

Poverty in the South Caucasus

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Abstract

This article provides an overview of the extensive poverty in the South Caucasus. It provides measures of income, employment, resource consumption, material deprivation, and access to utilities and durable goods. Factors like the development of fossil fuel resources in Azerbaijan, the “democratization” of Georgia, and the presence of a large diaspora outside of Armenia have not improved the situation for these countries.

Defining Poverty

What does it mean to be poor? Certainly, the definition of poverty is both complex and situationally- and culturally-bound. In particular, what it means to be poor in the United States or Western Europe is different from Ethiopia or Peru.¹ Acknowledging the conceptual and operational complexity of poverty, we use multiple poverty indicators from the Caucasus Barometer to understand poverty in Armenia, Azerbaijan, and Georgia. Income, access to utilities, and ability to consume durable goods are used to create a multidimensional understanding of poverty in the Caucasus.

We also look at regional differences within the Caucasus states. In Former Soviet countries, and in developing countries generally, the division between capital cities, regional urban cities, and rural areas is stark. Even during the Soviet period, with its alleged spatial equality between capital, urban, and rural areas,² urbanites were better off than rural people.³ And today, post-Soviet rural areas still face greater poverty⁴ (although rural households are often less food poor because of access to farming) (Falkingham, 1999), and poorer medical provisions, educational opportunities, and transportation access.⁵

To frame this study, we note the United Nations’ complex definition of poverty as “a denial of choices and opportunities, a violation of human dignity. It means lack of basic capacity to participate effectively in society. It means not having enough to feed and clothe a family, not having a school or clinic to go to, not having the land on which to grow one’s food or a job to earn one’s living, not having access to credit. It means insecurity, powerlessness, and exclusion of individuals, households, and communities. It means susceptibility to violence, and it often implies living on marginal or fragile environments, without access to clean water or sanitation.”⁶

The main findings of this study can be summarized in a few key points:

- Most people have very little money. The average monthly income for Azerbaijanis is US\$375, Armenians US\$275, and Georgians US\$175.
- The percent of citizens actively looking for work is 25% in Armenia, 21% in Azerbaijan, and 31% in Georgia.
- In 2010, 30% of Armenian and a quarter of Azerbaijani and Georgian households did not have enough money for food. An additional 37% of Armenian, 33% of Azerbaijani, and 42% of Georgian households did not have enough money for clothes. Only around 5% of Armenian and Georgian and 11% of Azerbaijani households can afford expensive goods like a DVD player.
- Only 63% of Georgian households have a refrigerator.

Income

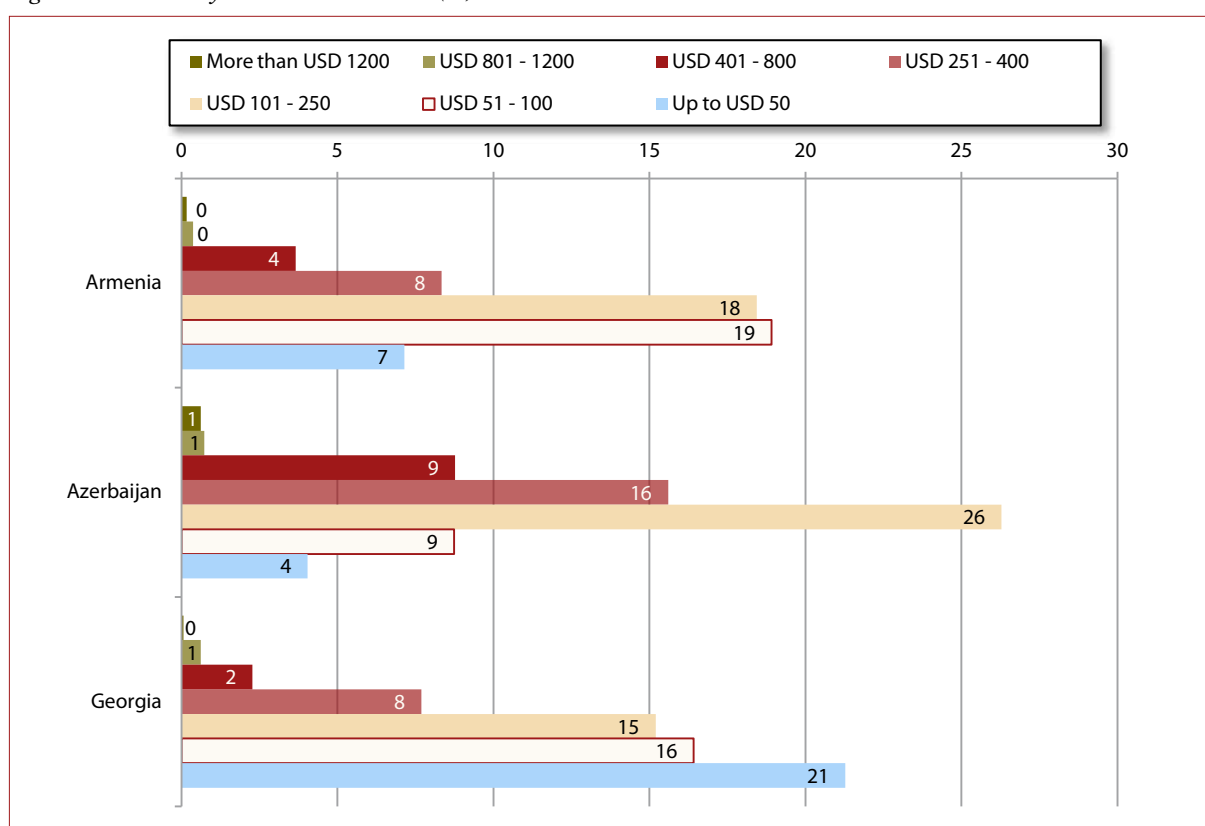
While some studies use *income* as the primary indicator of poverty, many argue that it is an incomplete measure of economic wellbeing and poverty.⁷ To give a sense of what Caucasus Barometer participants report as monthly house-

1 For cultural definitions of poverty see: Gordon, D., & Spicker, P. (1998). *The international poverty glossary*. London, New York: Zed Books.
 2 Liebowitz, R. (1992). Soviet geographical imbalances in Soviet Central Asia. In R. Lewis (Ed.), *Geographic perspectives on Soviet Central Asia* (pp. 101–131). London: Routledge.
 3 Dellenbrant, J. (1987). *The Soviet regional dilemma: Planning, people, and natural resources*. Armonk, NY: M.E. Sharpe, Inc.; Fuchs, R., & Demko, G. (1978). The post-war mobility transition in eastern Europe. *Geographical Review*, 68, 171–182.
 4 Falkingham, J. (1999). Measuring household welfare: Problems and pitfalls with household surveys in Central Asia. *MOCT-MOST: Economic Policy in Transitional Economies*, 9, 379–393. doi:10.1023/A:1009548324395
 5 Buckley, C. (1998). Rural/urban differentials in demographic processes: The Central Asian states. *Population Research and Policy Review*, 17(1), 71–89. Springer Netherlands. doi:10.1023/A:1005899920710
 6 United Nations. (1998). *Statement of commitment for action to eradicate poverty*. Retrieved from <http://www.unesco.org/most/acc4pov.htm>
 7 Deaton, A. (1992). *Understanding consumption* (Vol. 1). Oxford, England: Oxford University Press. doi:10.1093/0198288247.001.0001; Deaton, A. (2003). Measuring Poverty in a Growing World (or Measuring Growth in a Poor World). *National Bureau of Economic Research Working Paper Series*. Retrieved from <http://www.nber.org/papers/w9822>; Ringen, S. (2009). Direct and indirect measures of poverty. *Journal of*

hold income, we conducted a descriptive and comparative analysis to see the distribution of income in each country as well as a comparison between the three states. (The specific question was: Speaking about your personal monetary income last month, after all taxes are paid, to which of the following groups do you belong? Please think of all sources of income that you had last month. 1: More than USD 1200 2: USD 801 – 1200 3: USD 401 – 800 4: USD 251 – 400 5: USD 101 – 250 6: USD 51– 100 7: Up to USD 50).

Azerbaijan has a significantly higher mean monthly income than Armenia or Georgia and Armenia had a significantly higher mean income than Georgia. Thus, with statistically significantly mean scores (from a 1–7 scale, with 1 being highest) of 4.17 for Azerbaijan, 4.74 for Armenia, and 5.42 for Georgia, this can be loosely be interpreted as an average monthly income of US\$375 for Azerbaijanis, US\$275 for Armenians, and US\$175 for Georgians.

Figure 1: Monthly Income Distribution (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2010, <http://crrc.ge/caucasusbarometer/datasets/>
Income data is self-reported; there is a high refusal rate among respondents concerning this question.

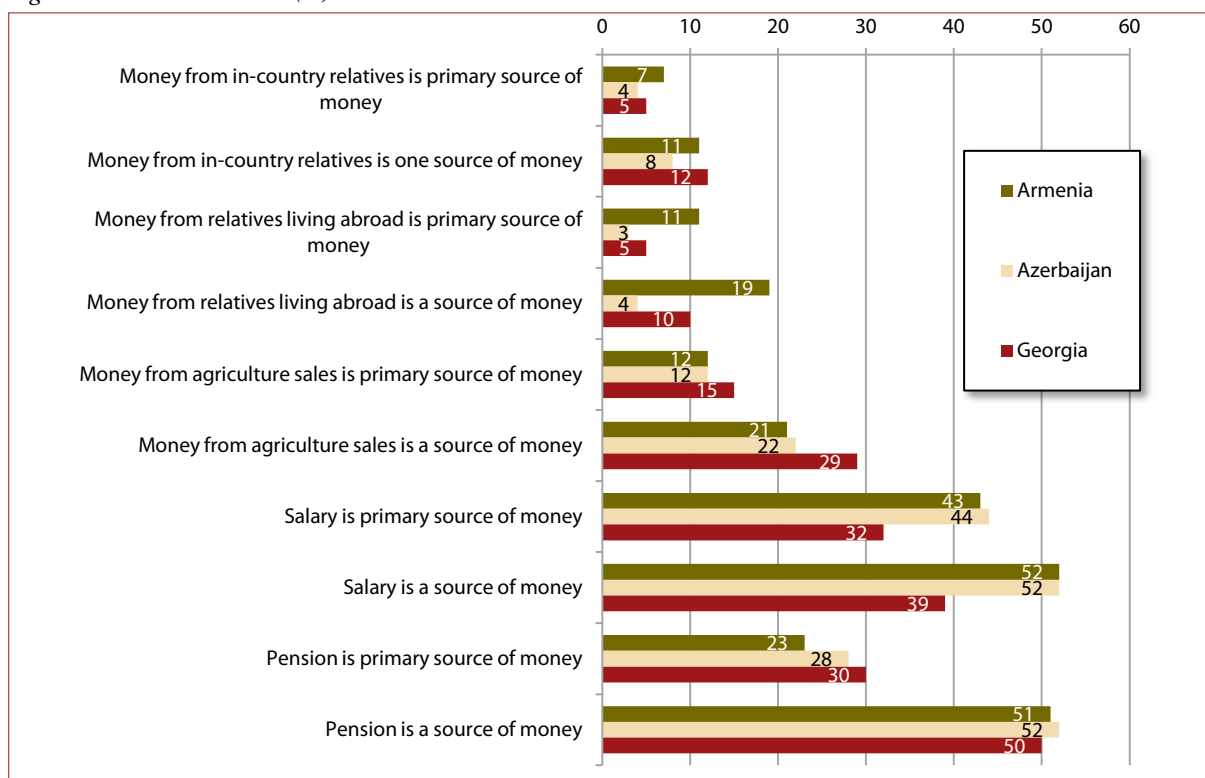
Figure 1 demonstrate that only in Azerbaijan income distribution is closer to a normal bell curve, although certainly the majority of people are in the middle three income categories. In Armenia and Georgia, the curves skew toward the poorer categories, with Georgia more heavily concentrated amongst the poorer categories and Armenia having a large number of respondents in the higher poorer categories.

Sources of Income

Households in the Caucasus depend on many sources of income. Salaries from jobs and pensions are the most common source of income, but many families also receive money from remittances from abroad, other family members within country, as well as agricultural sales. Georgians are less dependent upon salary as a source of income than Armenians or Azerbaijanis and more reliant on agricultural sales. Armenians are more likely to have relatives living abroad send-

ing money than Azerbaijanis or Georgians. Furthermore, Armenians are less likely to depend on a pension as a primary source of income than Azerbaijanis or Georgians are (Figure 2).

Figure 2: Income Sources (%)

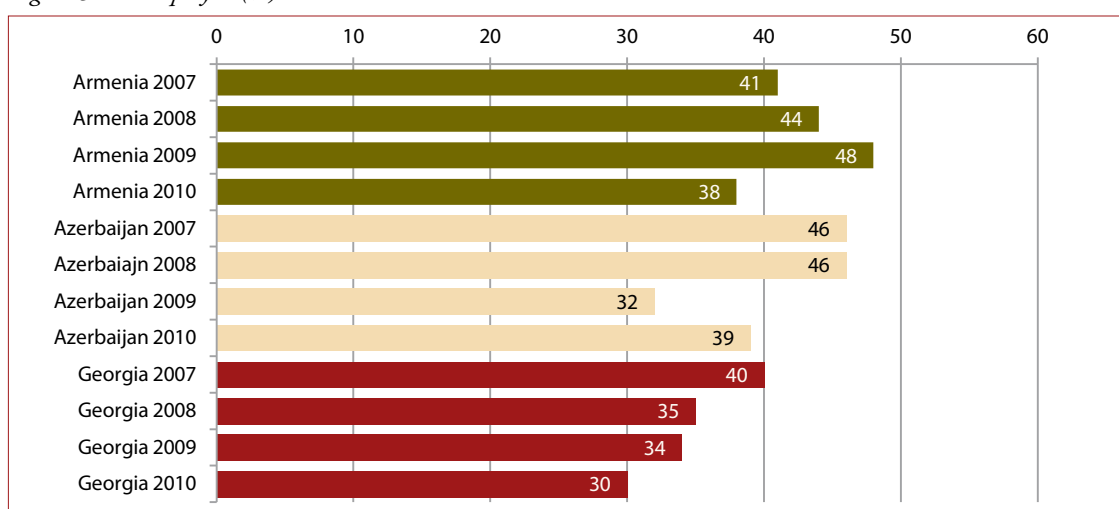


Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2010, <http://crrc.ge/caucasusbarometer/datasets/>; there is a high refusal rate among respondents concerning this question.

Employment

As salary is the most common source of income, an analysis of employment in Armenia, Azerbaijan, and Georgia is in order. On average, about a third of Caucasus citizens are employed. Figure 3 shows four years of data for each country.

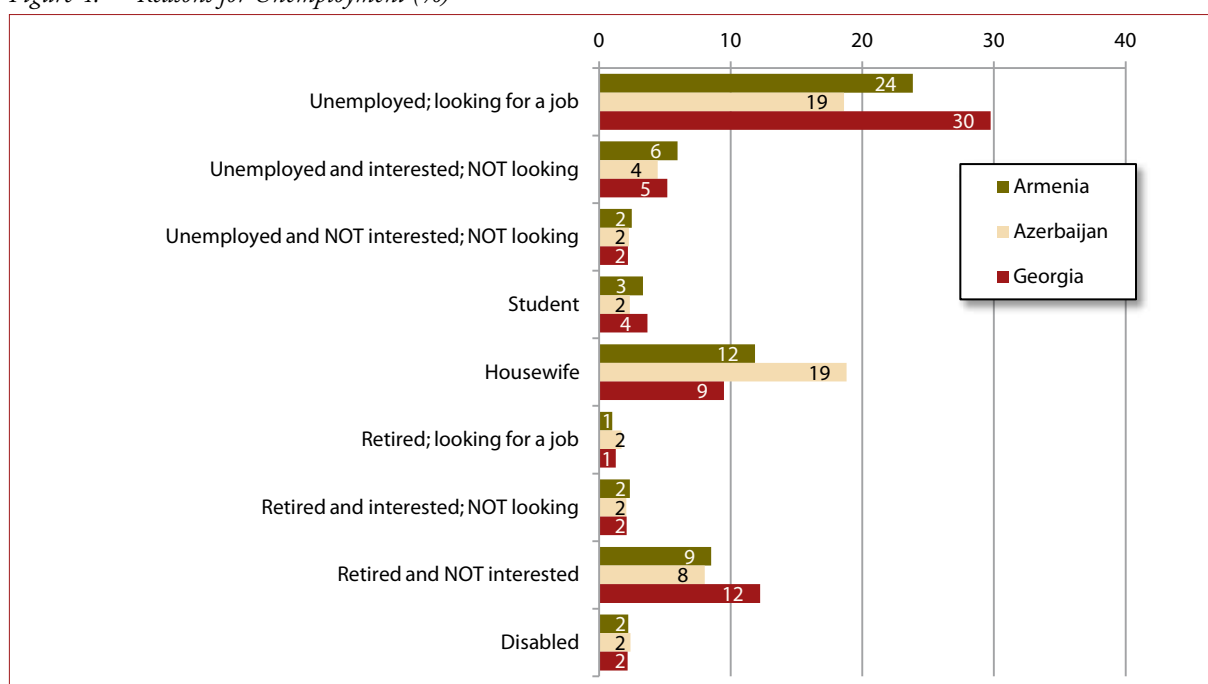
Figure 3: Employed (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2010, <http://crrc.ge/caucasusbarometer/datasets/>

But of those approximately two-thirds unemployed, only a quarter to a third are looking for employment. The rest of the unemployed are housewives, pensioners, students, or disabled. Thus, in 2010 the percent of citizens actively looking for work is 25% in Armenia, 21% in Azerbaijan, and 32% in Georgia, as Figure 4 indicates.

Figure 4: *Reasons for Unemployment (%)*



Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2010, <http://crrc.ge/caucasusbarometer/datasets/>

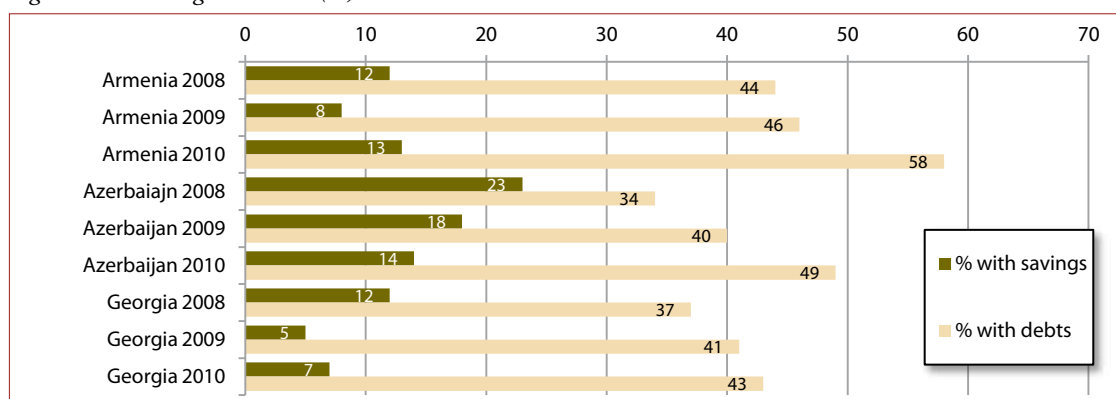
Compensation Satisfaction

However, those that are employed are not very satisfied with their salaries as few feel that they are fairly compensated for their work. In Armenia (in 2010), 72% felt unfairly compensated. In Georgia, 55% feel unfairly compensated. While in Azerbaijan only 40% felt unfairly compensated.

Debt

Many Caucasus households carry debt and few have savings (Figure 5). While there is not a strong relationship between debt and poverty, we have included these results in this analysis for a better understanding of household financial obligations.

Figure 5: *Savings and Debt (%)*



Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Resource Consumption and Material Deprivation

As the previous section demonstrates, salary is only one factor in a household's financial situation. Thus, we follow Sen and others who argue for direct measures to get at the actual standard of living that people experience through their ability to consume resources. A household that lacks resources is considered poor.⁸ This perspective is sometimes called *material deprivation*: “the lack of goods, services, resources, amenities and physical environment which are customary, or at least widely approved in the society under consideration.”⁹

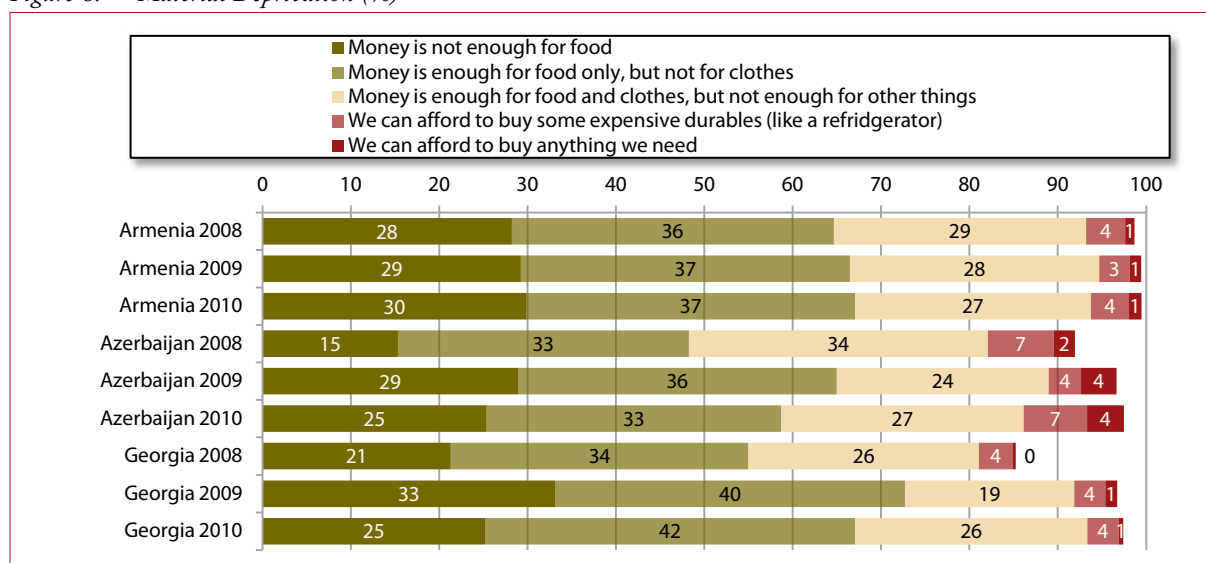
In studies of post-Soviet societies, while not explicitly citing material deprivation, many researchers have found that income is a poor measure of economic wellbeing and have noted that consumption-based measures are more appropriate in this context.¹⁰ Further, many such studies (mostly in public health) have used material deprivation as a measure of economic wellbeing.¹¹

Participants were asked to choose a statement that best described their family's financial situation: 1: Money is not enough for food, 2: Money is enough for food only, but not for clothes, 3: Money is enough for food and clothes, but not enough for expensive durables like a refrigerator or washing machine, 4: We can afford to buy some expensive durables like a refrigerator or washing machine, 5: We can afford to buy anything we need.

The distribution of material deprivation for Armenia, Azerbaijan, and Georgia 2008–2010 is seen in Figure 6.

Comparing between the three countries, Azerbaijanis were significantly less materially deprived than either Armenians or Georgians. There were no differences between Georgians and Armenians. However, 30% of Armenian and a quarter of Azerbaijani and Georgian households do not have enough money for food. An additional 37% of Armenian, 33% of Azerbaijani, and 42% of Georgian households do not have enough money for clothes. Only around 5% of Armenian and Georgian and 11% of Azerbaijani households can afford expensive goods like a DVD player.

Figure 6: Material Deprivation (%)



Source: Caucasus Research Resource Centers. “Caucasus Barometer”, various years, <http://crrc.ge/caucasusbarometer/datasets/>

8 Gordon, D., & Pantazis, C. (1997). *Breadline Britain in the 1990s*. Aldershot: Ashgate.; Gordon, D., Adelman, L., Ashworth, K., Bradshaw, J., Levitas, R., Middleton, S., Pantazis, C., et al. (2000). *Poverty and social exclusion in Britain*. Joseph Rowntree Foundation. Retrieved from <http://www.jrf.org.uk/publications/poverty-and-social-exclusion-britain>

9 Townsend, P., Phillimore, P., & Beattie, A. (1988). *Health and deprivation: Inequality and the North*. London: Croom Helm. p. 49

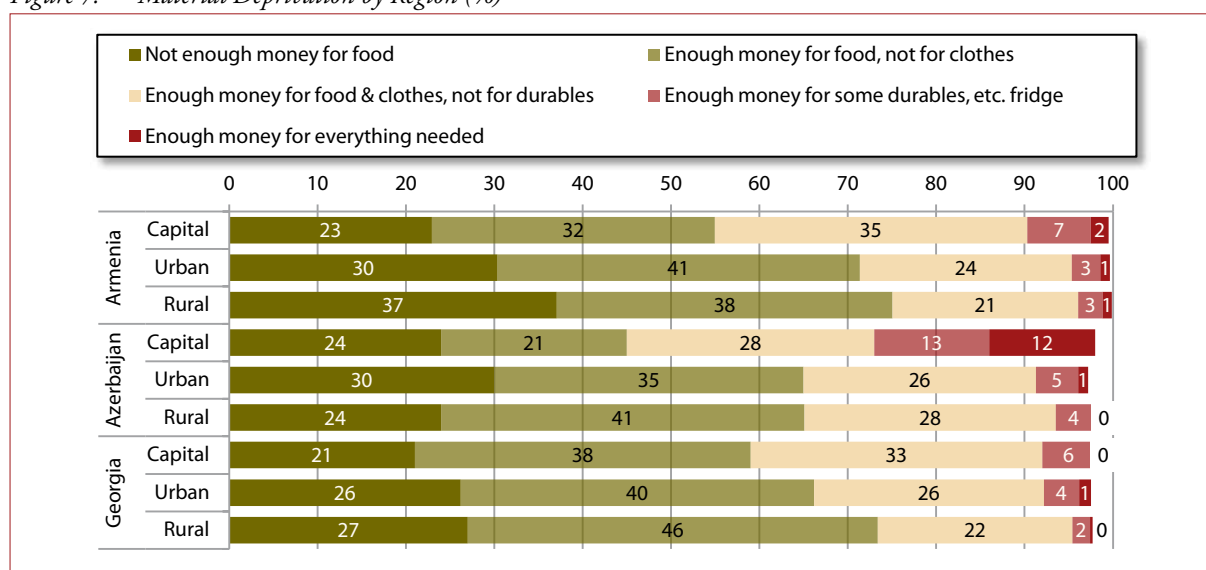
10 Falkingham, J. (1999). Measuring household welfare: Problems and pitfalls with household surveys in Central Asia. *MOCT-MOST: Economic Policy in Transitional Economies*, 9, 379–393. doi:10.1023/A:1009548324395; Kandiyoti, D. (1999). Poverty in transition: An ethnographic critique of household surveys in post-Soviet Central Asia. *Development and Change*, 30(3), 499–524. doi:10.1111/1467-7660.00127; Rose, R., & Mcallister, I. (1996). Is money the measure of welfare in Russia? *Review of Income and Wealth*, 42(1), 75–90. doi:10.1111/j.1475-4991.1996.tb00147.x

11 Demirchyan, A., & Thompson, M. E. (2008). Determinants of self-rated health in women: A population-based study in Armavir Marz, Armenia, 2001 & 2004. *International journal for equity in health*, 7, 25. doi:10.1186/1475-9276-7-25; Menchini, L., & Redmond, G. (2009). Poverty and deprivation among children in Eastern Europe and Central Asia. *International Journal of Social Welfare*, 18(3), 225–236. doi:10.1111/j.1468-2397.2008.00620.x

Within the Caucasus states there is a large difference between capital, regional cities, and rural ability to consume (Figure 7).

In all three countries, capital city residents were significantly more able to consume, followed by regional cities, and rural residents are the least able to consume. Few very rural residents have the ability to consume beyond essential needs. With the high proportion of unemployment and low education in rural areas, however, it is not merely *living in a rural area* that causes poverty. Rather, rural areas contain more individuals living in poverty.

Figure 7: Material Deprivation by Region (%)



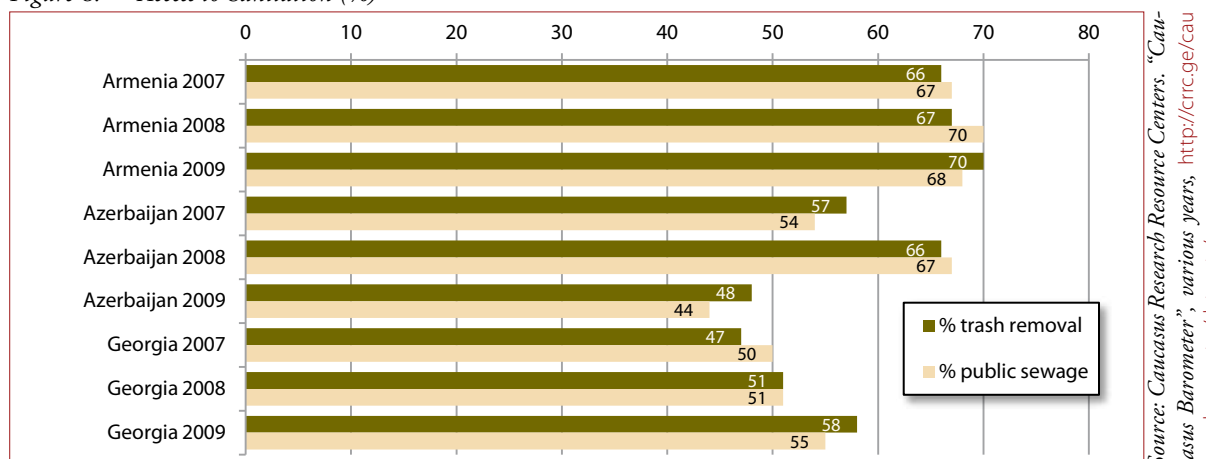
Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2010, <http://crrc.ge/caucasusbarometer/datasets/>

Utilities

Sanitation

The United Nations (1998) includes lack of access to sanitation as an indicator of poverty. And while the Caucasus Barometer stopped measuring access to trash removal and public sewage in 2009, based on 2007–2009, about two-thirds of Armenians, a little less than half of Azerbaijanis and a little over half of Georgians have trash removal and public sewage (Figure 8). However, the relationship between the self-reported household economic situation and access to trash removal and public sewage is weak (although statistically significant) in all three countries. Thus, access to sanitation is not a good indicator of poverty.

Figure 8: Access to Sanitation (%)

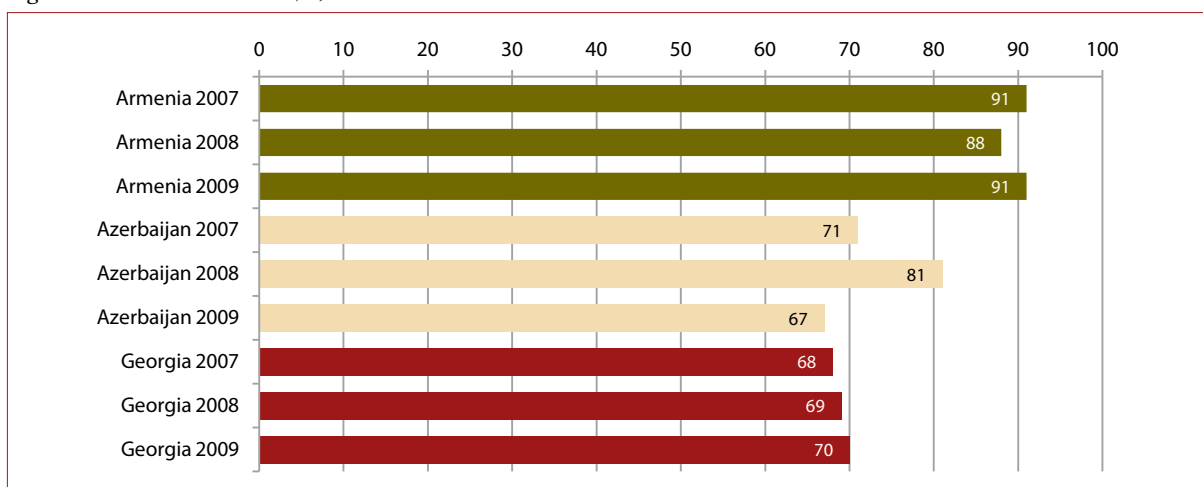


Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Water

The United Nations also includes a lack of access to clean water in its definition of poverty. In the Soviet period water distribution infrastructures were developed and today function to varying degrees and thus we do not expect access to water to be as strong of an indicator of poverty. Unsurprisingly then, most Caucasus households have pipeline water. In Armenia, a large majority of households have access to pipeline water. In Azerbaijan and Georgia, though, less than three-quarters of households have pipeline water (Figure 9). However, the relationship between self-reported household economic situation and access to pipeline water is weak (although statistically significant) in all three countries. Thus, access to pipeline water is not a good indicator of poverty.

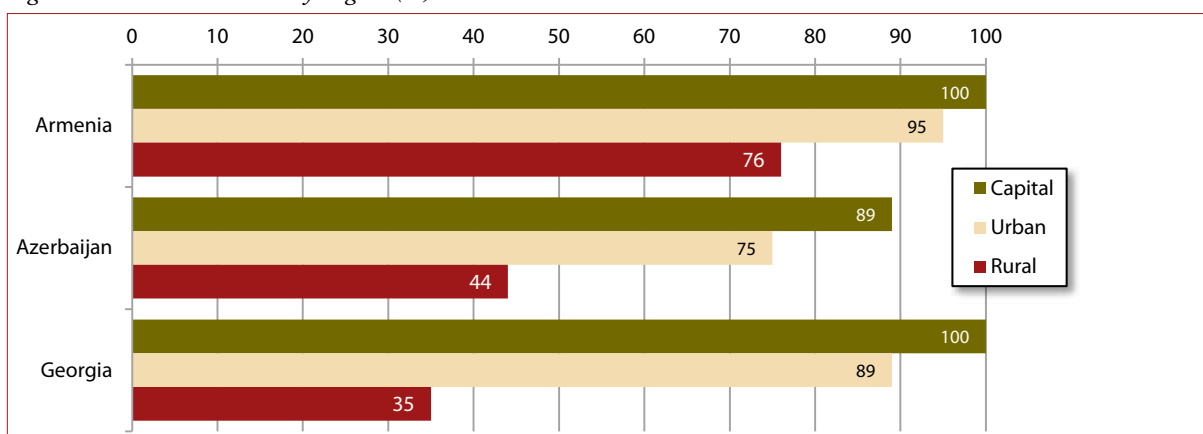
Figure 9: Access to Water (%)



Source: Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Nonetheless, there are stark differences between capital, regional city, and rural residents (Figure 10). Most noteworthy is Georgia where only 35% of rural residents have pipeline water. In Armenia a little over three quarters of rural residents have pipeline water and in Azerbaijan only 44% have pipeline water (although many rural residents likely have well water).

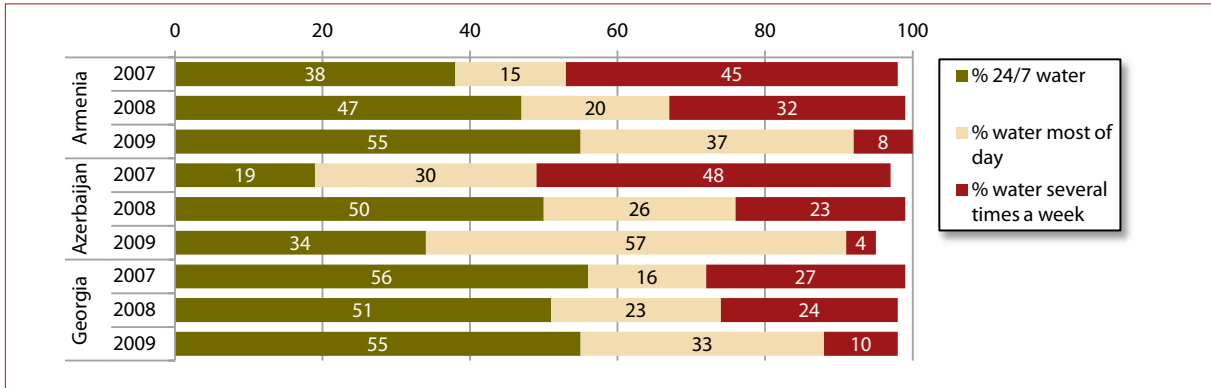
Figure 10: Access to Water by Region (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer" 2009, <http://crrc.ge/caucasusbarometer/datasets/>

But access to pipeline water is more complicated than access or no access. Only about a third to one half of Caucasus households have access to water all day. In 2009, 8% of Armenian households, 4% of Azerbaijani households and 10% of Georgian households only had water a few hours each day (Figure 11). Inconsistent access to water complicates a household's ability to prepare meals, wash clothing, and bathe.

Figure 11: Frequency of Access to Water (%)

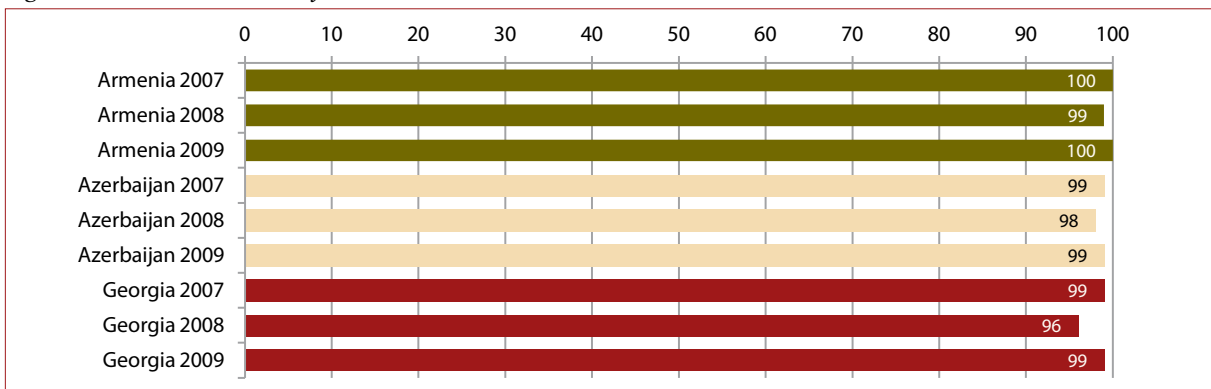


Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Electricity

Nearly all households in the Caucasus have access to electricity and there are no regional differences (Figure 12). Thus it is an inappropriate proxy for poverty.

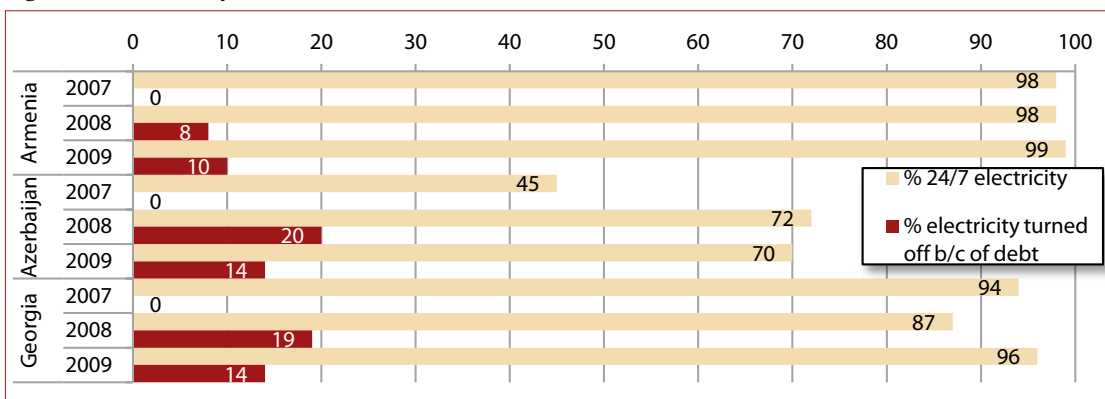
Figure 12: Access to Electricity (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

However, like pipeline water, electricity comes infrequently for some. In Azerbaijan only 70% of households have access to electricity for the entire day (Figure 13). And while most have electricity, it is important to note that some Caucasus households are unable to pay their electricity bill and have had their power shut off (Figure 13).

Figure 13: Electricity Use (%)

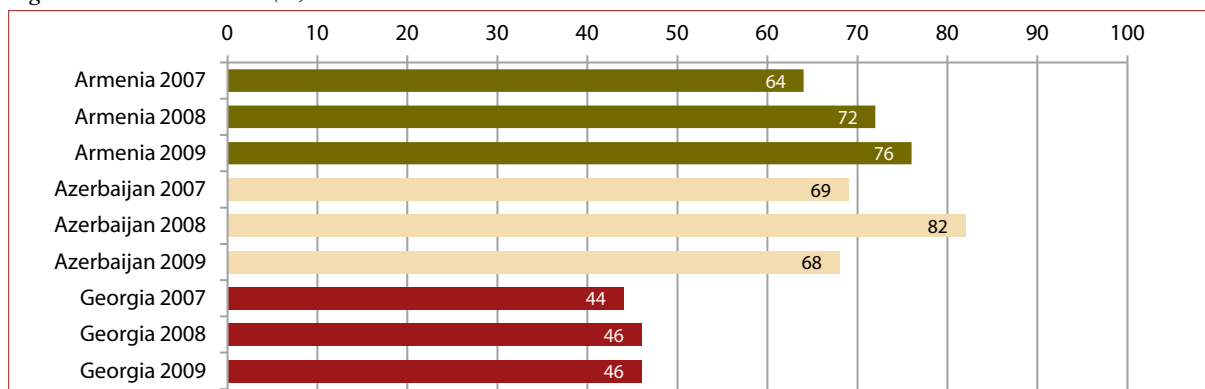


Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Gas

There is a great deal of variance between the Caucasus countries' access to gas (Figure 14). Only 44% of Georgians have access to gas while about three-quarters of Armenians and Azerbaijanis do. However, this may be due to different options for heating a home such as electricity or wood and non-gas ovens in Georgia. Because of the regional differences, we do not consider lack of access to gas to be a good proxy for poverty.

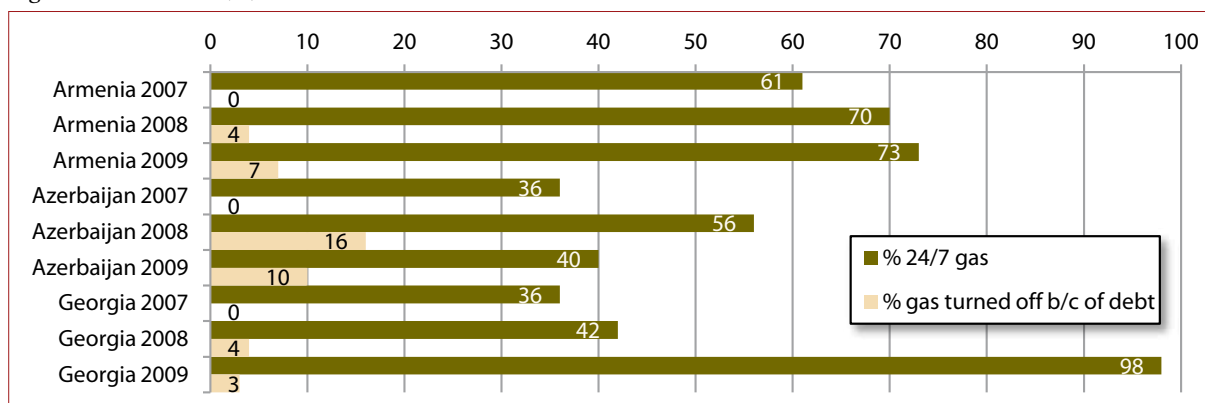
Figure 14: Access to Gas (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Nearly everyone with gas has access for the entire day (Figure 15). And while many have gas, it is important to note that some Caucasus households are unable to pay their gas bill and have had their gas shut off (Figure 15).

Figure 15: Gas Use (%)



Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Durable Goods

Ownership of goods is an additional factor in understanding a household's ability to consume.

Appliances

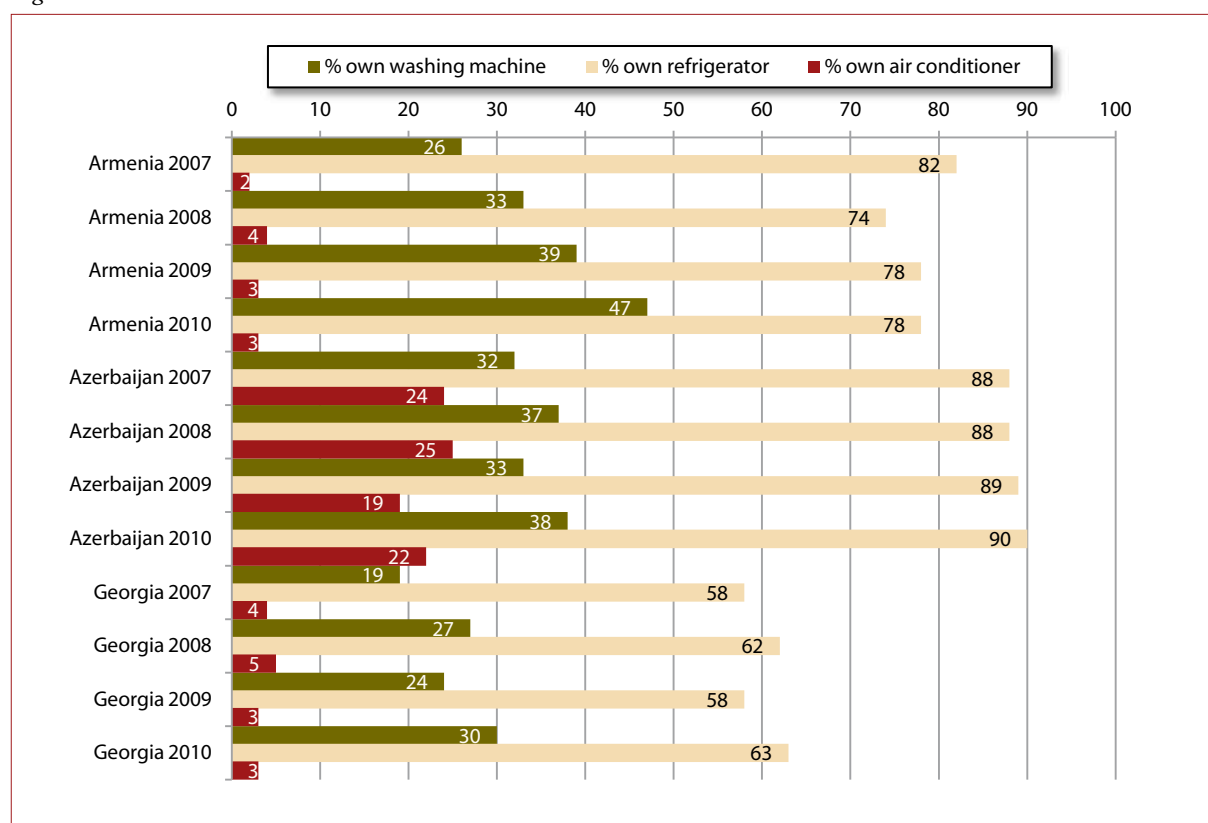
Household appliances can have a significant impact on household functioning. Refrigerators allow for an entirely different type of food to be consumed and allows for perishable food to be purchased in bulk and stored, which saves money. As we consider a refrigerator as the least luxurious appliance and the appliance with the highest overall ownership, it is notable that only 63% of Georgian households own one (although it is possible that those households have an icebox or use a neighbor's) (Figure 16). However, compared to Armenia and Azerbaijan where a large majority of households do possess a refrigerator, this is a concern for Georgia. Moreover, lack of ownership of a refrigerator appears to be a good indicator of poverty. The relationship between self-reported household economic situation and

ownership of a refrigerator is fairly strong in all three countries (correlations: 0.22 in Armenia 2010, 0.17 in Azerbaijan 2010, 0.23 in Georgia 2010).

A clothes washing machine can reduce the time spent on housework, freeing household members to engage in employment. A little less than half of Armenian households, a little over a third of Azerbaijani households, and almost a third of Georgian households have a washing machine (Figure 16). The relationship between self-reported household economic situation and ownership of a washing machine is strong in all three countries (correlations: 0.35 in Armenia 2010, 0.32 in Azerbaijan 2010, 0.35 in Georgia 2010).

Few Armenians and Georgians own an air conditioning unit (Figure 16), while about a quarter of Azerbaijanis do (Figure 17). Ownership of an air conditioner is fairly strongly related to self-reported household economic situation. (Correlation: 0.22 in Armenia 2010, 0.17 in Azerbaijan 2010, 0.23 in Georgia 2010). The weather in the three countries is fairly similar although Armenian and Georgian homes are more frequently built from stone versus wood in Azerbaijan, thus there may be differences in need for an air conditioning unit.

Figure 16: Durable Goods

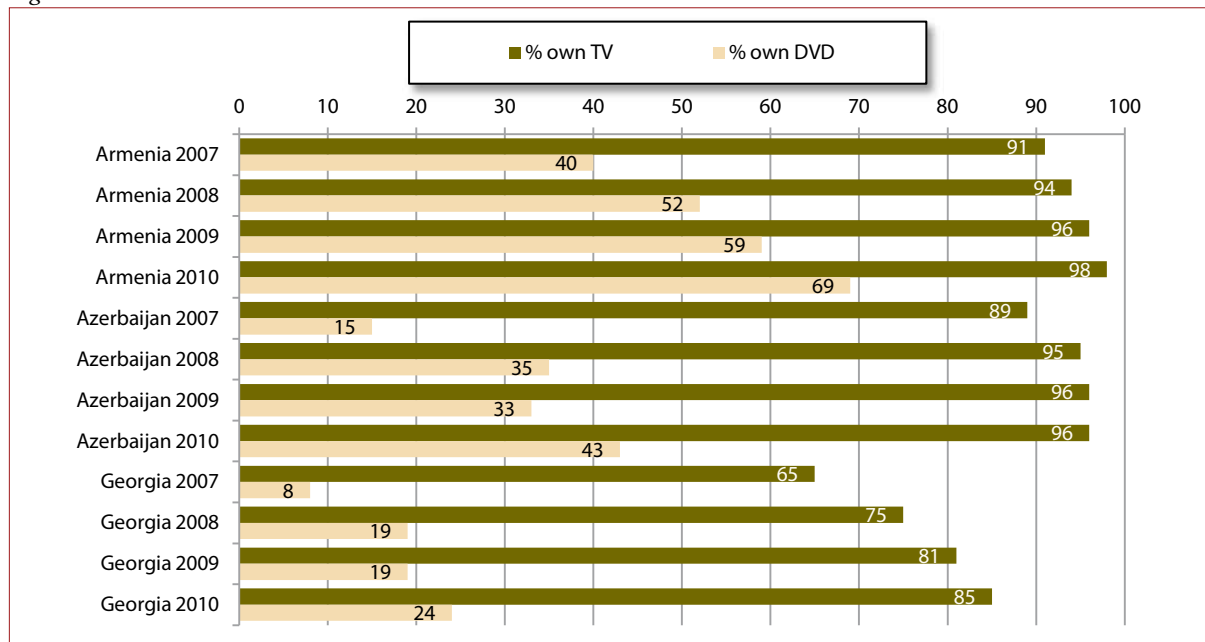


Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

TV/DVD

And while some would consider television and DVD players luxury goods, many Caucasus households own them (Figure 17). However, while nearly all Armenians and Azerbaijanis own television sets, only 85% of Georgians do now and in 2007 less than two-thirds of Georgian households had a television set. DVD players are less common than television sets, but in 2010, over two-thirds of Armenians, 43% of Azerbaijanis, and a little less than a quarter of Georgians had DVD players.

Figure 17: TV/DVD



Source: Caucasus Research Resource Centers. "Caucasus Barometer", various years, <http://crrc.ge/caucasusbarometer/datasets/>

Conclusion

Many are concerned with widening inequality in the Caucasus.¹² This analysis demonstrates that the vast majority of Armenian, Azerbaijani, and Georgian households are experiencing poverty. Moreover, equality is a state of social organization that gives equal access to resources and opportunities to all its members,¹³ thus inequality exists when members do not have the ability to access resources and opportunities. Certainly many in Armenia, Azerbaijan, and Georgia *do not* have access to resources and opportunities.

What is to be done? Each country has a Poverty Reduction Strategy Plan that has been met to varying degrees of success. Georgia has "democratized" and yet still faces great poverty. Azerbaijan has come into great oil wealth and while its citizens are slightly better off than their neighbors in Armenia and Georgia, a large majority still lives in poverty. Armenia has diaspora support as well as a large international aid community, neither of which has improved its poverty outlook. This study does not claim to have the answers to these larger questions. However, the level of poverty that Caucasian households are experiencing from multiple perspectives does allow for those with the ability to make change (government, NGOs, civil society) to see how seriously their citizens are suffering.

About the Author:

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- 12 Falkingham, J. (2005). The end of the rollercoaster? Growth, inequality and poverty in Central Asia and the Caucasus. *Social Policy and Administration*, 39(4), 340–360. Retrieved from <https://www.southampton.ac.uk/socsci/socstats/research/papers/Falkingham-SPA2005.pdf>; Fan, L., & Habibov, N. (2008). Targeting social assistance in Azerbaijan: What can we learn from micro-data? *International Journal of Social Welfare*, 17(4), 346–354. doi:10.1111/j.1468-2397.2008.00553.x; Glinkina, S. P., & Rosenberg, D. J. (2003). The socioeconomic roots of conflict in the Caucasus. *Journal of International Development*, 15(4), 513–524. doi:10.1002/jid.1000; Habibov, N. (2010). An intertemporal evolution of inequality in Azerbaijan, 1995–2002. *Problems of Economic Transition*, 52(9), 51–77. doi:10.2753/PET1061-1991520904; Habibov, N. (2011). Public beliefs regarding the causes of poverty during transition: Evidence from the Caucasus, Central Asia, Russia, and Ukraine. *International Journal of Sociology and Social Policy*, 31(1/2), 53–74. doi:10.1108/01443331111104805; Habibov, N., & Fan, L. (2007). Social protection and poverty in Azerbaijan, a low-income country in transition: Implications of a household survey. *International Social Security Review*, 60(4), 47–68. doi:10.1111/j.1468-246X.2007.00280.x; Kharatyan, H., Babajanian, B., & Janowski, M. (2003). *Sustaining rural livelihoods: A report on farming And non-farm activities In three communities In Armenia*. London. Retrieved from <http://www.nri.org/projects/rmf/pub/papers/2727.pdf>; Spoor, M. (2005). Inequality, poverty and conflict in transition economies. *Globalisation, poverty and conflict* (pp. 47–65). New York: Kluwer Academic Publishers. doi:10.1007/1-4020-2858-X_4
- 13 May, J., Woolard, I., & Klasen, S. (1997). *The measurement and nature of poverty and inequality*. Retrieved from <http://www.info.gov.za/otherdocs/1998/poverty/nature.pdf>