

# Paradoxes of well-being

*Latin American Conference on Measuring Well-Being and Fostering the Progress of Societies*

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# Content of presentation

- Focus: **relation between ‘happiness’ and economic resources** (income), in the form of either the **Easterlin paradox** or **Latin American paradox**
- I will refer to these ‘paradoxes’ to highlight **some elements of OECD’s work programmes on SWB** (ref. to OECD’s earlier presentation for broader picture)
  - explore some of the **empirical patterns** on the nature of these two paradoxes, based on analysis of GWP data for our forthcoming report (“How’s Life?”)
  - highlight how **OECD’s methodological work** aims to improve understanding of these issues (“Guidelines SWB”)



# 1. Empirical patterns

Subjective well-being is ‘**multi-dimensional**’ :

- **Life satisfaction** (remembered cognitive evaluation)
- **Affect** (experienced feelings)
  - Positive affect (joy, contentment)
  - Negative affect (sadness, anger, worry)
- **Eudaimonic well-being**
  - positive functioning: meaning, competence, autonomy

# 1. Life-satisfaction: what do we know?

- **Statistical quality** of the measures
- Evidence on relation between **average LE and average income**: cross-country versus time-series
- Evidence on the **importance of other factors**:
- **Inequalities** in LS are as important as averages

# 1.1. LS: statistical quality (1)

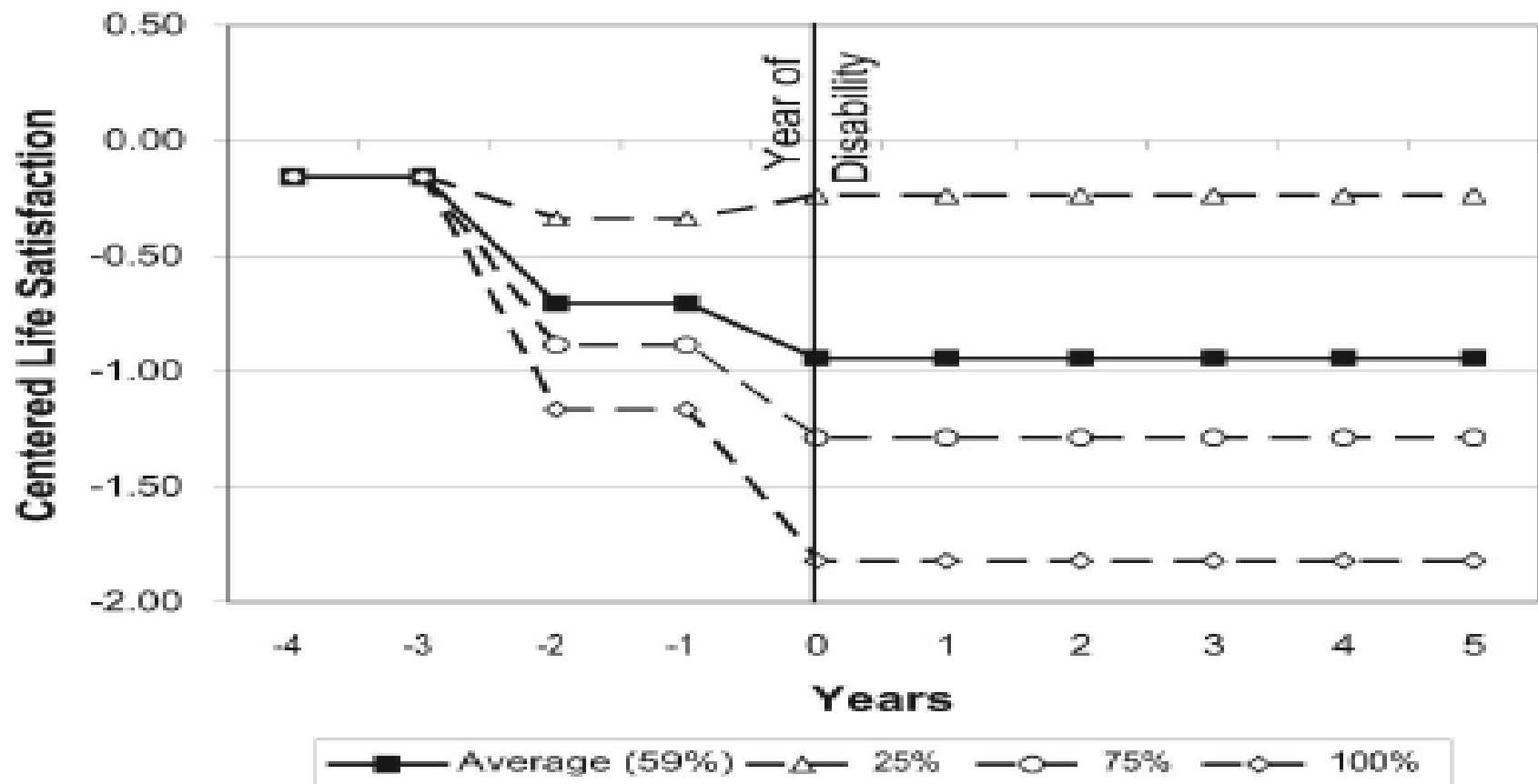
Three criteria:

- **Reliability**
- **Response burden**
- **Validity**

Survey questions on LS performs well on each of them

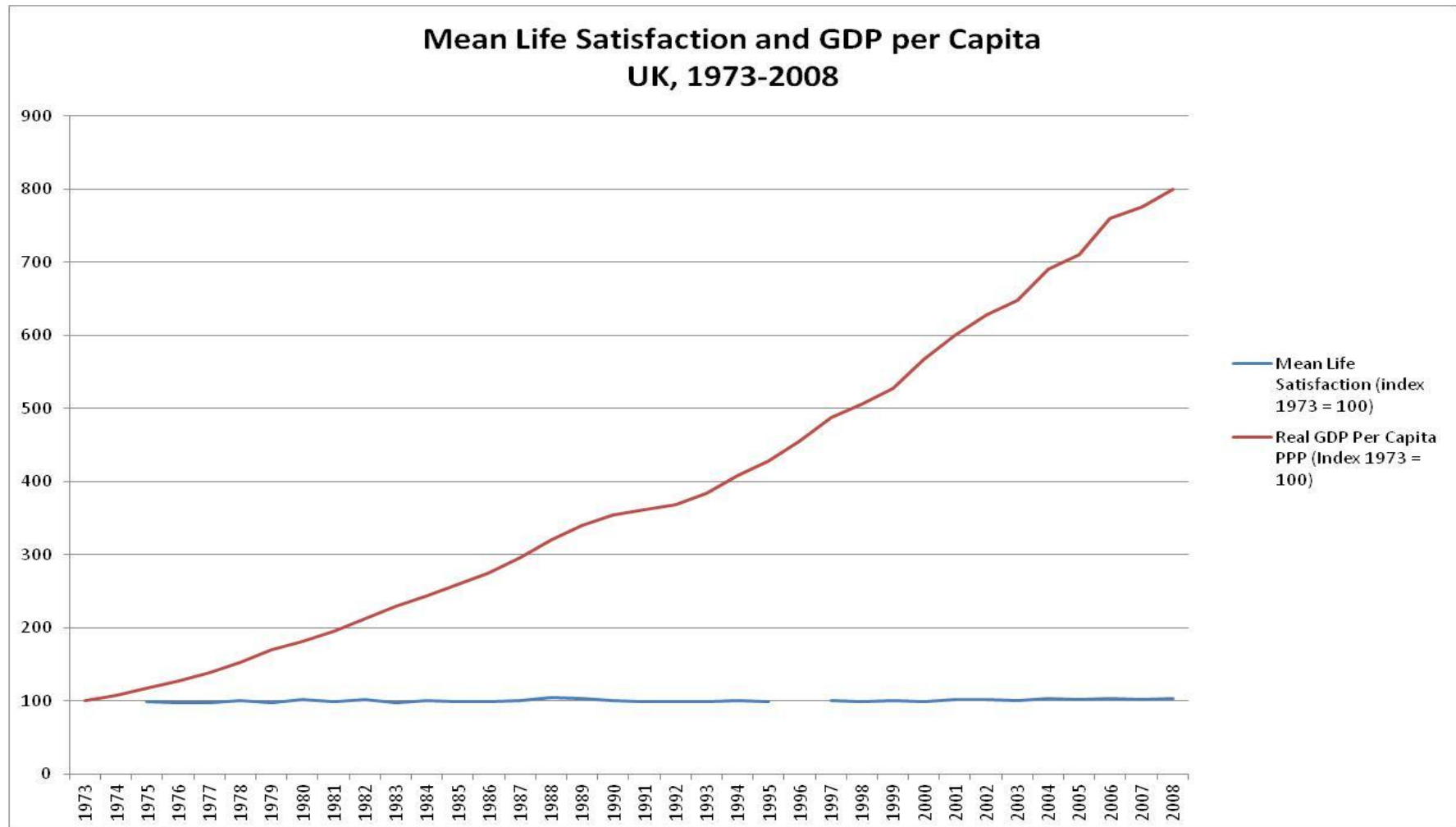
# 1.1. LS: statistical quality (2)

## Construct validity



*Figure 1.* Predicted changes in centered life satisfaction before and after onset of disability in the German Socio-Economic Panel Study sample. Different lines reflect varying amounts of disability.

# 1.2. Average LS and income: time-series



The scatter plot illustrates the relationship between GDP per capita (X-axis) and Life expectancy at birth (Y-axis). The X-axis ranges from 0 to 90,000, and the Y-axis ranges from 4.0 to 8.0. A solid black curve represents the trend. Countries are labeled with their three-letter codes. Most countries are represented by blue diamonds, while a few (IND, CHN, ZAF, IDN, KOR, RUS, PRT, EST, HUN) are represented by blue circles. The OECD Average is marked with a black diamond. The data points generally follow the upward trend of the curve, with some outliers like LUX and NOR.

Country	GDP per capita (approx.)	Life expectancy at birth (approx.)
IND	3,000	5.0
CHN	6,000	4.7
ZAF	10,000	5.2
IDN	4,000	5.5
KOR	10,000	6.1
TUR	13,000	5.5
HUN	20,000	4.7
EST	21,000	5.1
PRT	23,000	4.9
RUS	24,000	5.3
POL	17,000	5.8
SVK	21,000	6.1
CZE	24,000	6.2
SVN	28,000	6.1
GRC	29,000	5.8
ISR	27,000	7.4
NZL	28,000	7.2
OECD Average	29,000	6.7
ITA	31,000	6.4
ESP	31,000	6.2
JPN	34,000	6.1
FRA	33,000	6.8
BEL	36,000	6.9
GBR	36,000	7.1
FIN	36,000	7.4
DEU	37,000	6.7
DNK	37,000	7.8
AUS	38,000	7.5
CAN	39,000	7.7
SWE	38,000	7.6
AUT	38,000	7.3
NLD	40,000	7.5
CHE	42,000	7.5
IRL	42,000	7.3
USA	46,000	7.2
NOR	58,000	7.6
LUX	78,000	7.1



# 1.3. Average LS and other factors (1)

## **Factors beyond income matter as well:**

- Age (“U-shaped” relationship)
- Gender (women are more satisfied on average, but also more likely to be depressed)
- Sex (more sex is good, more partners is not)
- Governmental quality (post-communist effect, direct democracy)
- Commuting (bad)
- Inflation (bad, but less bad than unemployment)
- Noise pollution
- Risk of terrorism
- Risk of crime

# 1.3. Average LS and other factors (2)

## Estimates of 'monetary equivalent'

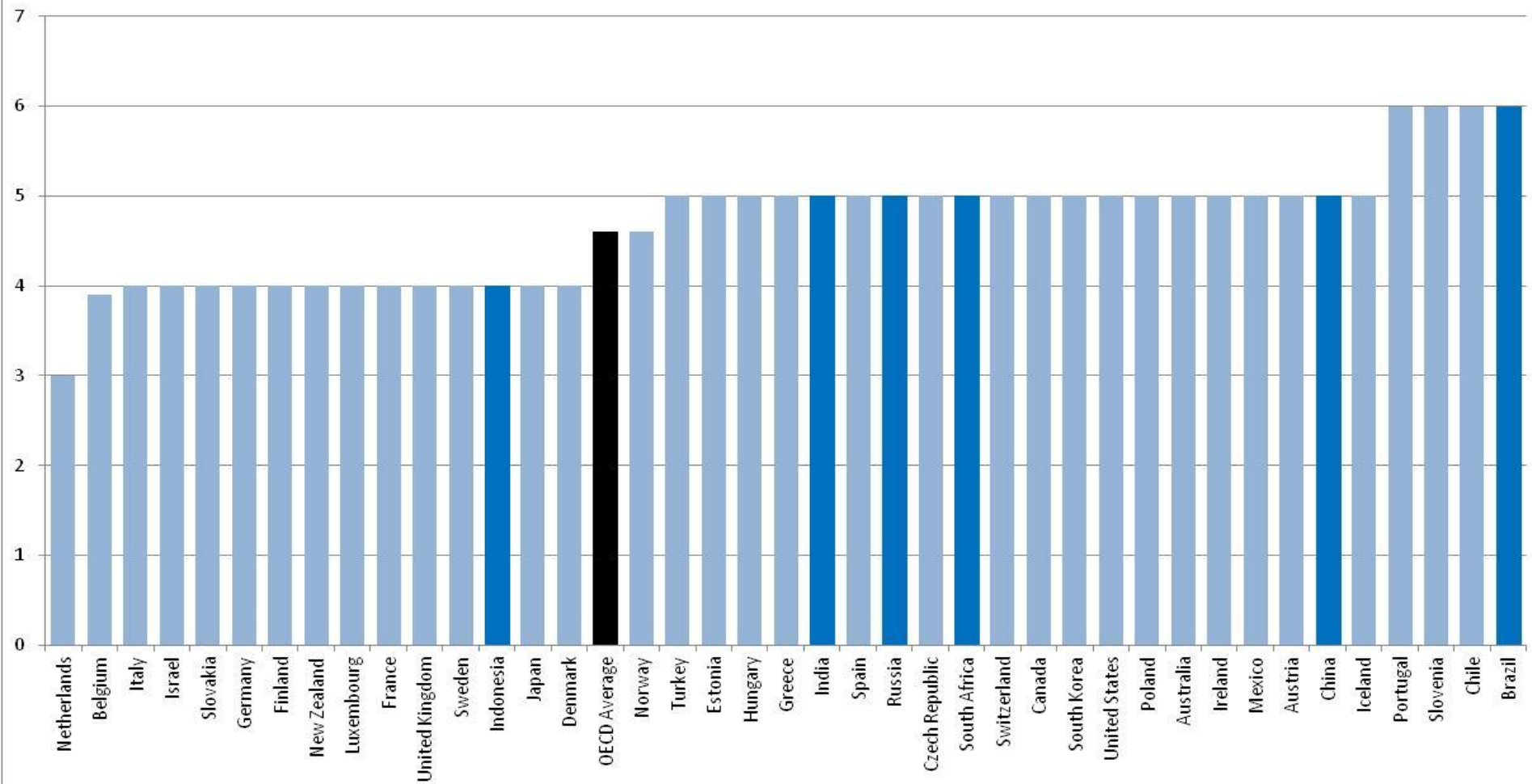
Outcome Area	Effect size relative to doubling of income
Female	0.6
Born abroad	-2.0
Unemployed	-3.1
Health problems	-3.1
Secondary education	1.5
Tertiary education	3.0
Feel safe walking alone	1.2
Money or property stolen	-1.0
Married	1.6
Number of children	0.0
Have friends to count on	5.2
Volunteering	2.5
Satisfied with water quality	-0.2
Confidence in the judicial system	1.1
Aggregate level of social trust	0.3

**Conclusion: income matters, but so does a range of other (non-monetary factors)**

# 1.4. Inequalities in LS (1)

**Cross-country differences in LE are much larger than those in average scores**

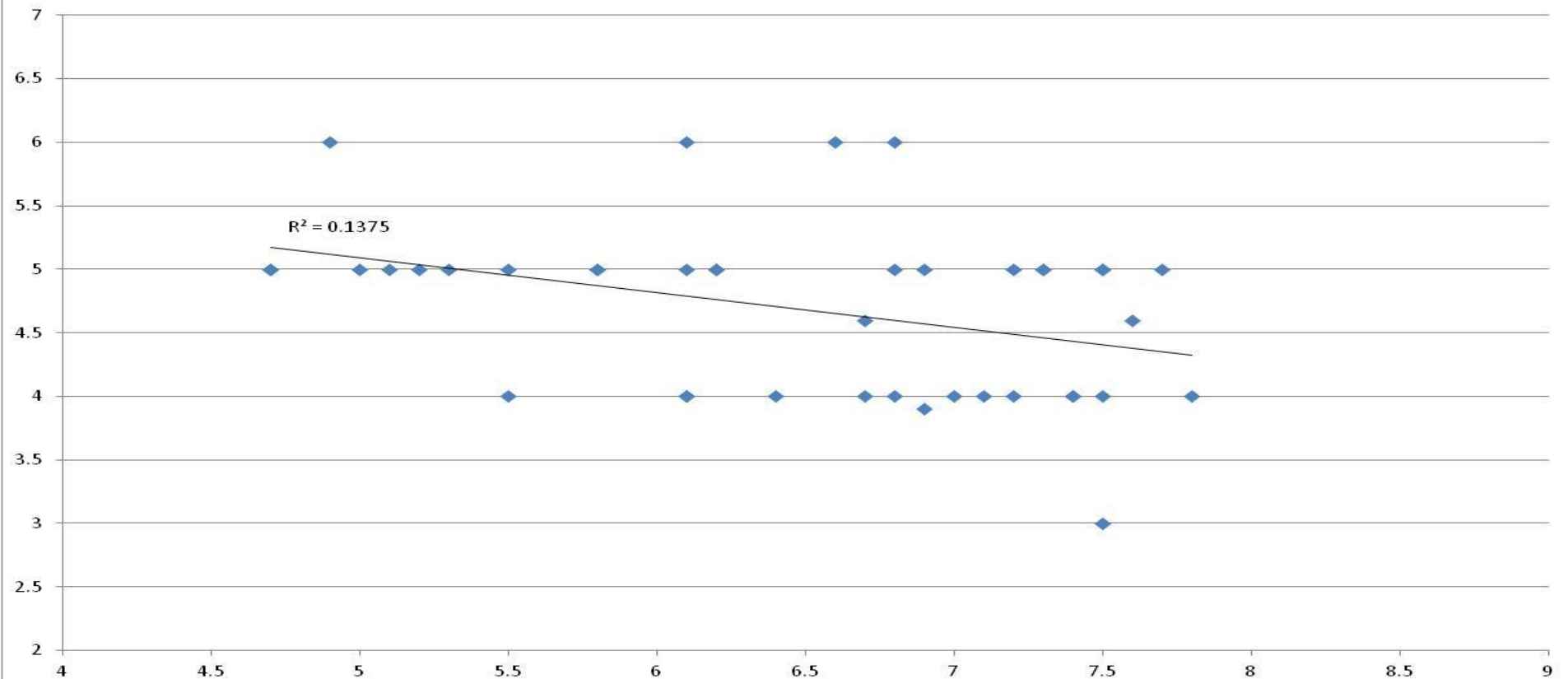
Gap between the 90th and 10th centiles of life satisfaction, OECD and BRICS countries, 2008



# 1.4. Inequalities in LS (2)

**Larger inequalities are associated to lower average scores**

Gap between the 90th and 10th centiles of life satisfaction and mean life satisfaction for OECD and BRICS countries, 2008

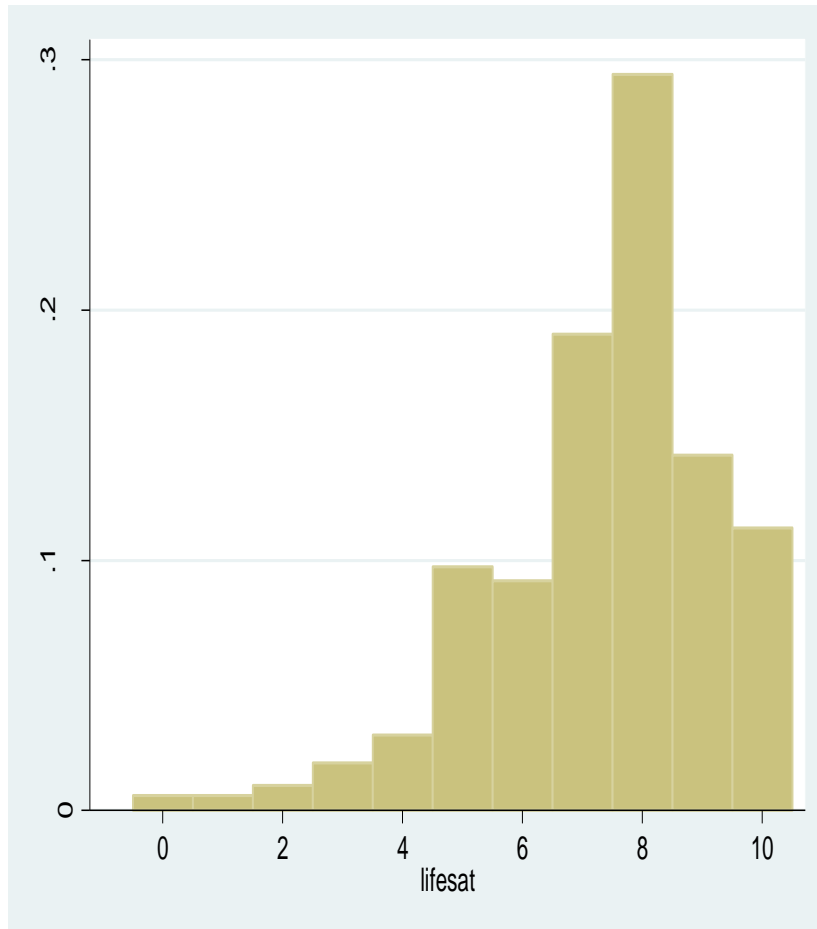




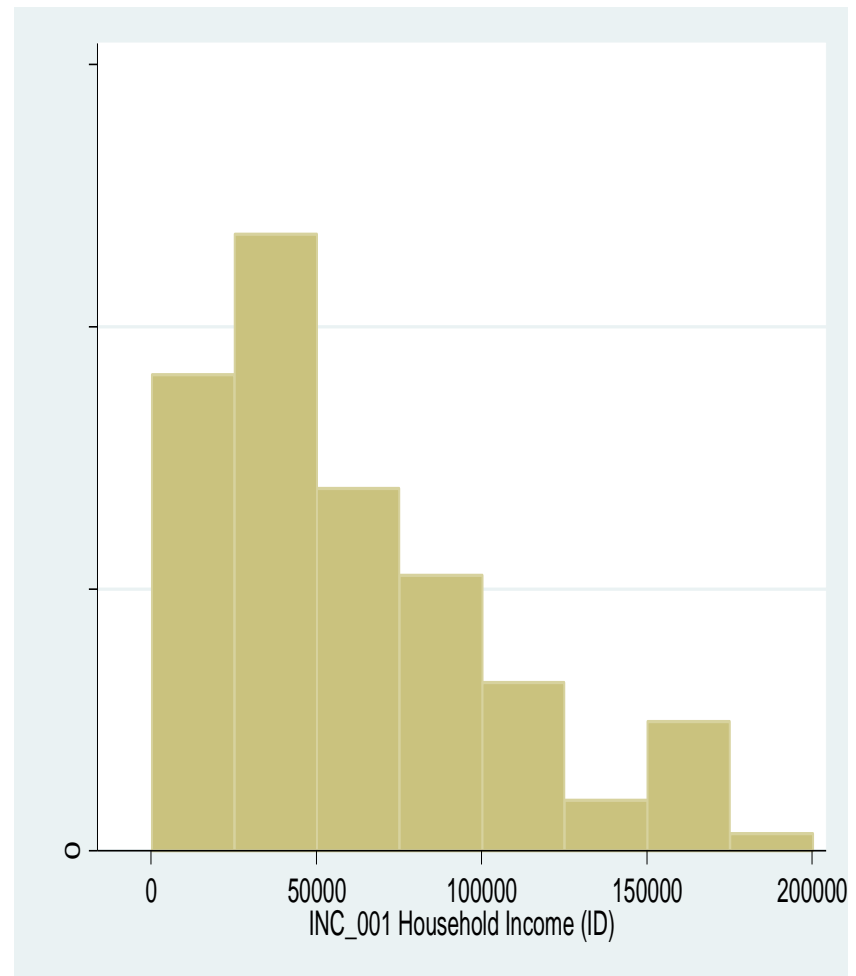
# 1.4. Inequalities in LS (3)

## Differences in distribution of LS and income affect their relation

Distribution of LS in the US



Distribution of income in the US



## 2. Methodology

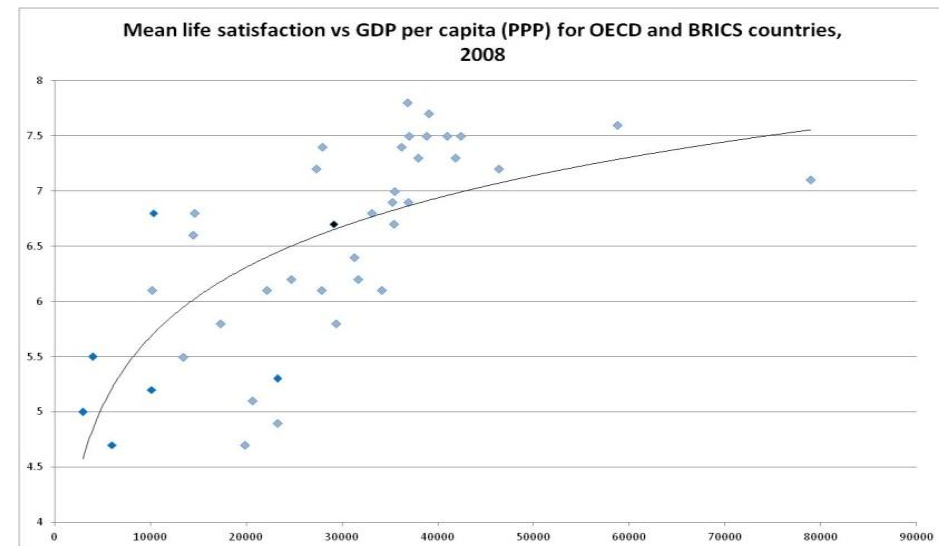
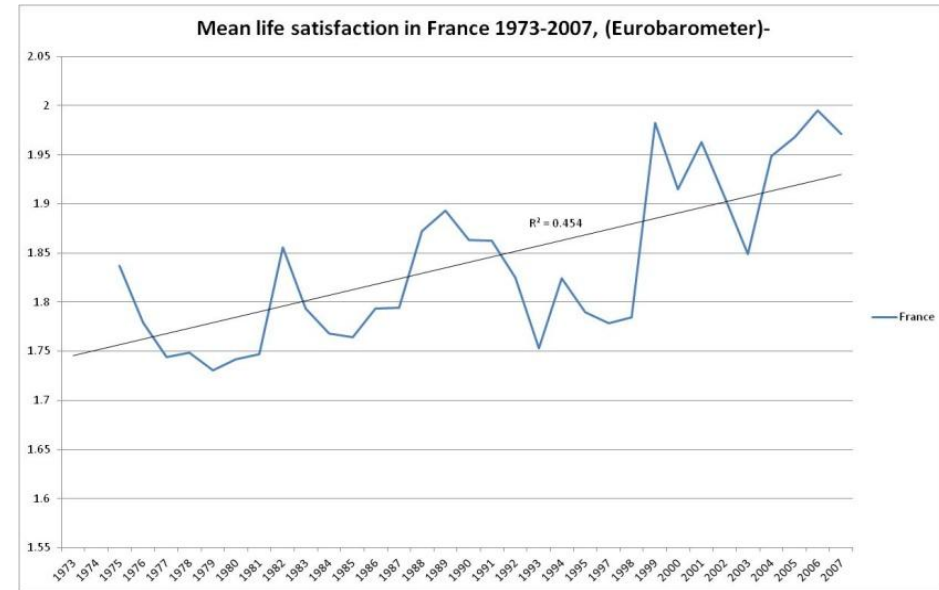
Some of the stylised factors for LS are well established.

However, there are several **methodological challenges** worth considering

- **Signal-to-noise ratio**
- **Dimension of SWB considered**

# 2.1. High signal-to-noise ratio

- The time-series measures we currently use are largely derived from non-official sources (in this case Eurobarometer)
- The log-linear relationship between income and life satisfaction means that even big rises in income yield only very small changes in life satisfaction for developed countries



## 2.2. Dimension of SWB considered

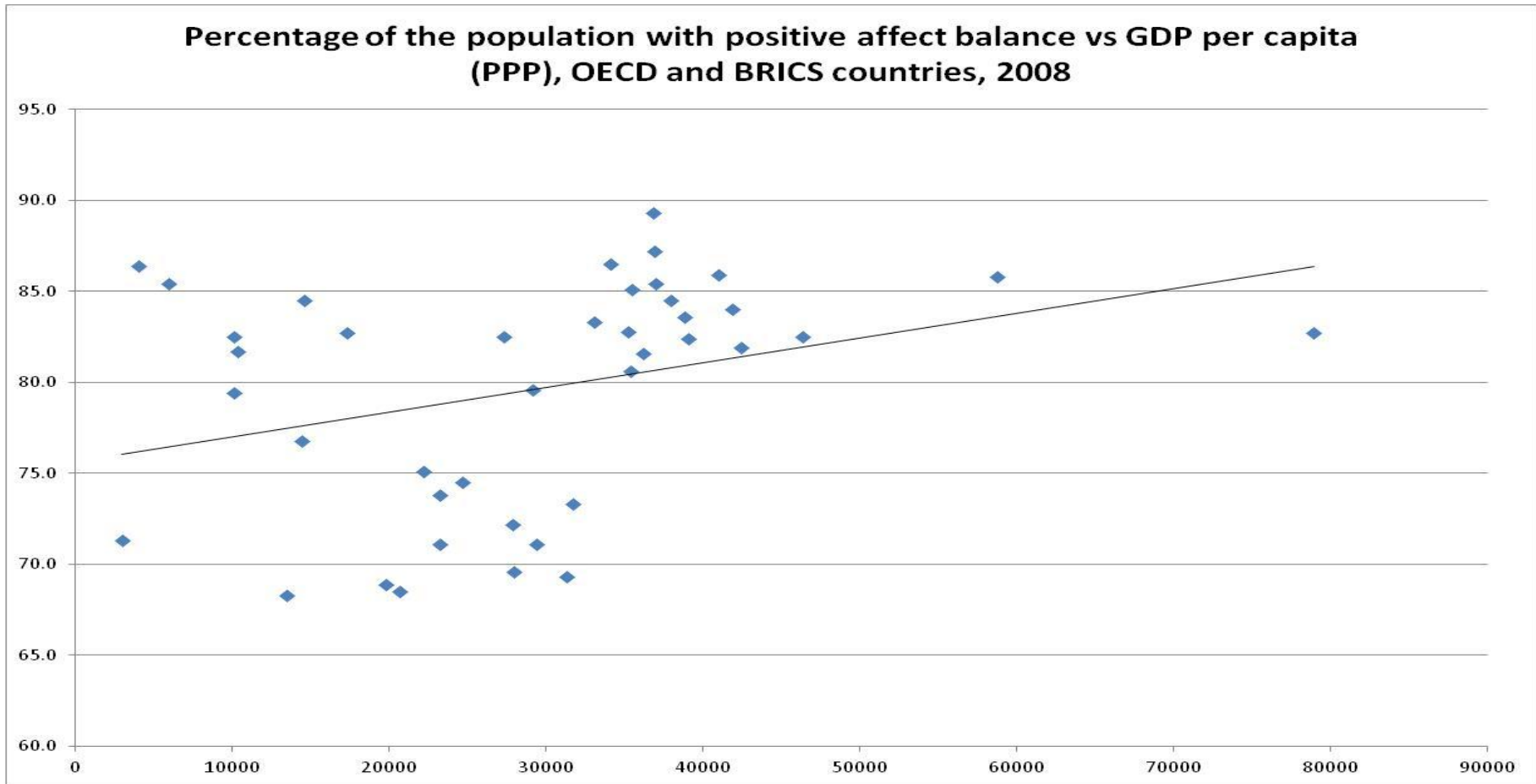
### Choice of SWB dimension matters:

- Limited data has led researchers to work with whatever has been available, i.e. the **two measures are often used interchangeably in investigations**
- Measures of affect are affected by changes in circumstances in different ways than LS: **choice of which SWB measure is used has strong effect on conclusions**
- Using only measures for one dimension means that results can be dominated by **response styles** (e.g. a cultural predisposition or aversion to making extreme responses)
- Solution: it is important that **quality information on both affect and LS** is available



## 2.2. Illustration (1)

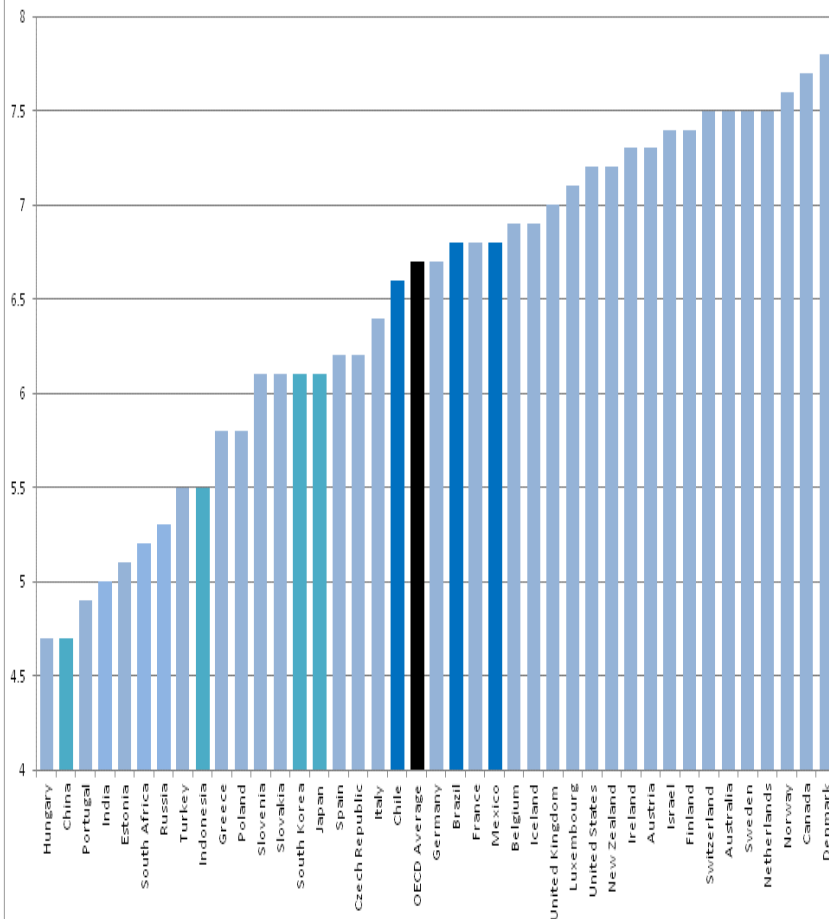
While there is robust relationship between *income and LS*, relationship between *income and affect* is much weaker



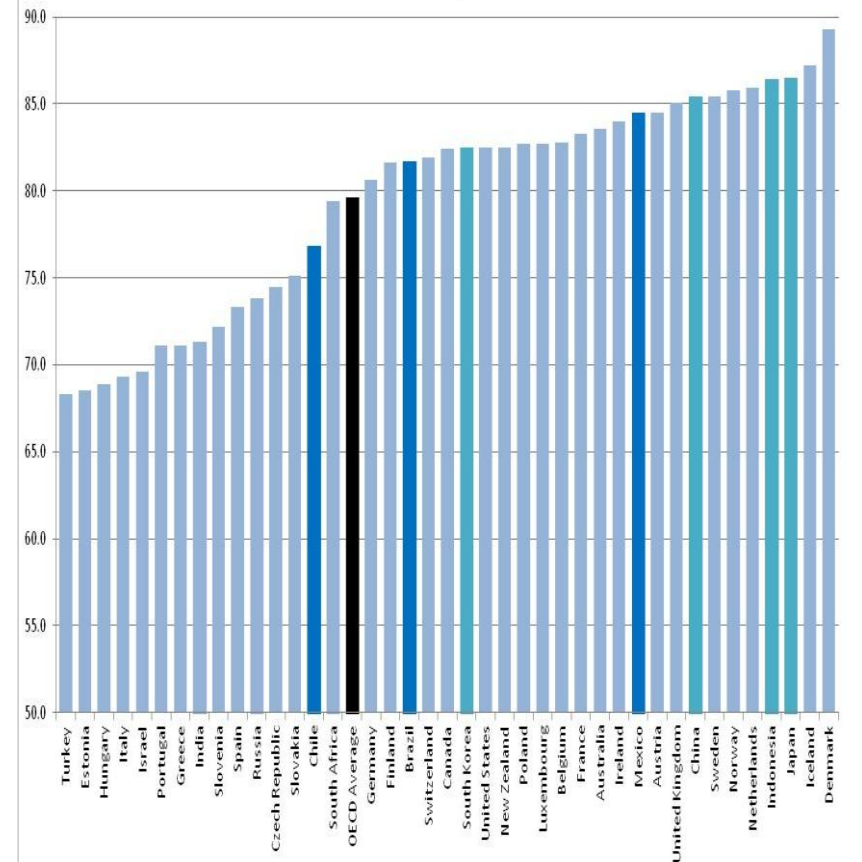
# 2.2. Illustration (2)

## Latin American (East Asian) paradox

Mean Life Satisfaction for OECD and BRICS countries, 2008



Percentage of the population with positive affect balance, OECD and BRICS countries, 2008



## 2.3. OECD work programme (1)

- Since release of the report of the Stiglitz-Sen-Fitoussi Commission, **several NSOs have launched initiatives** on the measurement of SWB, e.g.:
  - LS (EU-SILC module; GSS for Italy, etc.)
  - Affect (French TUS, ATUS)
- **Risk of proliferation of competing measures:** cost-effectiveness calls for comparable measures

## 2.3. OECD work programme (2)

### **Guidelines on the Measurement of Subjective Well-being.**

➤ Goal: Guidelines on the collection and use of measures of subjective well-being that will be *the* recognised standard adopted by national statistical agencies and other producers and users of survey-based SWB data.

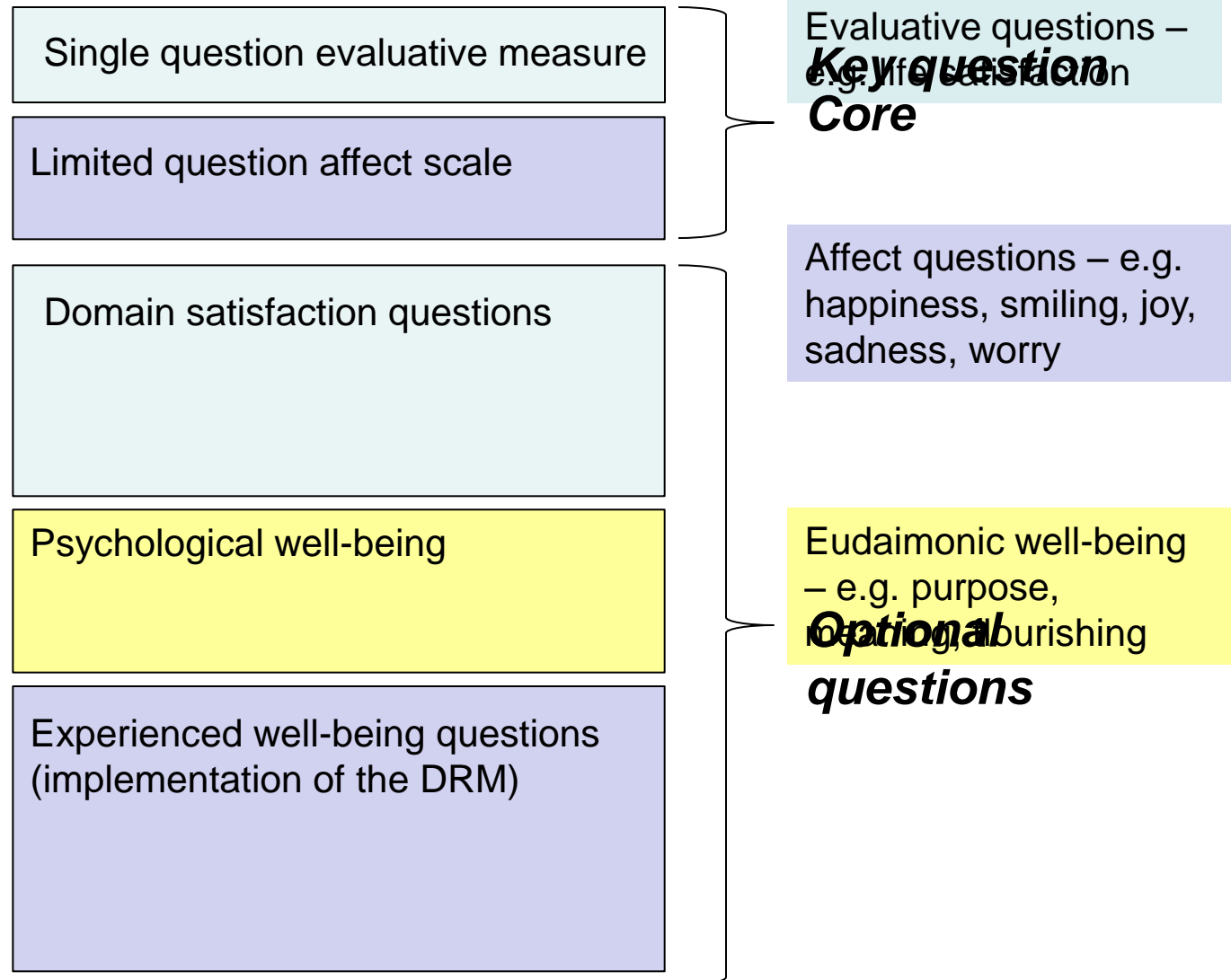


## 2.3. OECD work-programme (3)

- Chapter 1: Introduction.
- Chapter 2: Conceptual framework.
- Chapter 3: Issues in the measurement of subjective wellbeing.
- Chapter 4: Standard measures.
- Chapter 5: Choice of survey vehicle.
- Chapter 6: Analytical issues.
- Chapter 7: Output and Dissemination.
- Chapter 8: Recommendations.
- Appendix A: Case study.
- Appendix B: Case study.
- Appendix C: Prototype module 1 – general household surveys.
- Appendix D: Prototype module 2 – time use surveys.

## 2.3. OECD work-programme (4):

### Module Structure



# 1.4. OECD work programme (4)

## Expected outcomes

- **increase the number of countries** for which official measures of subjective well-being are produced
- **improve international comparability** of SWB measures by establishing common standards used by national statistical agencies
- **Improve quality** of measures collected by setting out best practice in question design
- **Improve usefulness** of data collected by setting out guidelines on the appropriate frequency, survey vehicles, and covariates when collecting subjective well-being data.

# Conclusion on ‘paradoxes’

Thomas Kuhn, ***The Structure of Scientific Revolutions***

- periods of continuity in science are interrupted by discontinuities
- during revolutions, anomalies/paradoxes lead to a new paradigm that changes the rules of the game and the map of research

**Something similar is at work today** in social sciences with respect to notions of ‘progress’ and ‘well-being’

- from uni-dimensional to multi-dimensional metrics: economic production is not the only thing that matter
- different dimensions of well-being ; linked but also rel. independence

Conclusion: we are moving **from ‘paradoxes’ to new ‘paradigms’**: this is what the OECD-work is about