

FACTORS INFLUENCING THE STANDARD OF LIVING

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Abstract: The factors influencing the standard of living are multiple, not only economic and social, but also technological, cultural, environmental, etc. The factors in question can have a direct but also indirect influence, which is why the assessment of living standards cannot be carried out with high precision. There are relationships of mutual dependence between them, with the modification of one attracting a series of other modifications. The analysis and evaluation of the impact that these factors have on the standard of living is extremely important not only for researchers and analysts, but also for governments, thus providing them with models for increasing the standard of living and the quality of life of the population.

This paper highlights the influence that various factors have on the standard of living of the population, among which there are mutual interdependencies. Since increasing the standard of living and improving the living conditions of the population is one of the basic tasks on the agenda of decision-makers, knowledge and assessment of the determinants of the standard of living would contribute decisively to the fulfilment of this commitment.

Research methods used. Various research methods have been used in this paper, including logical, comparative and synthetic analysis, induction and deduction.

In conclusion, we note that the factors determining the standard of living of citizens are very diverse. Over the years, much attention has been paid to the impact of economic factors on people's standard of living. Subsequently, researchers have shown that social factors may be considered more important because they reflect the level of satisfaction of citizens. In addition to these factors, a number of factors in other areas have a strong influence on living standards.

Keywords: standard of living, living standards indicators, social needs

JEL Classification: H40; I31

Introduction

Under the Universal Declaration of Human Rights, art. 25, every person is guaranteed the right to a decent living and adequate living conditions, which ensure the necessary well-being and freedom from suffering. The right to a standard of living is particularly complex, which is why the notion of "standard of living" has been the subject of research by scientists from very different fields. The right to a standard of living is particularly complex, which is why the concept of "standard of living" has been the subject of research by scientists from very different fields. The notion is widespread both in

the works of researchers and in everyday use. In a broad sense, the notion refers to the degree of wealth, well-being, material goods owned by a community at a certain moment, but also the needs held; it reflects the degree of satisfaction of human needs. Numerous analysts and representatives of government administrations have paid great attention to identifying the factors that directly influence the increase in living standards, as well as those that indirectly produce certain effects. The factors in question are complex, represent an association of several factors and depend on the needs and preferences that members of society have. Determining and evaluating these factors has substantial significance for researchers, analysts, as well as government administrations, as it suggests models for increasing the standard of living and quality of life of the population. However, the final result of these factors, most of the time, is difficult to measure, and the consequences are felt over time. Evaluating these factors leads to the conclusion that the standard of living results from the global impact of several determining factors of different natures, which are interconnected through numerous cause-and-effect relationships. Although each factor influences the standard of living, it is assumed that economic determinants have a primary role compared to others, serving as the essential element and starting point for meeting the population's social needs.

Literature review

The state of development of a society, expressed through its level and rate of economic growth, is one of the determining factors of the standard of living of a country's population. The advantage of economic growth is usually the improvement of the population's standard of living. The indicator of economic performance is the Gross Domestic Product (GDP), which includes the *consumption of goods and services, investments in the economy, government spending, and net exports*. However, by definition, this indicator only accounts for material aspects.

Gross Domestic Product (GDP) per capita, meaning the GDP divided by the country's population and its growth rate, are indicators that reflect certain realities regarding the potential social wealth available to each person and whether this wealth is increasing or decreasing over time. This indicator provides a more accurate reflection of the realities concerning the standard of living because it eliminates the effects of inflation or rising prices. However, in reflecting the standard of living, GDP has certain deficiencies:

- ✓ it does not include unpaid work (volunteer activities, household work, or caregiving for children and the elderly), which also contributes to sustaining the country's economy;
- ✓ being an average, GDP per capita does not measure wealth distribution or reflect income inequality. Production of goods and national income is not distributed equally among the members of society, which is why GDP could reflect a high standard of living in a society where only the upper class enjoys wealth. In this regard, A. Ashley notes that the poorest segment of society, constituting about 20%, is the least likely to benefit from economic growth. In contrast, this segment is the most affected and will suffer the most in the event of a downturn. (Ashley, 2008)

In this context, American economist and Nobel Prize laureate Simon Kuznets highlighted, as early as 1970, that *an increase in GDP does not necessarily imply an improvement in the standard of living and quality of life within a society*. (Costanza, Hart, et al., 2009)

Many economists and international organizations, in particular the World Bank, use Gross National Income (GNI) per capita to determine the standard of living. This indicator is more appropriate in that it takes into account the income of all citizens, regardless of whether they are in their country of residence or abroad. It's particularly important because individuals who have left the country and send

remittances to their relatives contribute to the increase of national income and the enhancement of the standard of living for citizens. In essence, these two economic indicators represent the same category viewed from two different perspectives. GDP reflects the flow of goods and services produced in a year, while GNI reflects the flow of household income in the form of wages, pensions, profits, and other benefits.

Generally, an increase in income per capita ensures an increase in the quantity of goods that the consumers can purchase, but also an increase in access to quality healthcare, life expectancy, etc. - important factors in reflecting an individual's standard of living. Although per capita income is an important factor in assessing living standards, its exclusive use can also reflect a misleading picture. First of all, income per capita does not take into account the increase in the cost of living (the cost of basic necessities such as food, clothing and housing). If the average cost of living of a society is rising at a higher rate than the income per capita, the standard of living will most likely fall. People are spending more to live, but their incomes are not enough to cover these increases. Similarly, as with GDP, income per capita does not reflect how income is distributed among a country's citizens. If the average cost of living of a society is rising at a higher rate than the income per capita, the standard of living will most likely fall. People are spending more to live, but their incomes are not enough to cover these increases. For example, a society can record a significant increase in income per capita and a higher overall standard of living, but the number of people enjoying an acceptable standard of living may have fallen. This is because the income of the wealthiest segment of the population has increased at an extremely high rate, while the income of the poorest segment has remained the same. At the same time, estimating the standard of living based on these two economic indicators does not necessarily reflect other aspects of material comfort that are not determined by economic factors, such as the quality of the environment, safety, and public health – critical indicators of the standard of living and quality of life. These factors are more likely influenced by government policy than economic levels and, therefore, are not reflected in the indicators we refer to.

Disposable income and consumption expenditure, which are closely related, within a country remain the main indicators reflecting the population's standard of living. The higher the income, the greater the ability to meet needs and, therefore, the higher the standard of living. The population with higher disposable incomes is susceptible to spend more on consumption. On the other hand, large and diversified consumer expenditures contribute to increased income for businesses and public institutions derived from taxes and duties paid by citizens.

The increase in *consumption expenditures* for living (food, clothing, housing, leisure, etc.) reflects an improvement in people's lives. In fact, the degree to which needs are satisfied during a specific period results from the current consumption of goods and services, consumption of goods accumulated in previous periods, and public consumption funded by government expenditures.

Higher population consumption contributes to the prosperity of economic agents, who, as a result, will increase the number of employees and improve their material well-being. Other determinants of the standard of living are *business investments*, *government spending*, and *net exports*. Business investments include new facilities and equipment, real estate, and products. If businesses invest, the economy improves, which raises the population's standard of living.

A portion of government spending funds social consumption. An increase in government spending has the same effect—it raises the standard of living of the population. This is especially true for direct spending, such as social and medical security, education, etc. These benefits improve people's lives.

Net exports contribute to improving a society's standard of living in less apparent ways. If a country exports more than it imports, its income increases and new jobs are created.

Among other economic determinants of the standard of living are ***the influences of the labour market situation: employment opportunities, the employment rate, the unemployment rate, labour organization in society, social dialogue and employee engagement, work-life balance, and gender discrimination.*** (Royuela, et al., 2008)

The employment rate directly influences the standard of living of the population. Beyond the fact that this factor leads to an increase in people's incomes, it is also of significant importance because it ensures a sense of job security and stable remuneration, which guarantees the satisfaction of the population's need for security. Employment is essential for human livelihood and directly contributes to meeting social needs such as identity, integration, and belonging to a professional group. The work influences the state of happiness, social status, relationships, daily rhythms, etc. In addition, only employment status provides certain benefits and access to essential services. At the same time, a high employment rate also contributes to increasing funds for the social welfare system.

The unemployment rate has a negative impact on the standard of living. Moreover, this has a negative impact both on the people affected by unemployment and on the country's economic situation in general. The absence of a job or the loss of employment can have numerous economic and social consequences and requires immediate state intervention to mitigate and reduce the negative effects through the promotion of social assistance policies. The role of promoting social protection policy for the population is of major importance for preventing poverty, social inequalities, as well as deviances conditioned by the impossibility of employment or the non-existence of jobs, the presence of which ultimately affects the standard of living of citizens.

Although the factors that influence the standard of living of the population are, first and foremost, economic, having a direct influence on it, in order to have a comprehensive picture of the standard of living, a series of other factors must also be taken into account. The standard of living represents the mutual causal manifestation of economic, social, technological, environmental, ecological factors, as well as particular needs, the health status of the population, emotional freedom, etc. Taking into account all the factors mentioned can provide an overview of a nation's standard of living.

The most significant factors influencing the standard of living include the following: ***the health status of the population, with indicators such as life expectancy, accessibility to quality healthcare at an affordable price; the level of education achieved; easy access to goods and services at affordable prices; the quality of the environment, etc.***

✱ ***The health status of the population*** represents one of the basic conditions for human life, having a direct influence on the standard of living of the population. For the continuity of a nation and its sustainable development, maintaining health in accordance with certain standards is extremely important. A healthy nation can contribute significantly to increasing the country's prosperity and improving living standards. Healthy people are those who, through their work, create opportunities for the development and achievement of their own goals, ensuring the income necessary for their personal livelihood and contributing to the creation of the nation's wealth; they are able to engage in all activities of importance for increasing the standard of living; they have the ability to participate in all social and cultural activities. Maintaining good health is only possible through improving the population's access to healthcare services and implementing continuous quality management strategies in health services, primarily through increasing investments in the healthcare system.

One leading indicator to determine the population's health status is "life expectancy at birth". This represents an individual's average duration of life or the average number of years remaining at a certain age. A life expectancy that exceeds global averages often indicates high living standards; citizens have access to vaccines, screenings, and treatments that prevent or combat diseases and live in environments with minimal exposure to pollutants or toxins.

✱ ***The level of education achieved*** is a crucial determinant of the standard of living. Education provides immense benefits to society, many of which significantly improve the standard of living. This indicator reflects individuals' ability to acquire knowledge, communicate, and participate in the social life of their community. Knowledge becomes the most important factor in creating human wealth and the most effective means of compatibility between human-created and natural environments. **Knowledge** can be used simultaneously by anyone who possesses it and is accessible not only to the powerful but also to the weak and poor. (Bunea, 2008) In a knowledge society, educated individuals become the primary capital contributing to the formation of national wealth. People with high levels of education, well-trained, advanced skills, and professional competencies have better chances in the labour market, as evidenced by higher employment rates and often higher wages for their work. This, in turn, allows for spending on quality housing, healthcare, education, and nutrition. Many scholars believe that supporting initiatives for better education in developing or struggling countries can profoundly affect the general standard of living and quality of life. In this context, American economist Robert J. Barro specified: "A country that can achieve literacy rates 1% higher than the international average will reach labour productivity and GDP per capita levels 2.5% and 1.5% higher, respectively, than those of other countries"(Barro, R.J. 2001).

✱ ***Easy access to goods and services at affordable prices.*** A decent standard of living is undeniably linked to an individual's ability to access quality goods and services. Public services, a key factor in this equation, have emerged and developed gradually in response to the increasingly diverse needs of human society. Citizens' access to essential services such as health, education, quality water, sewage system, achievements of technical and scientific progress, personal security and freedom, environmental quality, number of working hours per day, sufficient to cover basic expenses, etc., represents the guarantee of a high standard of living and an adequate quality of life. On the other hand, it is noted that the increase in the standard of living of citizens has led to an increase in requests for new public services, as well as the size at which they are to be provided.

Analyses from recent decades, conducted by various specialists, show that modern societies with high economic performance and a high level of democracy are more concerned with the provision of public services of general interest, directly responsible for increasing the standard of living of citizens. In this context, modern governments tend to achieve their assumed mission by offering every citizen the right to access the necessary quality services, in a transparent and efficient manner, easily accessible, thereby aiming to maximize the degree of satisfaction of social needs through public services offered at a minimum cost. Guaranteeing continuity, without interruptions, of the services provided, improving the quality and accessibility of necessary services in line with the development of technical progress, both for citizens and for the business environment, represents another commitment assumed by modern administrations. Easy access to basic services is a key indicator in estimating the standard of living of citizens and is widely used in comparative analyses of living standards between various states. A region where the number of beneficiaries of private sanitation facilities is high is attributed

a significantly lower standard of living compared to an area where the majority of residents have access to such basic necessities of life.

✱ ***The quality of the environment.*** The quality of the environment, as well as the relationship between humans and the natural environment in which they develop, considerably influences the standard of living of the population. A healthy ambient environment is a fundamental principle of the Rio de Janeiro Declaration on Environment and Development: "Human beings are at the center of concerns for sustainable development. They must have a healthy and productive life in harmony with nature". The environmental impact on human living standards is highly varied and complex. The environment generates significant benefits, not only socially but also economically, due to the importance of natural resources for human life. The environment contains factors that have a favourable effect on the standard of living of the population, such as factors that ensure health. At the same time, it is found that the environment also contains pathogenic factors, with an unfavourable effect on human life, causing it to worsen. Based on this finding, researchers state that both the health of human beings and the standard of living of the population of the society in which they live are influenced by the state of the environment. (Crivoi, et al., 2014). The environment has the capacity to directly harm human health and livelihoods, but also indirectly, in the long term, thwarting human well-being and livelihoods.

A nation's standard of living can be seriously harmed by environmental factors. The air and soil, with which human beings are in continuous interaction, being affected by various chemical and biological processes can negatively influence several generations. As an environmental factor, soil is in continuous interaction with all elements of the environment - water, flora, crops, in turn, having a complex influence on the standard of living of the population.

A separate category of factors with a significant influence on the standard of living, especially in countries with a lower standard of living, which are not directly related to economic results, but rather to the government policies promoted, refers to the programs and subsidies granted. These represent a type of financial assistance and are intended to support citizens' livelihoods within the limits of decency.

Conclusions

Since until recently, specifically the 1930s, the dominant opinions were that human living standards, the level of wealth, necessary comfort, material goods, and the quality of public services were in line with the level of economic development, scientists, as well as government administrations, focused their attention on economic factors, constantly evaluating the impact that these factors had on the standard of living of the population. However, as was later found, for most countries with high economic potential, economic growth did not reduce social problems, including the degree of poverty. The scope of the concept of development, in this context, becomes broader. The standard of living, therefore, is the result of a strong interaction between economic and social factors and individual needs. Taking into account all the determinants of the standard of living would provide a realistic picture.

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