The Country with the Lowest Social Inequality: According to an Updated UN Report, That's Azerbaijan

written by Rovshan Aghayev

The 2018 United Nations Human Development [Report](#) can be viewed as a source that everyone can reference with pride. According to the report, Azerbaijan is the leader in social equality among more than 190 countries. More accurately, there are 194 countries in the index, the Gini coefficient for 155 of them is provided, and Azerbaijan won the title of the country with the lowest income inequality among those countries.

It is clear from the report that although the Gini coefficient for all countries is calculated as an average statistical indicator for 2010-2017, unlike many countries, due to the lack of information, the same coefficient for Azerbaijan is calculated on the basis of pre-2010 data. The interesting question is: Why isn't timely and reliable information on income inequality delivered to international organizations, when over many years millions of dollars have been spent on programs to improve the official statistics in Azerbaijan? These are the most important indicators for ensuring social security and developing targeted social policy in the country.

It is known that the State Statistical Committee of Azerbaijan does not provide general information on the **Gini coefficient** reflecting the social stratification of the country in the income and expenditure database of households. This coefficient reflects how far the actual income generated in the economy differs from the absolute equity line between groups of population and is calculated on the basis of a special mathematical formula. The calculation is usually done

based on household quintiles (division of the population into 5 equal parts). The Gini coefficient is calculated using the Lorenz curve, named after the American economist [Max Otto Lorenz](), and changes in the range of 0-1 (where "0" is complete equality and "1" is complete inequality). The higher the difference between the wealthiest 20% and the poorest 20%, the closer the Gini coefficient is to 1, which reflects high inequality in the country and unequal distribution of national income.

There is another point that is more interesting and surprising: the 2006 UN [Human Development Report]() showed that the Gini coefficient was 0.318 for the 2010-2015 average statistical indicator. The Gini coefficient, however, was shown as 0.166 in the 2018 revised report. What has changed in the last 2 years?

Comparisons are also interesting. According to the 2018 report, without Azerbaijan, the five countries with the lowest Gini coefficients are Ukraine (0.250), Slovakia (0.265), Finland (0.271), Norway (0.275), and Belgium (0.277). The five countries with the highest income inequality are South Africa (0.630), Zambia (0.571), Cambodia (0.571), Central African Republic (0.562), Lesotho (0.542) and Mozambique (0.540).

By the way, another index in the UN report is the *Palma Index*. This index is calculated as the ratio of the poorest 10% of the population to the ratio of income of the poorest 40% of the population. According to the latest report, this index is 0.6 in Azerbaijan. To simplify, while the bottom 40% of the households earn 1 billion manats of national income, the top 10% earn 600 million manats. To what extent does it reflect the reality? Indeed, even the unreliable official statistics of Azerbaijan enable us to say that this fact is suspicious. For approximately [18-19%]() of national income in Azerbaijan is in the form of salary and 70% of it is in the form of profits, interest income, rent, and mixed income. In fact, the main income of the poorest 40% of the population comes mostly from

salaries and social transfers while the main income of the top 10% is mainly derived from profit, rent, and interest income. As can be seen from the official statistics, the opportunity to receive a share of the national income from entrepreneurship is 3-3.5 times higher than the ability to earn income in the form of salary. In developed countries, however, earnings from salaries are on average two times higher than earnings from rents as a part of the national income.

There is no credible official database, but it is possible to share certain hypothetical estimates. For example, recently an apartment in Baku was advertised for sale online for 4 million manats ($2.4 million). In recent years, through online searches, it has been easy to find many such apartments with asking prices from half a million to 3 million manats. Recently, the press reported on the sale of a commercial bank in Azerbaijan for 70.1 million manats ($42 million) and this report was not denied. Obviously, people with an apartment or business assets worth millions are among the richest 10% of the population. The statistics may not show these facts, and the population may not read these reports in official sources, but everyday people go to gigantic shopping centers, markets, restaurants and tourist facilities, they arrange banquets at luxurious wedding palaces and spend their last dime at expensive private hospitals. Some of these places have market values greater than that of all the apartments of at least 3-4 thousand families from the poorest 40% of the population. Of the families who make up the poorest 40% of the population (according to current statistics that is 800,000 households), some of them have no property at all, and the rest have an apartment worth a maximum of 30,000-40,000 manats, 1-2 hectares of agricultural land at best, and an old car not worth more than 4,000-5,000 manats. There are 200,000 families making up 10% of the population, and if you consider what they own, it won't be hard to see the full picture.

All these uncertainties necessitate a radical transformation

of social statistics as well as the creation of a high-quality, reliable database to protect social security in Azerbaijan. For reference, the Human Development Report divides countries into four groups: (1) *Very high human development; (2) High human development; (3) Medium human development; and (4) Low human development.*

In the 2018 updated report, the first group included 58 countries. Of the former Soviet republics, six are in this group: all three Baltic countries, Russia, Belarus, and Kazakhstan. Except for Tajikistan and Kyrghyzstan, the remaining seven former Soviet republics are in the second group, which includes 54 countries in total. Azerbaijan ranks 80th (while Georgia ranks 70th and Armenia 83rd).