-0.350 (0.329)	-1.662 (1.097)	-0.717** (0.350)	-1.158*** (0.252)	0.770 (0.513)	0.103 (0.329)	0.317 (0.273)	1.242** (0.605)
Constant	-1.552*** (0.269)	-1.443*** (0.253)	-3.850*** (0.569)	-1.540*** (0.252)	-0.504** (0.213)	-2.392*** (0.383)	-1.996*** (0.275)	-0.0819 (0.197)	-3.078*** (0.461)	-2.354*** (0.324)	-1.415*** (0.265)	-2.803*** (0.594)
Observations	2,783	2,783	2,783	971	971	971	1,357	1,357	1,357	3,803	3,803	3,803
Pseudo R-squared	0.0268	0.0855	0.285	0.0275	0.0187	0.0490	0.0436	0.0619	0.0437	0.0204	0.0189	0.0855

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Country-level dummies not shown

Table 6: Life satisfaction

	(1) Life satisfaction (1-5)	(2) Life satisfaction (1-5)	(2) Life satisfaction (1-5)	(3) Life satisfaction (1-5)	(4) Life satisfaction (1-5)	(4) Life satisfaction (1-5)	(5) Satisfied with life (0-1)	(6) Satisfied with life (0-1)	(6) Satisfied with life (0-1)
	OLS	OLS	OLS	Ordered Probit	Ordered Probit	Ordered Probit	Probit	Probit	Probit
Affected by the crisis									
A great deal			-0.437*** (0.0353)			-0.503*** (0.0411)			-0.378*** (0.0576)
A fair amount			-0.273*** (0.0291)			-0.287*** (0.0322)			-0.299*** (0.0458)
Just a little			-0.0923*** (0.0287)			-0.0908*** (0.0307)			-0.104** (0.0428)
Not at all				Reference category					
Position in ten-step income ladder									
Position today		0.134*** (0.00772)	0.121*** (0.00772)		0.146*** (0.00864)	0.132*** (0.00869)		0.138*** (0.0116)	0.128*** (0.0117)
Change over the past 4 years		0.0455*** (0.00840)	0.0346*** (0.00833)		0.0507*** (0.00932)	0.0391*** (0.00936)		0.0543*** (0.0128)	0.0467*** (0.0129)
Log per capita household consump.	0.0323*** (0.0124)	0.0120 (0.0124)	0.0108 (0.0121)	0.0354*** (0.0131)	0.0145 (0.0135)	0.0129 (0.0134)	0.0386** (0.0187)	0.0215 (0.0193)	0.0212 (0.0192)
Employment status									
Employed				Reference category					
Unemployed	-0.127*** (0.0417)	-0.0488 (0.0420)	-0.0136 (0.0415)	-0.141*** (0.0449)	-0.0594 (0.0465)	-0.0194 (0.0467)	-0.137** (0.0639)	-0.0619 (0.0673)	-0.0291 (0.0676)
Retired	0.0621 (0.0389)	0.0827** (0.0383)	0.0466 (0.0381)	0.0705* (0.0415)	0.0954** (0.0421)	0.0570 (0.0424)	0.0516 (0.0590)	0.0731 (0.0607)	0.0421 (0.0612)
Student	0.136** (0.0612)	0.0884 (0.0615)	0.0651 (0.0614)	0.132** (0.0624)	0.0847 (0.0646)	0.0596 (0.0652)	0.122 (0.0939)	0.0738 (0.0965)	0.0494 (0.0966)
Other inactive	0.0817** (0.0332)	0.0965*** (0.0326)	0.0969*** (0.0324)	0.0849** (0.0348)	0.104*** (0.0352)	0.106*** (0.0354)	0.0985** (0.0475)	0.104** (0.0483)	0.112** (0.0487)
Health status (self-assessment)									
Very good	0.355*** (0.0433)	0.261*** (0.0430)	0.227*** (0.0422)	0.372*** (0.0462)	0.278*** (0.0471)	0.244*** (0.0468)	0.436*** (0.0569)	0.358*** (0.0588)	0.326*** (0.0592)
Good	0.157*** (0.0270)	0.105*** (0.0267)	0.0810*** (0.0265)	0.164*** (0.0284)	0.111*** (0.0289)	0.0852*** (0.0290)	0.201*** (0.0399)	0.155*** (0.0409)	0.133*** (0.0412)
Medium				Reference category					
Bad	-0.0696* (0.0374)	-0.0204 (0.0366)	-0.0203 (0.0360)	-0.0764* (0.0403)	-0.0248 (0.0406)	-0.0240 (0.0405)	-0.104* (0.0623)	-0.0578 (0.0640)	-0.0652 (0.0638)
Very bad	-0.133* (0.0707)	-0.0105 (0.0705)	-0.00687 (0.0709)	-0.166** (0.0810)	-0.0342 (0.0829)	-0.0268 (0.0844)	-0.115 (0.115)	0.0155 (0.121)	0.00850 (0.121)
Age									
18-34	0.0303 (0.0327)	0.0119 (0.0325)	0.00228 (0.0320)	0.0342 (0.0344)	0.0157 (0.0352)	0.00550 (0.0352)	0.0126 (0.0462)	-0.00618 (0.0473)	-0.0141 (0.0475)
35-44				Reference category					
45-54	0.0316 (0.0376)	0.0110 (0.0362)	0.0101 (0.0359)	0.0344 (0.0398)	0.0126 (0.0395)	0.0124 (0.0397)	0.0650 (0.0546)	0.0342 (0.0554)	0.0384 (0.0559)
55-64	-0.0133 (0.0406)	-0.000771 (0.0398)	-0.0231 (0.0392)	-0.0124 (0.0433)	0.00124 (0.0438)	-0.0229 (0.0437)	0.00196 (0.0615)	0.0227 (0.0630)	0.00468 (0.0633)
65+	0.0854* (0.0498)	0.0656 (0.0491)	0.00861 (0.0485)	0.0896* (0.0532)	0.0702 (0.0541)	0.00858 (0.0541)	0.0688 (0.0759)	0.0585 (0.0782)	0.00714 (0.0789)
Education									
Lower secondary or below				Reference category					
Upper secondary	-0.0328 (0.0308)	-0.0703** (0.0305)	-0.0781*** (0.0301)	-0.0373 (0.0330)	-0.0797** (0.0335)	-0.0896*** (0.0336)	-0.0311 (0.0456)	-0.0758 (0.0468)	-0.0847* (0.0470)
Post secondary or higher	-0.0222 (0.0324)	-0.0779** (0.0317)	-0.0939*** (0.0314)	-0.0184 (0.0344)	-0.0798** (0.0347)	-0.0997*** (0.0348)	0.00333 (0.0485)	-0.0688 (0.0494)	-0.0854* (0.0497)
Female	0.0537** (0.0226)	0.0366* (0.0222)	0.0358 (0.0220)	0.0542** (0.0239)	0.0367 (0.0242)	0.0356 (0.0243)	0.0632* (0.0343)	0.0453 (0.0348)	0.0442 (0.0351)
Locality									
Urban				Reference category					
Rural	-0.131*** (0.0261)	-0.121*** (0.0257)	-0.113*** (0.0253)	-0.144*** (0.0281)	-0.137*** (0.0285)	-0.130*** (0.0284)	-0.0949** (0.0376)	-0.0925** (0.0383)	-0.0844** (0.0384)
Metropolitan	-0.116*** (0.0367)	-0.113*** (0.0349)	-0.0911*** (0.0345)	-0.127*** (0.0381)	-0.126*** (0.0374)	-0.103*** (0.0374)	-0.139** (0.0568)	-0.161*** (0.0568)	-0.140** (0.0577)
Asset ownership									
Own a car	0.123*** (0.0249)	0.0589** (0.0247)	0.0649*** (0.0244)	0.127*** (0.0262)	0.0605** (0.0268)	0.0673** (0.0268)	0.151*** (0.0363)	0.0897** (0.0374)	0.0947** (0.0377)
Own a secondary residence	0.0283 (0.0467)	-0.0414 (0.0441)	-0.0395 (0.0439)	0.0292 (0.0490)	-0.0466 (0.0478)	-0.0451 (0.0482)	0.0893 (0.0717)	0.00550 (0.0732)	0.00700 (0.0740)
Have a bank account	0.111*** (0.0311)	0.0590* (0.0312)	0.0390 (0.0310)	0.114*** (0.0327)	0.0593* (0.0337)	0.0369 (0.0339)	0.148*** (0.0454)	0.102** (0.0472)	0.0862* (0.0476)
Constant	2.376*** (0.133)	2.025*** (0.136)	2.365*** (0.136)				-1.188*** (0.201)	-1.607*** (0.213)	-1.307*** (0.216)
Cut 1				-0.807***	-0.448***	-0.836***			
Cut 2				0.267*	0.654***	0.283*			
Cut 3				1.042***	1.455***	1.094***			
Cut 4				2.249***	2.686***	2.335***			
Observations	30,973	30,264	30,264	30,973	30,264	30,264	30,973	30,264	30,264
Adjusted R-squared	0.196	0.240	0.257						
F	174.8	184.2	184.7						
Pseudo R-squared				0.0746	0.0929	0.101	0.132	0.159	0.166

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Country-level dummies not shown