

**European Economic Integration**

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**DETERMINANTS OF SUBJECTIVE POVERTY  
IN THE WESTERN BALKANS****Abstract**

This study explores what drives subjective poverty in the Western Balkans, a region where many people still consider themselves poor despite two decades of economic growth and reforms. We provide evidence that the disconnect between measured income poverty and how people feel about their own poverty can undermine poverty reduction efforts and affect social cohesion during the EU accession process. Unlike earlier work that focuses mainly on income poverty, we offer a micro-level, cross-country analysis of subjective poverty in the six Western Balkan post-transition economies. Using data from the 2022–2023 Life in Transition Survey (LiTS IV), which covers 5,196 households in Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, we examine how factors such as economic security, health, remittance income, COVID-19 impacts, and demographic characteristics influence individuals' placement on a self-rated ten-step wealth ladder. We estimate generalized ordered logit models to re-

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spect the ladder's ordinal nature and to allow effects to differ across levels of subjective poverty. Our findings indicate that having financial buffers, owning a home, and being in good health significantly reduce the likelihood of feeling poor, whereas experiencing economic setbacks from the pandemic increases subjective poverty. Married individuals report greater subjective poverty, likely reflecting dependency and income-sharing not captured by income-based indicators. Cross-country differences are pronounced: Albania shows the highest levels of subjective poverty, whereas Kosovo the lowest. The evidence suggests that perceived vulnerability rather than income alone is a key driver of poverty assessments, highlighting the need for resilience-focused social policies during EU integration.

### **Key Words:**

economic security; EU integration; Life in Transition Survey IV; subjective poverty; Western Balkans.

**JEL:** I32; O15; P36; C25.

1 figure, 3 tables, 37 references.

### **Problem Statement**

Addressing poverty remains one of the region's most stubborn tasks. The countries of the Western Balkans, including Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, have gone through a string of disruptive changes: fragile post-conflict recoveries, a move away from centrally planned economies, and a slow, uneven process of aligning with the European Union. Each shift has altered everyday life and reshaped the yardsticks people use to judge whether they are getting by. The lingering effects of conflict and limited state capacity continue to dent public trust and to narrow opportunities for broad participation in the economy, while market reforms have in many places introduced volatility and weakened older informal safety nets (Kijewski & Freitag, 2016; Koczan, 2022). At the same time, the EU accession trajectory has sharp-

ened comparisons with better-off neighbours, which seems to heighten feelings of relative deprivation (Bakić & Jusufbegović, 2024).

This paper looks at what happens when those perceptions do not line up with headline statistics. Even when aggregate indicators such as GDP growth or falling official poverty rates point in a positive direction, many people still describe their situation as precarious. That gap suggests poverty is not reducible to a single material cut-off: insecurity, social exclusion and a lack of meaningful opportunities all shape how people experience their economic position (Koczan, 2016). Weak labour markets, underfunded welfare systems and strained health services make gains feel fragile rather than definitive, and those structures help explain why subjective hardship can persist even as averages improve (Kraja et al., 2022; Williams & Gashi, 2022). There are, to be sure, signs of improvement: measured against the international poverty line of US\$8.30 per day (2021 PPP), the regional headcount declined from about 31.3 percent in 2016 to roughly 15 percent in 2024 (World Bank, 2025). Yet the persistence of subjective poverty despite such aggregate improvements is precisely why this study matters: it shows that statistical progress and lived experience can move in different directions, and that policy responses must therefore address both material shortfall and the everyday sense of insecurity that keeps people feeling poor.

Real GDP has nearly doubled over the past two decades and macroeconomic stability has improved. Nevertheless, many people still feel economically insecure (Kraja et al., 2022). This inconsistency between improving economic indicators and persistent vulnerability reflects the lasting institutional and social effects of the transition period (Koczan, 2022). It means that to understand well-being in the post-transition era, we must pay attention to subjective poverty, how individuals themselves perceive their economic situations. To date, research on the Western Balkans has mostly examined poverty and inequality through objective measures and often at the country level. There has been relatively little work on what drives people's own perceptions of poverty across the entire region. **The primary purpose of this study** is to fill this gap by offering a cross-country analysis using data from the Life in Transition Survey IV (2022–2023), which includes over 5,000 households across the region. By moving beyond traditional income-based measures, the study aims to capture the multidimensional and complex nature of deprivation as experienced by individuals.

## **Literature Review**

### **From Objective to Subjective Understandings of Poverty**

Objective measures of poverty, those based on income, consumption and access to necessities such as food, shelter and health care, remain central to policy debates, but they capture only part of the story (Ouoya, 2021). In the Western Balkans, for example, official monthly poverty thresholds in 2023 sat at levels that many would consider modest: roughly €207 in Albania and about €248 in Serbia, with neighbouring countries reporting figures in a similar range (Institute of Statistics of the Republic of Albania, 2023; Statistical Office of the Republic of Serbia, 2023). These cut-offs matter for targeting and for international comparisons, yet they are blunt instruments. They tend to miss the multidimensional character of deprivation as social exclusion, psychological stress, cultural constraints, and intra-household inequality all shape people's lived experience in ways that an income line cannot easily register (Zhang & Gordon, 2020). Moreover, official thresholds are also somewhat arbitrary and insensitive to local variation: the cost of living differs between urban and rural places, household needs differ by composition, and regional price structures can make the same nominal income mean very different things in practice (Chibuye, 2014).

Decades of scholarship have argued that poverty is more than a shortfall of money. Townsend's classic formulation treated poverty as a lack of capabilities, vulnerability and exclusion rather than a mere income gap (Hick, 2014; Suresh, 2023). Building on that insight, researchers have increasingly turned to subjective measures that ask people to judge their own situation including questions about whether they can make ends meet, self-ratings on a ladder of wellbeing, or direct queries about feeling poor. These subjective indicators often tell a different story from income-based counts: many more people report feeling poor than would be classified as poor by objective thresholds (Koczan, 2016; Boriçi & Kruja, 2023). The explanation is straightforward but important: insecurity, exposure to shocks and expectations about what a decent life should look like can keep people feeling vulnerable even as average incomes creep upward.

Despite this growing literature elsewhere, the subjective dimension remains relatively under-explored in the Western Balkans. Most regional work emphasizes official poverty lines or narrow welfare indicators, and country-level studies are patchy. Some household surveys in Serbia and Croatia, for instance, include questions on perceived wellbeing, but a systematic, comparative analysis covering the six Western Balkan economies has been missing. That gap is what this

paper tries to fill. To do so, the study brings together comparable survey data from six countries and examines a range of potential determinants, including economic resources, remittances, health, and the particular shock of the COVID-19 pandemic.

Methodologically, using a generalized ordered logit model allows the analysis to detect non-proportional effects: some factors appear to matter more for shifting people out of the lowest categories of perceived wellbeing than they do for distinguishing the middle from the top. By focusing on subjective poverty, the paper aims to supply evidence that can push policy beyond a narrow focus on income growth and toward interventions that reduce insecurity and strengthen the everyday buffers people rely on when times get hard.

## **Determinants of Subjective Poverty and Hypotheses Development**

### ***(1) Economic variables***

Economic resources and security are fundamental determinants of subjective poverty. Households and individuals that can manage economic and financial shocks and maintain a decent lifestyle tend to report lower poverty. We identify four indicators of financial resilience:

- **Savings buffer:** Following prior work, we consider whether a household has enough savings to cover at least three months of expenses. Households with such a buffer would probably feel less poor (Hypothesis H1a), since savings provide a cushion against unexpected costs (Do, 2023; Olori et al., 2021).
- **Emergency fund:** Similarly, if a household has enough cash or liquid assets to handle an urgent expense without hardship, it signals security. We expect (Hypothesis H1b) households with emergency funds to report lower subjective poverty.
- **Holiday affordability:** Being able to afford a one-week vacation each year is a common «positional good» indicating social inclusion. Consistent with theories of social norms, we predict (Hypothesis H1c) that households who can afford this luxury will feel less poor (Fabrizi & Mussida, 2020; Saunders et al., 2008).
- **Meat consumption affordability:** Nutrition standards are another signal of material well-being. Following nutrition affordability research, inability to afford this basic dietary pattern signals deprivation. Thus, hypothesis H1d states that households who can regularly afford meat will report

lower subjective poverty (Hirvonen et al., 2020; Kovljenić & Savić, 2017; Sloka & Jekabsone, 2019).

## **(2) Remittances**

Inflows of remittances from abroad are an important source of income in the Western Balkans and are widely documented to reduce objective poverty (Adams, 2006). We include a binary variable for whether any household member sent remittances home in the past year. We hypothesize (H2) that receiving remittances is associated with lower subjective poverty, as these funds provide additional financial security. However, we remain attentive to nuance: in some contexts, heavy reliance on remittances may undermine local labor incentives (de Haas, 2010), so the net effect on subjective poverty could be modest.

## **(3) Health and economic shock perceptions**

Health is closely tied to economic vulnerability. Poor self-rated health is known to increase subjective poverty (Jacobs & Stessman, 2022; Zhou et al., 2023). We include a self-rated health variable (1 = very good, ..., 5 = very bad). We expect (H3a) that respondents reporting better health (lower scores) will feel less poor. We also consider the economic impact of COVID-19. Using a LiTS question on how the pandemic affected the household economically we test (H3b) whether households that suffered more from COVID (lower score) report higher subjective poverty. Prior evidence from the region confirms that COVID lockdowns and job losses raised financial stress and feelings of poverty (Baruti, 2021; Ballabio et al., 2022).

## **(4) Socio-demographic variables**

We control for standard demographic factors. Higher education often facilitates employment and social mobility, so we expect (H4a) that respondents with tertiary education feel less poor (Mansi et al., 2020; Sain et al., 2024). Marital status can have ambiguous effects. In many studies, marriage provides economic support, but in Eastern Europe it sometimes correlates with higher dependency burdens (Ervin et al., 2021; Lee & Baxter, 2020; Ortega-Daz, 2020). We test (H4b) whether married individuals perceive lower poverty. Homeownership is a key asset; owners are generally wealthier and more secure (Posel & Rogan, 2014; Shim et al., 2019). Thus, we predict (H4c) that owners (versus renters) will report lower subjective poverty. Finally, age: older people may have had time to accumulate assets and adjust expectations, so we hypothesize (H4d) that older respondents will report less poverty than younger ones.

## Methodology

### Sample and Data Collection

We utilize data from the fourth wave of the Life in Transition Survey (LiTS IV, 2022–2023), a large household survey conducted by the European Bank for Reconstruction and Development (EBRD) and the World Bank (European Bank for Reconstruction and Development, n.d.). LiTS IV covers a broad set of topics, including labor, income, financial resilience, remittances, health, education, and attitudes toward institutions. Its samples in each country are drawn using multi-stage stratified random designs to ensure representativeness at the national and urban/rural level.

Our analysis focuses on six Western Balkan economies: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. In each country a probability sample of households was interviewed face-to-face in 2023. After applying the survey weights, the combined sample comprises 5,196 households (889 in Albania, 805 in Bosnia and Herzegovina, 867 in Kosovo, 882 in Montenegro, 939 in North Macedonia, and 814 in Serbia). Data on key variables come from the primary adult respondent in each household.

### Study Variables and Measures

#### *Dependent variable*

The dependent variable in this study, subjective poverty, is measured based on respondents' self-assessment of their socio-economic status. This measure was derived from the following LiTS IV ladder question:

*«Please imagine a ten-step ladder where, on the bottom, the first step, stand the poorest 10% of people in [COUNTRY], and on the highest step, the tenth, stand the richest 10% of people in [COUNTRY]. On which step of the ladder is your household today?»*

In line with Cantril's (1965) approach, who proposed a «ladder of life» for self-assessment of well-being, and consistent with its adaptation by Koczan (2022), respondents were asked to evaluate their perceived economic position relative to others, which serves as the dependent variable capturing subjective poverty. Responses were recorded on a ten-point scale, with higher steps indicating a better subjective economic position. An ordinary logistic regression model was initially employed; however, the model's proportional odds assumption was

not satisfied. As a result, a generalized ordered logit model was applied. For this model, the subjective poverty variable was recoded into an ordinal variable reflecting three categories: poor, middle, and rich. This grouping made it easier to see how different factors affect people at different levels of subjective poverty.

### ***Independent variables***

Our main explanatory variables fall into four groups:

- **Economic security factors:** Four binary indicators capture financial resilience: Savings buffer equals 1 if the household reports having at least three months of living expenses in savings (0 otherwise). Emergency fund equals 1 if the household could cover an unexpected expense of about € XX without hardship (0 = could not). Holiday affordability equals 1 if the household can afford a one-week vacation per year (either easily or with difficulty; 0 = not at all), and Meat affordability equals 1 if the household can afford meat (or chicken/fish) every other day (0 = no). These measures follow literature on consumption standards and shock coping. We expect each of these indicators to reduce subjective poverty (H1a–H1d).
- **Remittances:** A binary variable indicating whether any household member sent remittances back home from abroad in the past year (1 = yes, 0 = no). We test if households receiving remittance income feel less poor (H2).
- **Health and shock perception:** We include two measures: Self-rated health (1 = very good, ..., 5 = very bad) and COVID economic impact (1 = very negative effect on household, ..., 5 = very positive effect). We expect better health to correlate with lower subjective poverty, and worse COVID impact to correlate with higher subjective poverty (H3a–H3b).
- **Demographics:** We control for respondent's age (in years), marital status (1 = married, 0 = not married), education (1 = tertiary or higher, 0 = less), and home ownership (1 = owner-occupier, 0 = renter or other). Based on prior findings, we hypothesize that higher education, being married, owning a home, and older age will each be associated with lower subjective poverty (H4a–H4d).

### ***Model***

Based on the objectives of the study and the nature of the data, an ordinary logistic regression was initially performed, using the subjective poverty variable in its original form (a ten-point scale). In this preliminary model, two additional variables were included, as they were hypothesized to potentially influence subjective poverty: (1) whether the respondent has ever worked («0 = No» and «1 = Yes»), and (2) whether the respondent has other jobs («0 = No» and «1 = Yes»). However, since the results for the first variable were omitted during estimation, both variables were excluded from the final model and are therefore not described in earlier sections.



A hierarchical regression strategy was employed, producing four models with progressively added sets of explanatory variables. Prior to interpreting the results, the models were compared to identify the best-fitting specification. Model 2, which incorporated economic security indicators, demonstrated the strongest explanatory power and was therefore selected for further diagnostic testing. Model diagnostics revealed that the parallel lines (proportional odds) assumption was violated for at least one key variable, rendering the standard ordered logistic regression model unsuitable. To address this, the subjective poverty variable was recoded into three ordered categories: «1 = poor ( $\leq 3$ )», «2 = middle ( $> 3$  and  $< 7$ )» and «3 = rich ( $\geq 7$ )».

To account for the ordinal nature of the dependent variable while relaxing the proportional odds assumption where needed, a generalized ordered logit model was estimated using the `gologit2` command in Stata with the `autofit` option. This approach allowed for greater flexibility than the standard ordered logistic model, while maintaining interpretability of coefficients. Diagnostic tests confirmed that the proportional odds assumption held for most variables ( $p > 0.05$ ), with the exception of the emergency preparedness variable. The final model demonstrated improved overall fit, as indicated by the Wald test:  $\chi^2(7) = 167.87$ ,  $p = 0.018$ . This test was applied only to the subset of variables for which the proportional odds assumption was enforced, and these variables individually passed the assumption test ( $p > 0.05$ ).

## Research Results and Discussion

This section presents the findings of the empirical analysis on subjective poverty in the Western Balkans. Summary statistics for all variables are provided in Appendix A.

Table 1 reports the results of generalized ordered logistic regression models. As mentioned earlier, subjective poverty was recoded into three categories: **poor** (ladders 1–3), **middle** (ladders 4–7), and **rich** (ladders 8–10) so that higher values of the dependent variable correspond to a lower perception of poverty and higher subjective economic status. Model 1 includes only socio-demographic characteristics, Model 2 adds financial resilience indicators, Model 3 incorporates remittance receipt, and Model 4 further accounts for health status and the economic impact of COVID-19. Across all models, age shows a significant negative association with subjective economic status (e.g., Model 1:  $\beta = -0.024$ ,  $p < 0.01$ ), indicating that older individuals are less likely to perceive themselves as being in the middle or rich categories compared to younger individuals. Marital status has a consistent positive effect (e.g., Model 1:  $\beta = 0.439$ ,  $p < 0.01$ ), showing that married respondents are significantly more likely to report being in the middle or rich groups than their unmarried counterparts. Similarly, education is positively asso-

ciated with subjective economic status across all models (e.g., Model 1:  $\beta = 0.79$ ,  $p < 0.01$ ), suggesting that higher educational attainment is strongly linked to lower perceived poverty. Dwelling ownership is another stable predictor, with positive and significant coefficients in all models (e.g., Model 1:  $\beta = 0.72$ ,  $p < 0.01$ ; Model 4:  $\beta = 0.656$ ,  $p < 0.01$ ). Homeowners are significantly more likely to place themselves in higher categories of subjective economic status compared to non-owners.

Table 1

**Results of generalized ordered logistic regression ( $N = 5,196$ )**

Variables	Model 1	Model 2	Model 3	Model 4
Age	-0.024** (0.002)	-0.01** (0.002)	-0.024** (0.002)	-0.011** (0.002)
Marital Status	0.439** (0.061)	0.272** (0.066)	0.439** (0.061)	0.432** (0.063)
Education	0.79** (0.08)	0.296** (0.086)	0.797** (0.08)	0.711** (0.081)
Dwelling Ownership	0.72** (0.101)	0.483** (0.109)	0.729** (0.101)	0.656** (0.103)
Savings Buffer Duration		0.809** (0.103)		
Emergency Fund Avail.		0.913** (0.074)		
Holiday Affordability		0.813** (0.076)		
Meat, Chick, Fish Aff.		0.55** (0.084)		
Remittance Receiving			0.225* (0.105)	
Health Assessment				-0.453** (0.037)
Covid-19 Econ. Impact				0.251** (0.039)
_cons	0.903** (0.128)	-0.752** (0.153)	0.89** (0.128)	0.828** (0.152)
Middle: Age	-0.008 (0.005)	-0.01** (0.002)	-0.009 (0.005)	0.003 (0.006)
Middle: Marital Status	0.439** (0.061)	0.272** (0.066)	0.439** (0.061)	0.432** (0.063)
Middle: Education	0.79** (0.08)	0.296** (0.086)	0.797** (0.08)	0.711** (0.081)
Middle: Dwelling Own.	0.72** (0.101)	0.483** (0.109)	0.729** (0.101)	0.656** (0.103)
Middle: Savings		0.809** (0.103)		
Middle: Emergency		0.289 (0.218)		
Middle: Holiday		0.813** (0.076)		
Middle: Meat, Chicken.		0.55** (0.084)		
Middle: Remittance			0.225** (.105)	
Middle: Health Asses.				-0.453** (0.037)
Middle: Covid-19 Imp.				0.251** (0.039)
Middle: _cons	-4.405** (0.288)	-5.369** (0.241)	-4.425** (0.288)	-4.535** (0.303)
Observations	5196	5196	5196	5196
Pseudo $R^2$	0.05	0.154	0.051	0.078

Source: Authors' calculations based on Life in Transition Survey IV.

Notes: Standard errors in parentheses; \*\*  $p < 0.01$ , \*  $p < 0.05$ . Middle coefficients refer to the second threshold of the generalized ordered logit model (middle vs. higher categories of self-assessed well-being).

When financial resilience variables are added in Model 2, all indicators are strongly and positively associated with subjective poverty status. Specifically, household who can save money for a longer time ( $\beta = 0.809, p < 0.01$ ), having an emergency fund ( $\beta = 0.913, p < 0.01$ ), afford holidays ( $\beta = 0.813, p < 0.01$ ), and can regularly buy meat, chicken, or fish ( $\beta = 0.55, p < 0.01$ ) are each linked to a higher likelihood of belonging to the middle or rich groups rather than the poor category. This shows that feeling financially secure plays a big part in how people view their own economic situation.

In Model 3, receiving remittances is associated with higher self-rated economic standing ( $\beta = 0.225, p < 0.05$ ), which suggests that households with transfer income tend to place themselves further up the subjective ladder than households without such income. Model 4 shows a clear negative association between self-reported health and perceived economic status ( $\beta = -0.453, p < 0.01$ ); because larger values on the health measure indicate worse health (1 = very good to 5 = very bad), this means respondents who report poorer health are substantially more likely to see themselves as poor rather than as belonging to the middle or upper categories. By contrast, the variable capturing the economic consequences of COVID-19 has a positive and statistically significant coefficient ( $\beta = 0.251, p < 0.01$ ). Since higher scores on that measure indicate a more favourable economic outcome from the pandemic, the result implies that households that suffered less, or that even improved financially during COVID-19, are more likely to classify themselves in higher subjective economic groups. Adding the financial resilience indicators produces the biggest jump in model performance: Pseudo  $R^2$  rises from 0.05 in Model 1 to 0.154 in Model 2. The inclusion of remittance and health variables yields smaller gains overall as Model 4 records a Pseudo  $R^2$  of 0.078, which nonetheless represents an improvement over the baseline. Taken together, the results point to a dual influence on subjective poverty: longer-run structural characteristics such as education, homeownership and marital status matter, but so do short-term, household-level buffers. Health and remittance variables add meaningful explanatory power on top of those factors, underscoring that perceived economic standing reflects both entrenched socio-economic positions and households' capacity to withstand shocks.

The disaggregated subgroup analysis (rows marked «Middle:») appears to reflect the generalized logit estimation of partial proportional odds. For this middle-income group (or middle cut-point), the direction and significance of the variables are largely consistent with the full sample. However, the coefficients are in some cases reduced (e.g., emergency fund availability becomes statistically insignificant with  $\beta = 0.289, p > 0.05$ ), suggesting the protective effect may be more pronounced among lower-income respondents.

Finally, the statistically significant constant terms ( $\_cons$ ) and improvements in model fit across specifications (e.g., Pseudo  $R^2$  increases from 0.05 in Model 1 to 0.154 in Model 2) confirm that the inclusion of financial security and health and economic shock perceptions measures enhance the explanatory

power of the models. The use of `gologit2` has allowed the relaxation of proportional odds where needed, ensuring more accurate estimation and interpretation of the ordinal outcome.

Table 2 presents the results of a One-Way ANOVA test, examining differences in subjective poverty across the six Western Balkan countries. The mean values represent the average subjective poverty score for each country, based on the 10-point ladder where lower scores indicate higher subjective poverty. Albania has the lowest mean score ( $M = 3.48$ ,  $SD = 1.80$ ), suggesting that respondents in Albania perceive themselves as poorer compared to the other countries. In contrast, Kosovo has the highest mean score ( $M = 4.75$ ,  $SD = 1.45$ ), indicating a relatively lower subjective poverty level.

Table 2

**Results of One-Way ANOVA for differences in subjective poverty by country**

Country	Mean	Std. Dev.	F	Prob.
Albania	3.48	1.80	76.94	0.00
Bosnia and Herzegovina	4.40	1.56		
Kosovo	4.75	1.45		
Montenegro	4.63	1.66		
North Macedonia	4.17	1.64		
Serbia	4.11	1.50		

Source: Authors' calculations based on Life in Transition Survey IV.

The ANOVA yields an F-statistic of 76.94 with a p-value of 0.00, signifying that the differences in subjective poverty scores among these countries are statistically significant at the 0.01 level. Further pairwise comparisons to explore specific inter-country differences were done using Bonferroni test.

Table 3 presents the results of Bonferroni-adjusted pairwise comparisons between countries regarding subjective poverty levels, using the 10-step ladder variable in which lower steps indicate higher subjective poverty. Only statistically significant differences are interpreted.

Table 3

**Results of Bonferroni test for pairwise comparisons between countries  
regarding subjective poverty differences**

Subjective poverty	Contrast	Std. Error	Bonferroni [95% conf. interval]	
Bosnia and Herzegovina vs Albania	0.92	0.08	0.69	1.15
Kosovo vs Albania	1.27	0.08	1.05	1.50
Montenegro vs Albania	1.15	0.08	0.93	1.38
North Macedonia vs Albania	0.70	0.08	0.48	0.92
Serbia vs Albania	0.64	0.08	0.41	0.87
Kosovo vs Bosnia and Herzegovina	0.35	0.08	0.12	0.58
Montenegro vs Bosnia and Herzegovina	0.23	0.08	0.00	0.46
North Macedonia vs Bosnia and Herzegovina	-0.22	0.08	-0.45	0.00
Serbia vs Bosnia and Herzegovina	-0.28	0.08	-0.52	-0.05
Montenegro vs Kosovo	-0.12	0.08	-3.45	0.11
North Macedonia vs Kosovo	-0.58	0.08	-0.80	-0.35
Serbia vs Kosovo	-0.64	0.08	-0.87	-0.40
North Macedonia vs Montenegro	-0.46	0.08	-0.68	-0.23
Serbia vs Montenegro	-0.52	0.08	-0.75	-0.29
Serbia vs North Macedonia	-0.06	0.08	-0.29	0.17

Source: authors' calculations based on Life in Transition Survey IV.

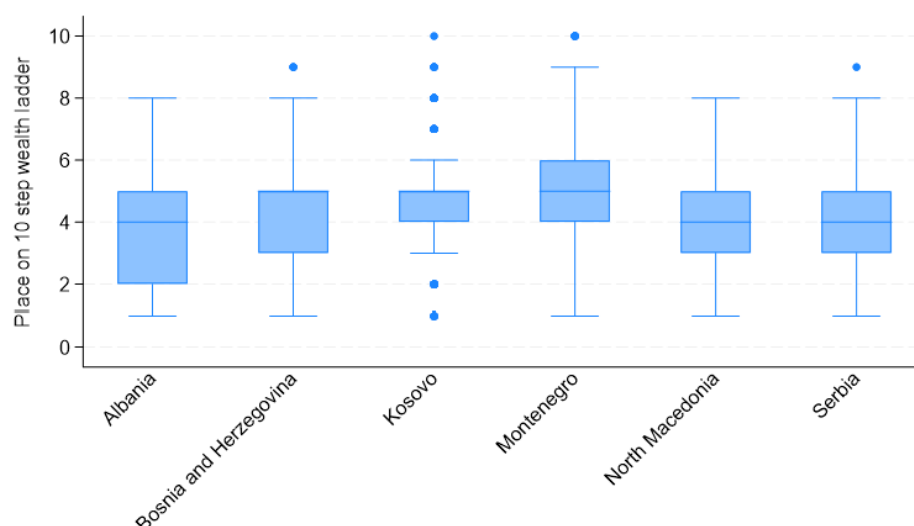
Respondents in Albania report significantly higher subjective poverty than those in all five other countries. Specifically, individuals in Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia all placed themselves, on average, significantly higher on the ladder than respondents in Albania, indicating they perceive themselves as economically better off. The most pronounced difference is observed between Kosovo and Albania, with Kosovo's average score being 1.27 points higher, followed by Montenegro (1.15), Bosnia and Herzegovina (0.92), North Macedonia (0.70), and Serbia (0.64).

Cross-country comparisons reveal noticeable differences in how people perceive their economic standing. Respondents in Kosovo report substantially higher subjective economic status than those in Bosnia and Herzegovina (by roughly 0.35 points), North Macedonia (about 0.58 points) and Serbia (around 0.64 points). Montenegro's score is also higher than Bosnia and Herzegovina's by approximately 0.23 points, which points to relatively lower perceived poverty there. By contrast, North Macedonia and Serbia sit below Montenegro's level, suggesting stronger perceptions of economic strain in those two countries com-

pared with Montenegro. Serbia, in particular, records significantly lower average subjective scores than Bosnia and Herzegovina, Kosovo and Montenegro, consistent with higher perceived poverty; however, the difference between Serbia and North Macedonia is not statistically clear, since the confidence interval crosses zero. Taken together, these patterns place Albania at the top of the list for subjective poverty, while Kosovo and Montenegro appear at the lower end, underscoring sizeable variation across the Western Balkans and the importance of country-specific social and economic contexts in shaping people's subjective assessments. The distribution of subjective poverty scores across the six Western Balkan countries is illustrated in the boxplot shown in Figure 1.

Figure 1

**Distribution of subjective poverty across Western Balkan countries using the 10-step wealth ladder**



Source: authors' calculations based on Life in Transition Survey IV.

The empirical results offer strong support for most of the hypothesized relationships. Measures of economic security like having savings (H1a), being able to access emergency funds (H1b), being able to afford holidays (H1c), and being able to afford meat regularly (H1d) turn out to be the strongest predictors of feel-

ing less poor. When these resilience variables entered the models, overall fit improved noticeably (for example, Pseudo  $R^2$  moved from roughly 0.05 to about 0.154).

Receiving remittances (H2) has a noticeable but smaller protective effect on how poor people feel. Households that get money from family abroad generally report feeling less poor, but the effect isn't very large, showing that it can vary a lot depending on the situation. In the Western Balkans, where many people rely on remittances due to high emigration, these funds can help with short-term needs but don't necessarily solve long-term financial insecurity or dependence. This matches other studies showing that remittances can have both positive and mixed effects on household welfare (de Haas, 2010; Koczan, 2022). Health plays an important role in how poor people feel. People who rate their health as worse tend to feel more deprived (H3a). Likewise, households that suffered more financially from the COVID-19 pandemic (H3b) report higher levels of perceived poverty. These findings are in line with earlier research from the region showing the pandemic's lasting impact on economic insecurity and stress. (Baruti, 2021; Bal-labio et al., 2022). Among socio-demographic characteristics, education (H4a), homeownership (H4c), and age (H4d) behave largely as expected. Unlike in many Western countries, being married (H4b) is linked to feeling more poor in the Western Balkans, hinting at household pressures and gaps in social support that influence how family ties affect people's sense of well-being. This may be because marriage can increase financial burdens, with more dependents to support, fewer opportunities for both spouses to earn, and limited government assistance for families.

### Theoretical Implications

There are three theoretical points worth stressing. First, our results offer a synthesis of capability and risk perspectives: Sen's focus on capabilities remains useful, but it should be read together with an emphasis on exposure to shocks. In other words, inability to realize valued functionings and the anticipation of loss operate together to shape subjective poverty. Second, relative comparisons matter. Even when absolute material conditions improve, reference-group expectations and social norms mediate whether those improvements register as better well-being; people appear to evaluate themselves against perceived or expected benchmarks more than against an abstract growth trajectory. Third, demographic predictors are context-sensitive. The finding that married respondents often report worse perceived economic standing suggests that household composition, dependency burdens and limited opportunities for dual earning in the Western Balkans can turn otherwise protective statuses into sources of strain. Methodologically, the generalized ordered logit approach we used proved helpful because it allowed us to detect non-proportional effects across ladder thresholds; some pre-

dictors matter more for moving respondents out of the «poor» categories than they do for distinguishing the «middle» from the «rich,» and assuming proportional odds would have masked that nuance.

### **Practical Implications**

If subjective poverty is driven largely by perceptions of fragility, then policy should aim at strengthening households' everyday buffers as much as it targets income. Programs that expand easy access to savings mechanisms, low-cost emergency credit and financial instruments designed to create liquid buffers are likely to have a direct effect on how people feel about their economic standing. Closely related is the need for quicker and more targeted shock-response mechanisms; the sensitivity of subjective poverty to COVID-19 impacts in our models suggests that rapid emergency assistance and crisis preparedness reduce not only immediate hardship but also the anxiety that feeds persistent feelings of poverty. Health policy matters too: reducing out-of-pocket payments and expanding access to affordable care would improve perceived security in ways that complement gains in material welfare. Remittances play a modest protective role, so lowering transfer costs and promoting financial literacy to encourage the productive use of remitted funds could help households convert transfers into durable resilience. Finally, because household structures and local labour markets shape how demographic characteristics translate into perceived poverty, policies should avoid one-size-fits-all solutions and instead tailor supports, for example through childcare, caregiver allowances or targeted assistance for large dependent households, to local family realities.

### **Conclusion**

This paper examined why many people in the Western Balkans report feeling poor even when objective measures show some improvements. Using LiTS IV microdata ( $N = 5,196$ ) we looked at several predictors, including household financial resilience, remittances, self-rated health, COVID-19 economic impact and standard socio-demographic controls. Two findings are especially noteworthy. First, indicators of financial resilience such as savings buffers and the ability to cope with short-term expenses consistently explained respondents' positions on the 10-step ladder better than single income measures. When these resilience variables entered the models, overall fit improved noticeably (for example, Pseudo  $R^2$  moved from roughly 0.05 to about 0.154). Second, although health status, the economic effects of COVID-19, and remittances contributed additional



explanatory power, they did not displace the dominant role of resilience. In short, subjective poverty in these settings appears to be more a matter of perceived fragility and the fear of downward mobility than a simple reflection of current income levels.

These patterns suggest several broader messages. People judge their economic situation not only by what they earn but by how secure they feel in maintaining consumption and managing shocks. That explains why subjective poverty can remain high even amid aggregate gains: improvements that do not change people's sense of security do not necessarily translate into better self-assessments. At the same time, some demographic associations differ from patterns commonly reported in other regions: the relationship between marital status and perceived economic standing in this sample runs counter to expectations from many Western studies, hinting at household-level pressures and institutional gaps that shift how family ties affect feeling poor or well-off.

This study is cross-sectional and based on self-reported survey data. Hence, while we identify strong associations, we cannot claim causality. Longitudinal data or natural experiments would help verify these relationships over time. Similarly, our aggregate analysis treats each country as homogeneous; future work should explore sub-national differences (e.g., urban vs. rural, regional disparities) using multilevel modeling. The unusual marriage result, in particular, warrants qualitative or gender-focused studies to unpack intra-household dynamics.

Despite these limitations, our results lay a foundation for a new line of inquiry on poverty in transition societies. They show that subjective poverty in the Western Balkans operates through distinctive channels, notably the primacy of financial buffers and the role of family structure, that differ from Western settings. Future research could incorporate measures of institutional quality and social trust to explain country differences or compare them with other post-transition regions. Ultimately, our analysis emphasizes that tackling poverty in the Western Balkans requires understanding people's perceptions and vulnerabilities, not just economic indicators.

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## Appendix A:

### Descriptive Statistics

Table 1

#### Frequencies and percentages for categorical variables

Variable	Categories	Freq.	Percent
Country	Albania	889	17.11
	Bosnia and Herzegovina	805	32.60
	Kosovo	867	16.69
	Montenegro	882	16.97
	North Macedonia	939	18.07
	Serbia	814	15.67
Gender	Male	2,343	45.09
	Female	2,853	54.91
Marital status	Not married	2,104	40.49
	Married	3,092	59.51
Education	Less than tertiary	4,033	77.62
	Tertiary or higher	1,163	22.38
Ownership of dwelling	Renter or not owner	524	10.08
	Owner	4,672	89.92
Savings	Less than 3 months	4,237	81.54
	3 months or more	959	18.46
Emergency	Not able	2,366	45.54
	Able	2,830	54.56
Holiday affordability	No	2,244	43.19
	Yes (easily or with difficulty)	2,952	56.81
Meat affordability	No	1,001	19.26
	Yes (easily or with difficulty)	4,195	80.74
Remittance receipt	No	4,727	90.97
	Yes	469	9.03

Source: authors' calculations based on Life in Transition Survey IV.

Table 2

**Descriptive statistics for scaled variables**

Variable	Mean	Std. Dev.	Min	Max.
Age	50.00	17.15	18	92
Subjective poverty	4.25	1.66	1	10
Health assessment	2.15	0.99	1	5
Economic impact of COVID-19	2.06	0.80	1	5

Source: authors' calculations based on Life in Transition Survey IV.

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