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Title

The effects of debt on subjective well-being

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Abstract

In Switzerland, scientific studies have so far focused on identifying the populations most affected by debt and the processes that lead to problematic debt (see, for example, those of Streuli (2007 & 2008) and those we are currently conducting as part of the SNF researche : www.prages.ch). The consequences of debt, particularly in terms of subjective well-being (SWB), remain little studied, which is also the case elsewhere (for review, Tay et al., 2017). Yet it is a socially relevant question. The subjective perception of the economic situation is indeed considered as an indicator to identify situations of over-indebtedness (D'Alessio & Lezzi, 2013). However, in Switzerland, we have so far had few indicators to isolate this type of situation, which is of particular concern to the political world. In addition, the effects of a difficult financial situation on well-being do not only concern the family and individuals but can have wider consequences, particularly at the professional level in terms of productivity and absenteeism (Prawitz et al., 2006).

This presentation therefore aims to study the effects of debt on well-being and their evolution over time. The use of data from the SHP, a multi-thematic Swiss longitudinal survey, will make it possible to monitor other parameters that have an influence on the SWB and to study the issue in a causal perspective over the long term. The other major interest of the SHP is to have several debt and SWB indicators.

In order to understand debt in all its complexity, we include 2 debt indicators: arrears of payments and payments of monthly credits. According to previous analyses (Wernli & Henchoz, 2018; Henchoz, Coste & Wernli, 2019), we can indeed expect different effects on SWB depending on the type of debt studied.

SWB is considered through the evaluative dimension, which refers to an assessment of life satisfaction (Diener, 2000; Diener, et al., 1999; Fujita & Diener, 2005). In this research, we will focus on 2 indicators : satisfaction with life in general and satisfaction with financial situation. Also here we can expect that the effects of debt will impact these 2 indicators of SWB differently (Tay et al., 2017). All these indicators are available from at least wave 2, and this every year, until wave 19 (available at the end of 2018), making it a valuable and uninterrupted source of data.

Our analyses are conducted using longitudinal fixed-effect models (Brüderl & Volker, 2015). By focusing on intra-individual variance, they allow to control part of the endogeneity of the explanatory models by eliminating the influence of unmeasured parameters that would remain stable over time.

In addition to the effect of the 2 debt indicators mentioned above, our analyses are controlled by different parameters that may vary over time. Time variant indicators are age, whose square is also considered to form a curvilinear relationship, labour force participation rate, annual net household income, whether or not interviewees live in a couple, health status and the extent to which respondents are restricted in their daily activities by the latter.

We postulate that the impact of debt on indicators of SWB is conditional on belonging in certain social subgroups who have different resources to counter the impact of debt. We therefore consider in our analyses several invariant variables, normally ignored in fixed-effect models, that interact with debt indicators in order to verify whether they have a differentiated impact on SWB for certain categories of respondents. These invariant variables refer to sex, nationality (Swiss or non-Swiss), language region of residence (German-, French- or Italian-speaking region), birth cohort (1958 and before, 1959 to 1978, 1979 and after), education level in 3 groups (compulsory schooling, vocational training, higher education) and the tertile of the household's net annual income.

Our first longitudinal analyses show that all debt indicators do have a negative impact on SWB, especially for the most modest incomes. Secondly, it is the arrears of payments that have the most unfavourable impact, which attests to the differentiated effect of indebtedness. Finally, our initial analyses already highlight the importance of a differentiated political and social analysis and treatment of this type of problem, which seems to affect a growing population.

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