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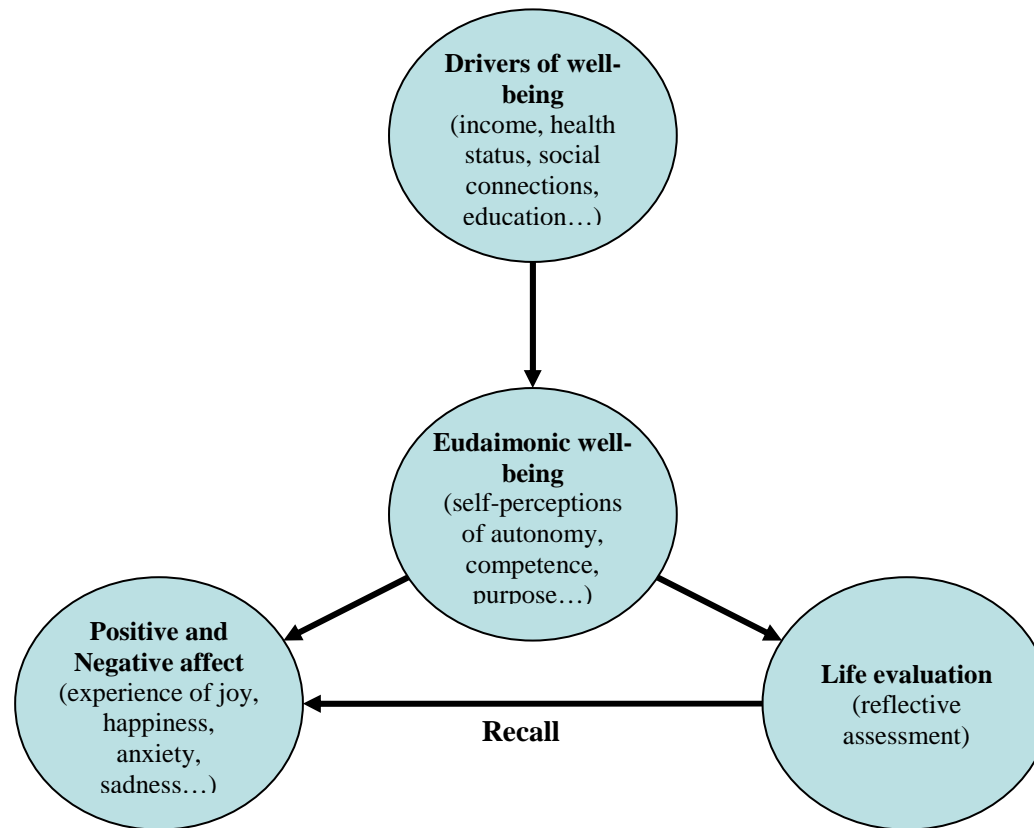
The Policy Uses of Subjective Well-being Measures

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26 April 2012

Conal Smith

A model of subjective well-being



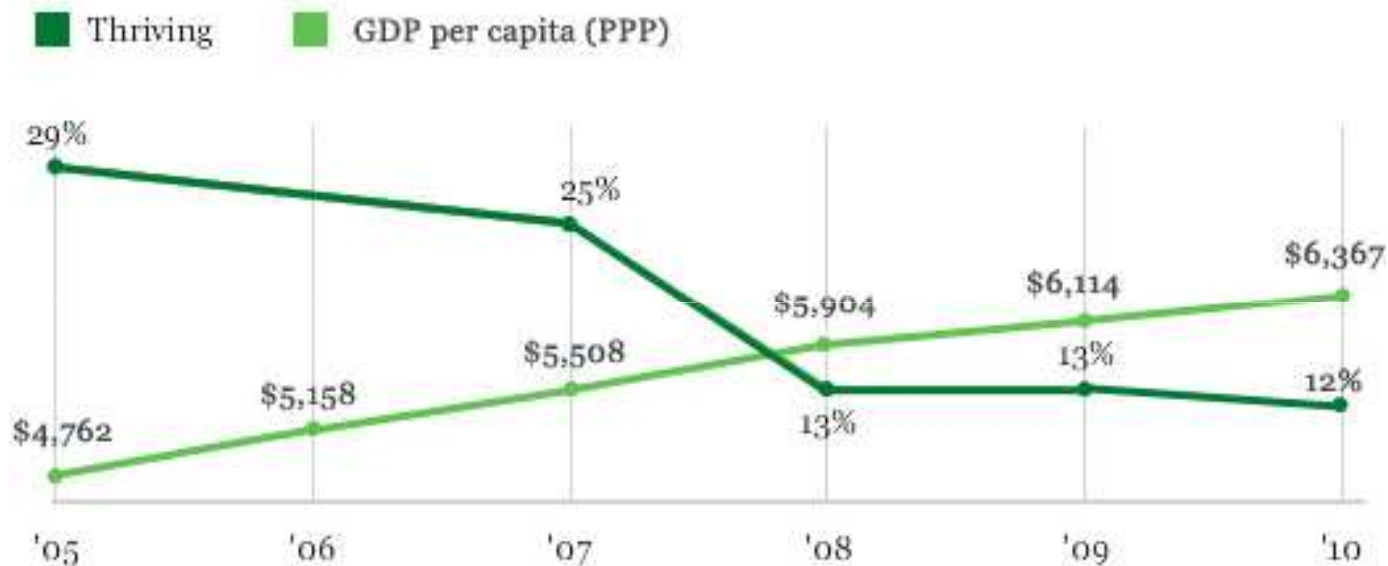
Subjective Well-being: validity

Table 2. Evidence on the validity of subjective measures of well-being

Type of Evidence	Sources
Face Validity <ul style="list-style-type: none"> • Item-specific non-response rates • Time to reply 	Rässler and Riphahn, 2006 Diener and Tov, 2006
Convergent Validity <ul style="list-style-type: none"> • Self-ratings over time • Ratings by friends and family • Ratings from strangers • Frequency of smiling • Changes in behaviour • Biophysical measures 	Krueger and Schkade, 2007 Frey and Stutzer, 2002 Scheider and Schimmack, 2009, Diener, Suh, Lucas, and Smith, 1999 Frey and Stutzer, 2002, Kahneman and Krueger, 2006 Frijters, 2000 Urry et al., 2004, Diener and Tov, 2006
Construct Validity	Dolan, Peasgood, and White, 2008, Lucas, 2007, Helliwell, 2010

Subjective Well-being: policy uses #1

Egypt: Recent Trends in Percentage "Thriving" and GDP per Capita (PPP)

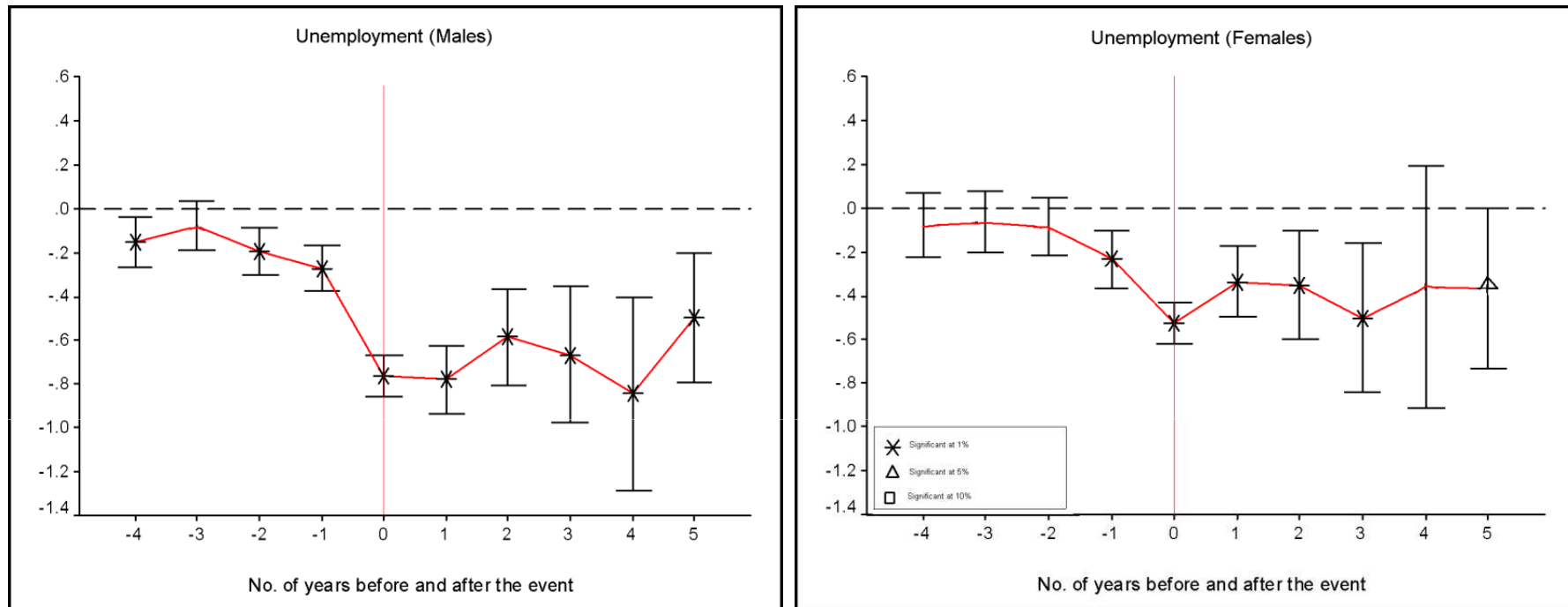


2005-2010

GDP per capita (ppp) estimates are from the International Monetary Fund's World Economic Outlook database.

GALLUP

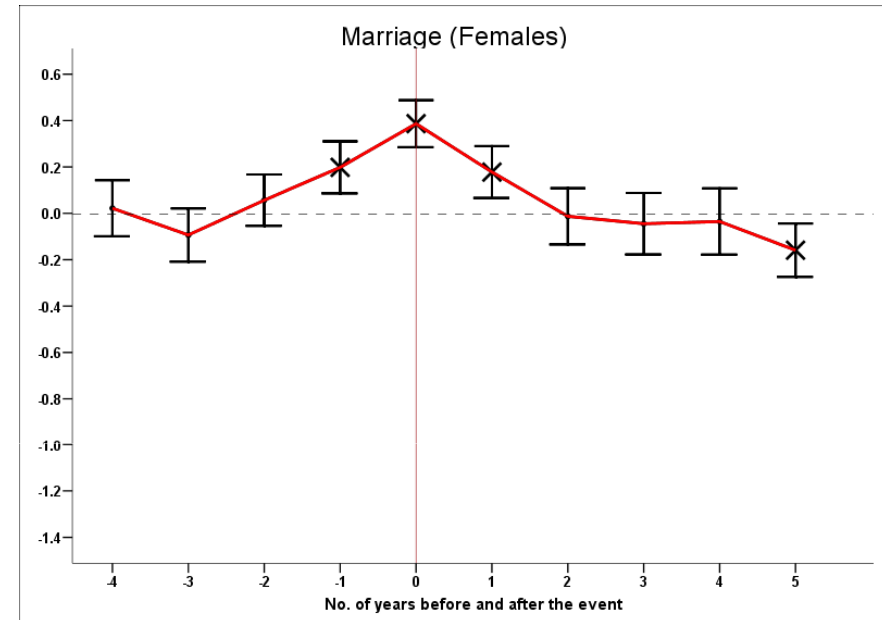
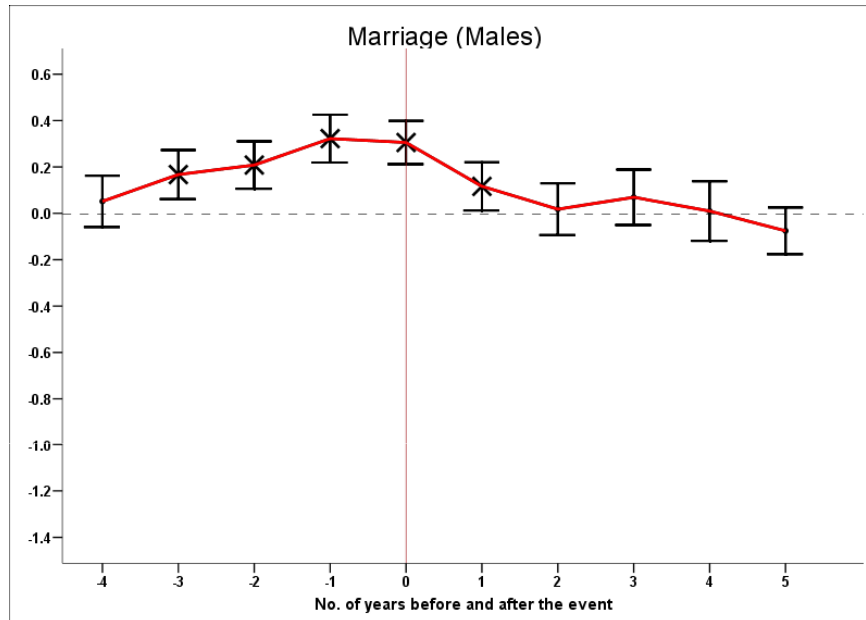
Subjective Well-being: policy uses #2



Lucas, R., Clark, A., Georgellis, Y. and Diener, E. (2003), "Reexamining adaptation and the set point model of happiness: Reactions to changes in marital status", *Journal of Personality and Social Psychology*.

Lucas, R., Clark, A, Georgellis, Y. and Diener, E. (2004), "Unemployment alters the set point of life satisfaction", *Psychological Science*.

Subjective Well-being: policy uses #2



Lucas, R., Clark, A., Georgellis, Y. and Diener, E. (2003), "Reexamining adaptation and the set point model of happiness: Reactions to changes in marital status", *Journal of Personality and Social Psychology*.

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Subjective Well-being: policy uses #3

$$U = \alpha D + \beta I + \gamma X + \varepsilon$$

D = demographic controls

I = factors varying at the individual level

X = factors varying at the national level

Subjective Well-being: policy uses #3

Table 1. Regression results: life satisfaction

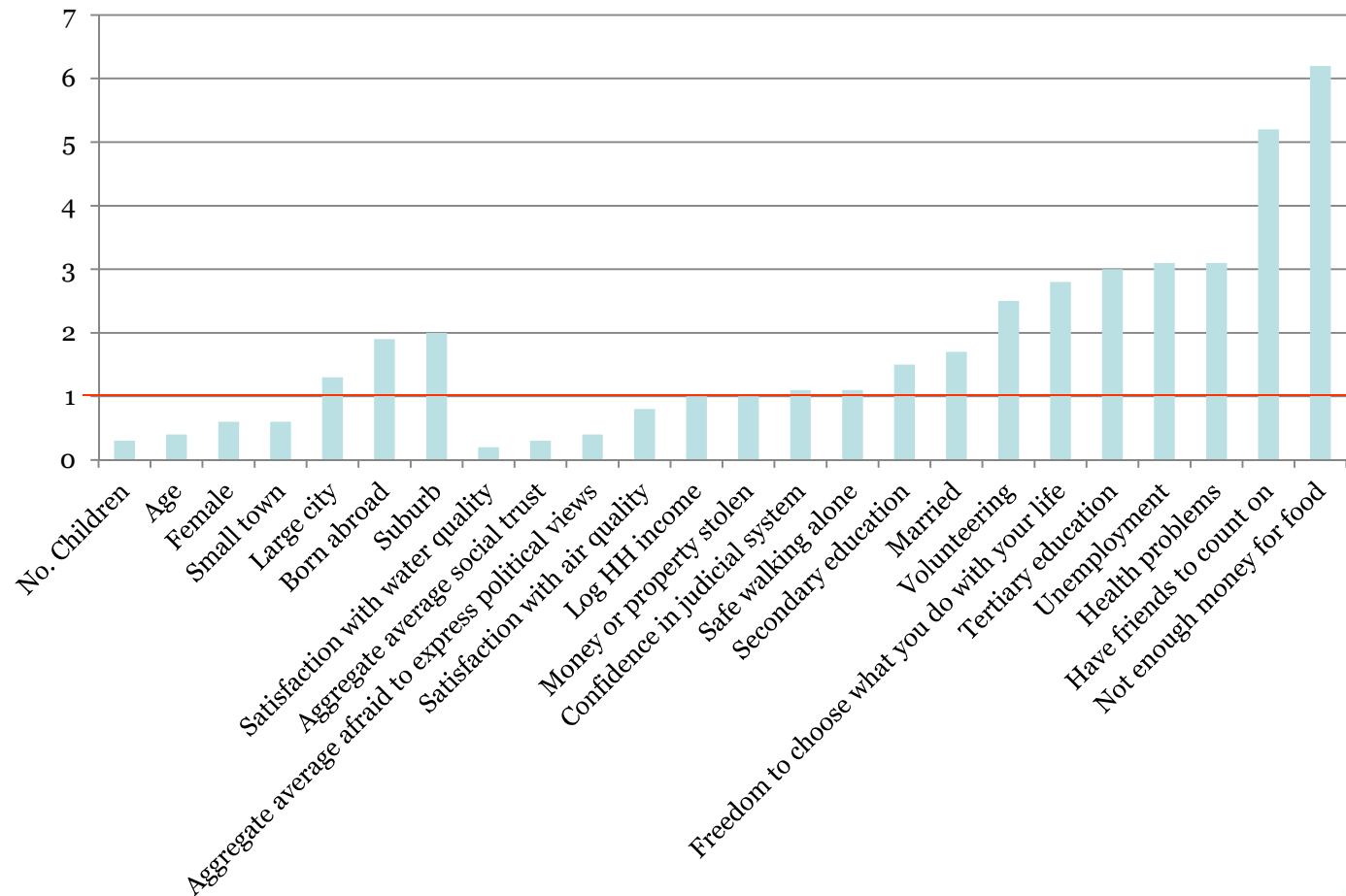
Outcome Domain	Independent Variable	(1)	(2)	(3)
Demographics	Female	0.2857***	0.3490***	0.0892*
	Age	-0.0830***	-0.0628***	-0.0528***
	Age ²	0.0008***	0.0006***	0.0004***
	No. Children	-0.0566**	-0.0267	-0.0397
	Born abroad	-0.4232***	-0.2997***	-0.2855***
	Small town	-0.0177	0.0369	0.0900
	Large city	-0.0939	0.0399	0.1870**
	Suburb	-0.1181	-0.0280	0.2904***
Income and wealth	Log household income	0.1844***	0.1287***	0.1482***
	Not enough money for food		-0.8568***	-0.9226***
Jobs and earnings	Unemployment	-1.0288***	-0.8120***	-0.4643***
Housing conditions	-			
Health status	Health problems		-0.5661***	-0.4623***
Work-life balance	-			
Education and skills	Secondary education	0.4049***	0.2653***	0.2145**
	Tertiary education	0.8144***	0.5119***	0.4396***
Social connections	Married	0.3762***	0.2793***	0.2584***
	Have friends to count on		0.8841***	0.7670***
	Volunteering		0.3364***	0.3763***
	Aggregate average social trust			0.0453***
Civic engagement and governance	Confidence in judicial system			0.1602***
	Aggregate average afraid to express political views			-0.0556
	Aggregate average freedom to choose what you do with your life			0.4109***
Environmental quality	Satisfaction with air quality		0.1140**	0.1253**
	Satisfaction with water quality		0.2180***	-0.0337
Personal security	Safe walking alone		0.2506***	0.1666***
	Money or property stolen		-0.1175*	-0.1482**
	Observations	47452	47452	12701
	r ²	0.169	0.241	0.346

Notes:
 ***p<0.01,
 **p<0.05, *p<0.1

Source:
 Author's analysis based on different waves of the Gallup World Poll

Subjective Well-being: policy uses #3

Relative effect sizes of different variables on satisfaction



The impact of policy on SWB

$$U = \alpha D + \beta I + \gamma X + \varepsilon$$

D = demographic controls

I = factors varying at the individual level

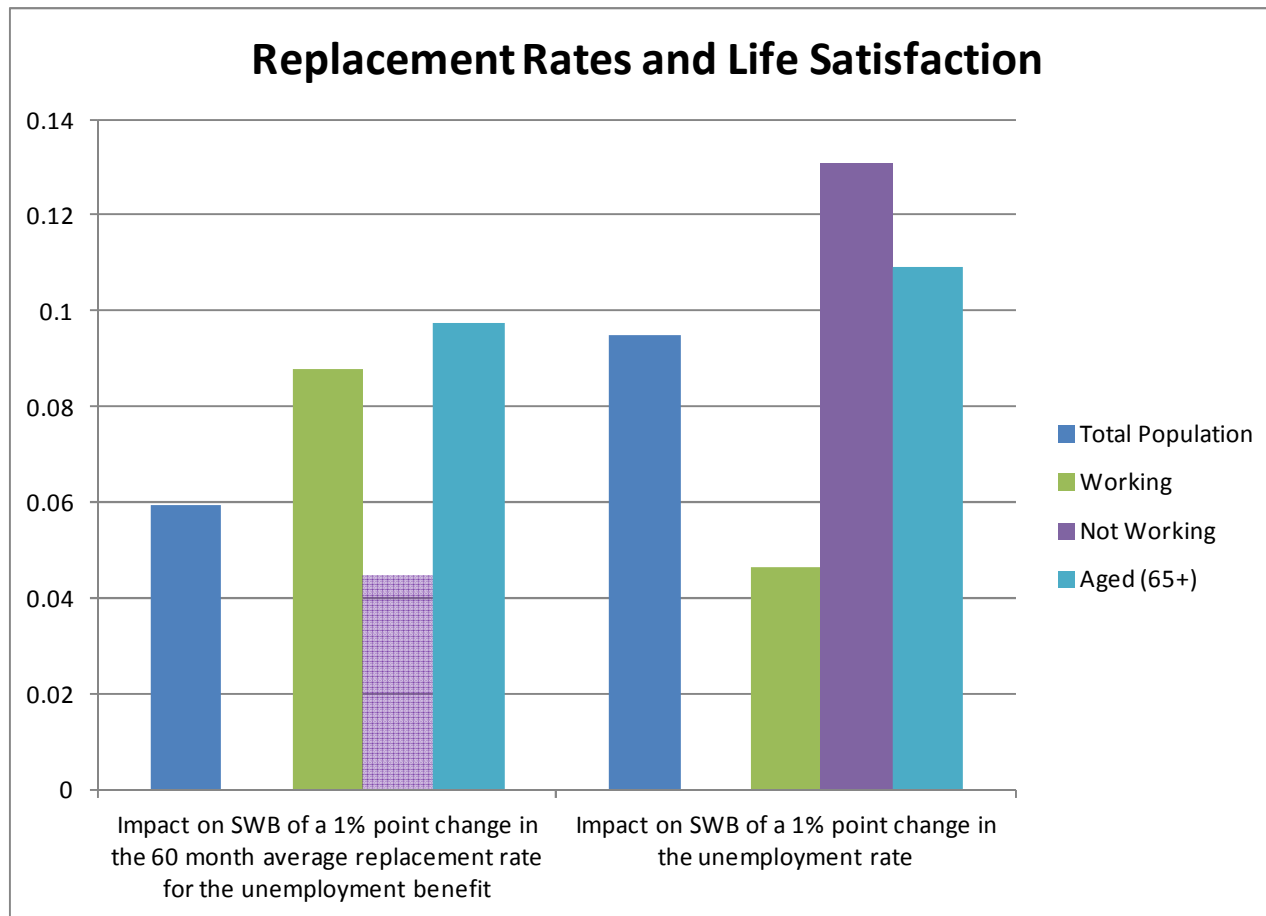
X = factors varying at the national level + OECD policy variables

Impact of Policy: replacement rates

Table 1. Regression results: effects of unemployment replacement rates on life satisfaction

Independent Variable	(17)	(18)	(19)	(20)	(21)
	All sample	People working	People not working	Aged	People of working age
Female	0.2308***	0.2388***	0.2728***	0.1595*	0.2227***
Married	0.4233***	0.3679***	0.4836***	0.1310	0.5331***
Age	-0.0811***	-0.0641***	-0.1044***	-0.0248	-0.1263***
Age squared	0.0008***	0.0006***	0.0010***	0.0002	0.0013***
Log income	0.2600***	0.2539***	0.2358***	0.2528***	0.2607***
Secondary education	0.3708***	0.4092***	0.3454***	0.3562***	0.3603***
Tertiary education	0.6470***	0.6722***	0.6453***	0.5037***	0.7042***
No. Of children	-0.0601***	-0.0421*	-0.0782**	-0.2263	-0.0319
Rural	0.0777	0.0706	0.0904	0.1686	0.0556
Replacement rate	0.0592***	0.0876***	0.0449	0.0976***	0.0504***
Country unemployment rate	-0.0949***	-0.0464**	-0.1310***	-0.1092***	-0.0867***
Observations	53850	27819	22141	11,376	42,474
r ²	0.175	0.185	0.158	0.214	0.178

GWP: replacement rates

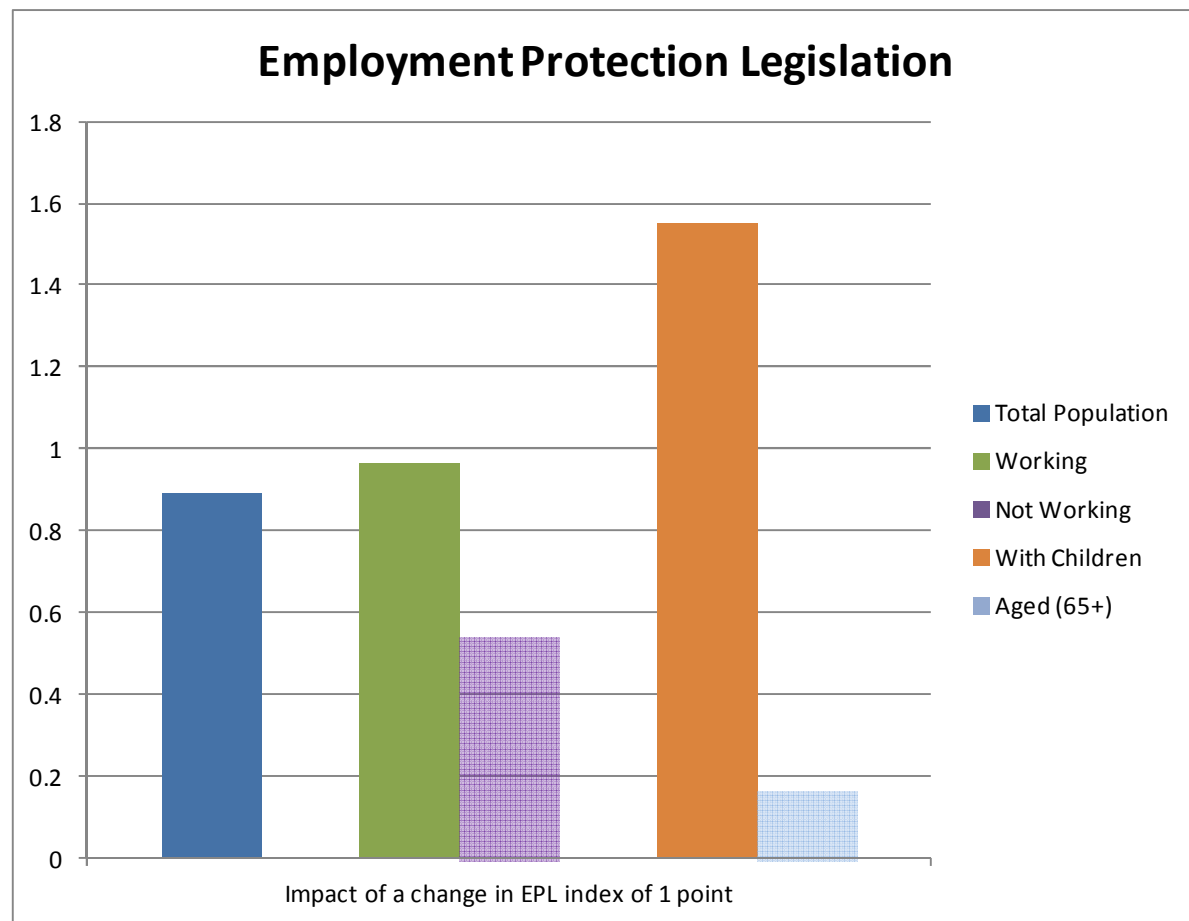


Impact of Policy: EPL and health

Table 1. Regression results: effects of employment protection legislation and health co-payments on life satisfaction

	(22)	(23)	(24)	(25)	(26)	(27)
VARIABLES	All sample	People working	People not working	People with children	Aged	People of working age
Female	0.1268***	0.1404**	0.1134	0.1126	0.1620*	0.0979*
Married	0.3538***	0.3047***	0.4289***	0.4435***	0.1276	0.4656***
Age	-0.0762***	-0.0575***	-0.1034***	-0.0719***	0.0733	-0.1181***
Age squared	0.0007***	0.0006***	0.0010***	0.0006***	-0.0004	0.0013***
Log income	0.2770***	0.3057***	0.2066***	0.2688***	0.2879***	0.2725***
Secondary education	0.3097***	0.2276*	0.2585**	0.3561**	0.3695***	0.2522***
Tertiary education	0.4731***	0.3523***	0.4661***	0.7876***	0.3989**	0.5108***
No. Of children	0.0211	0.0495	-0.0179	0.0807*	-0.0611	0.0493
Rural	0.1037	0.0882	0.1946*	0.0639	0.0739	0.1213
Unemployment rate	-0.5033***	-0.5314***	-0.3238	-0.8694***	-0.1321	-0.5468***
Health co-payments	-0.0046**	-0.0053**	-0.0024	-0.0081**	0.0005	-0.0051**
Epl	0.8933***	0.9643***	0.5391	1.5493***	0.1633	1.0432***
Observations	29620	16251	11903	8900	6263	23357
r ²	0.163	0.143	0.155	0.170	0.225	0.164

GWP: replacement rates



GWP: replacement rates

