

Determinants of Life Satisfaction: Evidence from Azerbaijan

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Abstract—There is growing literature on life satisfaction and its determinants. However, number of studies investigating the concept of life satisfaction and its different aspects for the case of Azerbaijan is limited. The aim of this study is to investigate the possible factors affecting individuals' satisfaction with life in Azerbaijan through a survey of 1980 respondents. The study researches the various factors affecting individuals' satisfaction with life by using Robust Least Squares method. Variables such as institutional trust, age, income satisfaction, gender, marital status, educational and employment level, as well as regional disparity is analyzed as main determinants of the life satisfaction in the case of Azerbaijan.

Keywords— *Life Satisfaction, Robust Least Squares, institutional trust, income satisfaction, gender, marital status, educational level, employment status.*

I. INTRODUCTION

As one of the most prominent concepts in scientific literature life satisfaction has garnered significant attention in academic and policy discussions [26]. Life satisfaction is a subjective assessment of one's overall quality of life, reflecting how individuals perceive their lives in relation to their aspirations, values, and circumstances. It encompasses emotional well-being, fulfillment, and a sense of purpose [23].

The factors affecting the life satisfaction have been in the center of attention especially within last few decades. Understanding the factors that influence life satisfaction provides valuable insights into the well-being of individuals and communities, enabling governments and organizations to design policies that enhance quality of life. There is vast of literature investigating the possible determinants of life satisfaction. In general, institutional trust, gender, age, education level, employment and marital status as well as satisfaction with income [24], [20].

Azerbaijan as a post-socialist country regained its independence in 1991 by the collapse of Soviet empire. Socio-economic problems, as well as political political turmoil negatively impacted the life satisfaction of citizens within the first years of independence. By the sign of "Contract of century" in 1994 with different companies on the extraction of Caspian oil country entered to new stage. In addition, ceasefire agreement with Armenia in 1994 also positively impacted the process. Approximately 30 years after independence Azerbaijan government did significant progress for raising the life standards of the citizens which accompanied with improvement in social welfare of the country citizens. However, there are still problems on satisfaction with life.

This study aims to investigate the determinants of life satisfaction in Azerbaijan focusing on key variables such as

institutional trust, age, gender, income satisfaction, marital status, employment and education level, as well as regional disparities. For this purpose, we employ Robust Least Squares method. Data for the research is obtained from "Social Survey-7" conducted by ASERC. By analyzing survey data and existing literature, this research seeks to contribute to the growing body of knowledge on life-satisfaction in transitional economies and provide evidence-based recommendations for policymakers in Azerbaijan. The findings not only highlight the unique aspects of life satisfaction in the country but also offer insights that may be relevant to other nations undergoing similar economic and social transformations.

II. LITERATURE REVIEW

There is vast of literature on life satisfaction This subject is given more importance especially in positive psychology and welfare studies. It is known that there are many factors affecting the quality of individuals' life. In the studies conducted, both internal (psychological and personality factors) and external (socioeconomic, social and cultural factors) elements affecting the quality of life have been determined and a wide range of factors affecting life satisfaction have been investigated. This literature study also synthesizes the findings obtained from the basic determinants of life satisfaction, important studies and theoretical perspectives on this subject.

In the studies conducted on the subject, it is stated that there are 6 group of determinants of life satisfaction. These are psychological and emotional factors, social factors and relationships, socioeconomic factors, physical health and well-being, cultural and societal factors, life events and personal development [21].

Psychological and Emotional Factors mainly consist of Self-Esteem and Self-Worth, Optimism and Positive Thinking, Emotional Regulation and Meaning and Purpose. Self-esteem is consistently identified as a major determinant of life satisfaction. Studies have shown that individuals with high self-esteem, who value themselves positively and feel competent, tend to report higher life satisfaction. Self-worth also ties into self-acceptance and identity, which are vital for a stable sense of happiness [14].

Optimism, or the general expectation that good things will happen, is another significant predictor of life satisfaction. According to [6] optimistic individuals tend to have better coping strategies, engage in healthier behaviors, and experience greater emotional well-being, all contributing to higher life satisfaction.

The ability to regulate one's emotions, particularly in stressful situations, has also a strong influence on life

satisfaction. Emotional resilience is linked to mental health outcomes and greater well-being [12].

Having a sense of purpose or meaning in life is another well-established factor affecting life satisfaction [29]. People who view their lives as meaningful tend to engage more actively in life, experience more positive emotions, and have higher overall satisfaction [30]. A strong sense of purpose is linked to resilience and provides a framework for handling life's challenges, further enhancing life satisfaction.

Social factors and relationships include social support and social networks and marriage and family life. It is known that there are different approaches to the subject. One of the most widely recognized external determinants of life satisfaction is the quality and quantity of social relationships. The importance of close family bonds, friendships, and social connections is underscored in research by Chopik which showed that social relationships are one of the strongest predictors of life satisfaction [7]. The impact of marriage and family relationships on life satisfaction is another well-researched area. Parents, particularly those with supportive and healthy family dynamics, tend to experience higher satisfaction, although the level of satisfaction can vary depending on family life and individual expectations [33].

Socioeconomic factors are evaluated essentially in three different forms. These are mainly evaluated as income and financial stability, employment and job satisfaction and education. Income is frequently cited as an important determinant of life satisfaction, though its effect tends to diminish after a certain threshold. Studies like those by Diener and Biswas-Diener [10], as well as Kahneman and Deaton [19] suggest that while income can alleviate stress and improve quality of life by meeting basic needs, its impact on life satisfaction tends to plateau once a person reaches a comfortable level of financial security. The concept of the "income-happiness paradox" highlights that, beyond a certain point, additional income does not significantly increase life satisfaction, suggesting that non-material factors become more important.

Higher educational attainment is consistently associated with higher life satisfaction. People with higher levels of education tend to have access to better job opportunities, higher income, and more autonomy in their lives, all contributing factors to greater life satisfaction [25]. Education also provides individuals with critical thinking skills and the ability to cope with life's challenges, enhancing psychological well-being.

Physical health and well-being is also one of the important elements related to the subject. Covers with physical health, sleep and rest. The impact of physical health on life satisfaction is well-documented. Chronic illnesses, disabilities, and poor health are strongly associated with lower life satisfaction [32].

Sleep plays a vital role in life satisfaction. Research has shown that poor sleep quality is associated with negative mood, cognitive dysfunction, and lower life satisfaction. On the other hand, sufficient, restorative sleep contributes to better emotional regulation and overall well-being [34].

The 5th factor cultural and societal factors include cultural values and norms and social equality and justice.

Cultural context plays a significant role in shaping an individual's perception of life satisfaction. In collectivist societies, life satisfaction may be more closely tied to social

harmony and group achievements, while in individualist societies, personal accomplishment and autonomy may be more central to satisfaction [7].

The broader societal context, including social equality, economic fairness, and access to public goods, significantly impacts life satisfaction. In societies where there is greater income equality and social justice, individuals tend to report higher life satisfaction [16].

The last factor is life events and personal development. This factor consists of life events and changes and personal growth and hobbies. Life satisfaction can be influenced by significant life events, both positive and negative. Positive life events, such as marriage, the birth of a child, or career success, typically lead to increased life satisfaction, though the effects can be temporary [22]. On the other hand, negative life events, such as the loss of a loved one, financial hardship, or illness, can lead to decreased life satisfaction.

Engaging in personal development activities, pursuing hobbies, and having opportunities for leisure contribute positively to life satisfaction. People who feel they are growing, learning new skills, and pursuing their passions tend to experience higher satisfaction with their lives [29].

The determinants of life satisfaction are multifaceted, involving an interplay of individual, relational, societal, and environmental factors. While psychological factors like self-esteem, emotional regulation, and a sense of purpose are critical, social connections, socioeconomic status, physical health, and cultural context also play vital roles. Understanding these factors provides insight into how individuals can enhance their life satisfaction and how policymakers can create environments conducive to higher well-being for all members of society. The literature suggests that a balanced focus on both internal (psychological) and external (socioeconomic, social, cultural) factors is necessary for a comprehensive understanding of life satisfaction.

III. DATA AND METHODOLOGY

For analyzing the determinants of life satisfaction in Azerbaijan we use dataset obtained from "Social Survey 7" generated by ASERC [3]. The 7th wave of the survey is conducted online in November, 2021. The total sample size is 2189, whereas 1980 after adjustments.

Life satisfaction (LS) is employed as dependent variable in the empirical model. LS is calculated as arithmetic mean of the following domains:

- Health
- Finance
- Relationship with friends and relatives
- Family life
- Social life

Value for afore-mentioned domains ranges between 0 and 10. Institutional trust (IT) variable is calculated based on the trust of respondents to the following:

- Education system
- Health system
- Court system
- Police system

Value of trust to each institution ranges between 0 and 5 and IT is calculated as a sum of values indicated by respondents.

Income satisfaction (INCSAT) is derived from answers to the question “Does your total income satisfy you?”. Here value ranges between 1 and 7 where 1 indicates the “Totally dissatisfy” and 7 “Totally satisfy”.

For comparing the life satisfaction between gender groups respondents are nominated as male and female. Females (FEM) are included to the regression, while males are taken as base group.

Age of respondents (AGE) is used as an independent variable. Another important variable is marital status of the respondents. Respondents according to their marital status are divided into three groups such as married (MAR), Single (SNGL) and Other (Widow, engaged, divorced). Single respondents are taken as base group. Another independent variable in the regression is Education level (EDUC). For comparing the life satisfaction of individuals with different educational background we divided them into the groups such as respondents with secondary education (SEDUC), vocational education (VEDUC), bachelor degree, master (MST) and doctoral degree (PHD). Respondents with bachelor degree are taken as control group. Employment status as one of the main factors affecting the life satisfaction. Here we denote the respondents as

employed (EMP), unemployed (UNEMP), out of labor force (OLF) and students (STD). Here EMP is excluded from the regression for using as base group.

According to number of researches in some cases there is possible differences among regions in terms of life satisfaction. For this purpose, we grouped the respondents into three groups such as Baku, Absheron-Khizi (ABKH) and Other regions (OTREG). Here Baku is nominated as base group.

For studying the determinants of life satisfaction in the case of Azerbaijan we employ Robust Least Squares method. Introduced by Huber, Rousseeuw and Yohai [28] and Yohai [35] this method has several advantages compare with its counterparts. Firstly, it is less sensitive to outliers. Secondly, it reduces the bias and makes the parameter estimates more representative of the data. Finally, Robust OLS has better performance in data with suspicion of heteroscedasticity problem

IV. RESEARCH FINDINGS AND DISCUSSION

Table 1 below presents the empirical outcomes.

Table 1. Empirical results

Variables	Coefficients
IT	0.223***
AGE	-0.013**
INCSAT	0.036*
MAR	0.324
OTHER	-0.679***
UNEMP	-0.009
OLF	-0.006***
STD	0.061
ABKH	-0.059
OTREG	0.097
VEDUC	-0.572***

SEDUC	-0.456***
MST	0.146
PHD	0.401***
FEM	-0.270***

Source: Results obtained from Eviews estimations

Note: ***, ** and * denote significance levels 0.01, 0.05 and 0.1 respectively

According to results, institutional trust has positive and strongly significant impact on life satisfaction. On the contrary, age has negative effect on dependent variable at 5% significance level. Similarly, with institutional trust, income satisfaction is also observed to be positively correlated with life satisfaction in the sample of Azerbaijan. However, coefficient of this variable is significant only at 10%. According to findings, married people have more life satisfaction compare with single individuals. However, coefficient for this variable is not statistically significant. Differently, “Other” variable is given with negative and strongly significant coefficient indicating less satisfaction compare with single respondents. Table 1 also provides information about the link between life satisfaction of individuals with different employment status. According to results, unemployed people are less satisfied, while students have more life satisfaction compare with employed ones. However, both coefficients are statistically insignificant. On the other hand, individuals represented in out of the labor force reported less satisfaction with life which coefficient is statistically significant at 1%.

Another important finding of the research is that there is no significant difference in life satisfaction of individuals living in different regions. So that, findings reveal that, individuals living in Absheron-Khizi economic region are less satisfied with life, where individuals in other regions report more satisfaction. However, coefficients of both variables are statistically insignificant.

Results of variables related with education level also presents valuable insights about the satisfaction level. According to findings, individuals with colleague or vocational education and secondary education are less satisfied than individuals owning bachelor degree. Both coefficients are significant at 1% significance level. In contrary, respondents holding PhD degree reported more and strongly significant life satisfaction compare with reference group. On the other hand, individuals with master degree has more, but statistically insignificant life satisfaction.

Gender is another important factor explaining the differences in life satisfaction among individuals. According to results, females are less satisfied with life compare with males (p value <0.01).

CONCLUSION

Though there is vast of literature on life satisfaction and its determinants, number of such researches for the case of Azerbaijan is very limited with few examples [13], [1]. From this perspective, this research aims to contribute the literature for filling this gap and also encourage future investigations in this field.

By employing Robust Least Squares method, we aimed to define the possible determinants of life-satisfaction and cross-group differences. First of all, it should be noted that research results are consistent with most of the existing literature [11], [4], [27]. Findings reveal that, institutional trust has positive impact on life satisfaction in Azerbaijan. This results also supported by number of previous researches [15], [5], [16], [18], [31], [2]. Alongside with institutional trust, positive association also found for case of income satisfaction and life satisfaction. On contrary, negative impact of age on dependent variable is obtained. Remaining significant results can be listed as follows:

- Individuals with other marital status (Engaged, widow, divorced) have less life satisfaction than single ones
- People not in labor force are less satisfied compare with employed individuals
- There is no any significant difference in life satisfaction of individuals living in different regions compare with Baku economic region.
- Individuals with colleague or vocational education, as well as secondary education has less satisfaction with life compare with individuals holding bachelor degree, while individuals with PhD degree reports more life-satisfaction.

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- Females has less life satisfaction compare with males

Summarizing the obtained results, we can conclude that life satisfaction in Azerbaijan strongly depends on institutional trust, age and income satisfaction. In addition, findings reveal that there are differences among individuals with various characteristics such as marital and employment status, gender and educational level. On contrary, no any statistically significant difference is found for the case of individuals living in different economic regions.

Research findings have significant policy implications. Considering the differences in terms of life satisfaction among individuals with different characteristics government should focus not only increasing the common life satisfaction, but also implement policies for specific groups, especially vulnerable ones. Government institutions have to build strategy based on researches conducted by independent researchers, as well as conduct annual surveys for measuring the current trends of satisfaction level.

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