

# The concept of subjective well-being and its application for the analysis of EU countries

ARTŪRAS GATAŪLINAS

Klaipėda University, Herkus Mantas Str., LT-92294 Klaipėda

E-mail: gataulin@yahoo.com

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This article deals with the concept of subjective well-being (SWB), which should be understood as an overall subjective evaluation of all the conditions of life, made by the members of society. The article presents the content and history of the SWB concept, discusses the major related theories and introduces a practical analysis of the standard of living in the EU, based on the SWB indicators.

**Key words:** subjective well-being, income, standard of living, inequality of distribution

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## INTRODUCTION

The research of standards of living is a topical issue in the field of social sciences and, as a contemporary sociological analysis shows, a complex scientific problem which requires expanding the traditional scope of analysis. The traditional analysis of standards of living reduces the topic to investigation of the material conditions of life, expressed in terms of income, expenditure and possession of certain durable material goods, i. e., in this type of research, a higher material well-being means a higher standard of living. However, this traditional analysis neglects subjective feelings of the members of society towards the life they lead. A qualitative leap in a new, expanded research of the standard of living could be indicated by the number of citations of the concepts related to the subjective evaluation of the standard of living. According to Myers and Diener (2006), the number of citations of such concepts as “life satisfaction”, “well-being” and “happiness” in Psychological Abstracts reached 780 annually in the 1980s.

The most prominent researcher of subjective well-being in the US is Ed Diener, professor of psychology at the University of Illinois. E. Diener published a number of works on various topics related to SWB (Diener 1995; 2006; Diener et al. 1991; 1995; 2003; Diener, Biswas-Diener 2008; Pavot, Diener 1993a; 1993b; Tov, Diener 2009; Diener, Suh 2000).

The most prominent researcher of SWB in Europe is Ruut Veenhoven who is an emeritus-professor at the Erasmus University of Rotterdam. R. Veenhoven published a number of works on happiness (1984; 1989; 1991; 1994; 1996; 1999; 2000a; 2000b; 2002; 2004; 2005; 2006; Veenhoven, Ehrhardt 1995; Veenhoven, Hagenaars 1989).

The other researchers who wrote on the topic of SWB are R. Easterlin (1974), B. Stevenson and J. Wolfers (2008), C. N. Scollon (2004), B. Frank and T. Enkawa (2009), C. Nickerson et al. (2007), W. Pavot et al. (1991), C. Kim-Prieto et al. (2005), M. Minkov (2009), S. Oishi (2002; S. Oishi et al. 2008), L. Camfield and S. M. Skevington (2008), M. D. Robinson and B. S. Kirkeby (2005).

The study object of this work is the concept of SWB. The goal of the work was to present the concept of SWB in an applied approach.

## ORIGINS OF SUBJECTIVE WELL-BEING RESEARCH

The research of SWB based on average indicators in the US started in 1945, in Japan in 1958, and in some EU countries in 1973. The data show that SWB was rising in the US and EU and somewhat stagnated in Japan (Veenhoven 2005). The main SWB research institution in the US is the National Opinion Research Centre located on the University of Chicago campus. The institution conducts the General Social Survey, collecting data on SWB since 1972. Until 1994, the survey was conducted every year. Since 1994, it has been conducted every other year. In Japan, government conducts the Life in Nation survey. In the EU, the Eurobarometer, on behalf of the European Commission, conducts an SWB survey.

## THEORETICAL AND METHODOLOGICAL APPROACH OF SUBJECTIVE WELL-BEING

SWB, according to E. Diener, can be defined as

... all of the various types of evaluations, both positive and negative, that people make of their lives. It includes reflective cognitive evaluations, such as life satisfaction and work satisfaction, interest and engagement, and affective reactions to life events, such as joy and sadness. Thus, subjective well-being is an umbrella term for the different valuations people make regarding their lives, the events happening to them, their bodies and minds, and the circumstances in which they live. Although well-being and ill-being are “subjective” in the sense that they occur within a person’s experience, manifestations of subjective well-being and ill-being can be observed objectively in verbal and nonverbal behavior, actions, biology, attention, and memory (2006: 153).

R. Veenhoven names SWB as happiness and defines it as

... ‘the degree to which an individual judges the overall quality of her / his life as-a-whole favorably’. In other words: how much s / he likes the life s / he leads (World Database of Happiness).

Veenhoven stresses two components of the concept of happiness: the hedonic level of affect and contentment. The hedonic level of affect is defined as the degree of pleasantness of affects that people experience. In turn, contentment is defined as the degree to which an individual perceives his or her aspirations to be met. Those two components coincide with what Diener calls cognitive evaluations and affective reactions.

Diener and Veenhoven use two different names for the same phenomenon. Diener calls it well-being and Veenhoven names it as happiness. Both authors agree that this phenomenon means an overall subjective evaluation that people make of their lives.

The estimation of SWB is usually based on questionnaires asking people to grade overall satisfaction with life. For instance, the World Values Survey organization in its questionnaire offers the question: “All things considered, how satisfied are you with your life as a whole these days?” The respondent is supposed to chose the number which reflects the level of happiness. The possible answers are presented in such a way:

1. Dissatisfied.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
10. Satisfied.

The other question in the World Values Survey questionnaire that can be perceived as a measurement of SWB is "Taking all things together, would you say you are?" The possible answers are:

1. Very happy.
2. Quite happy.
3. Not very happy.
4. Not at all happy.

## **THEORIES OF SUBJECTIVE WELL-BEING**

Diener and Lucas (2000) presented four theories of SWB, emphasizing such factors as needs, relative standards, goals and culture. The needs theory points out universal human needs. It states that people will experience feelings of SWB to the extent that those needs are met. Important needs can be distinguished by analyzing the characteristics of happy and unhappy people. Differences in SWB among the countries can be explained on the basis of resources that nations possess to meet the needs of their citizens. Thus, wealthy nations are able to meet the needs of their citizens better. In this respect, Hagerty (1999) states that absolute income, but not its distribution, should predict SWB. According to Veenhoven (1993), factors such as income, nutrition, equality, freedom can account for 77% of the variation in SWB across the countries.

Diener and Lucas (2000) while discussing relative standard's theory point out the objective conditions that impact SWB through comparison with other conditions. The upward comparison generates a lower satisfaction whereas the downward comparison gives a higher satisfaction. Objective conditions generate different levels of satisfaction; that's why SWB has a weak correlation with objective conditions. It is not the absolute but the relative level of conditions that has a major impact. For instance, Dermer et al. (1979) gave an example of a fuller life satisfaction in the context of the negative description of "old days" and a lower life satisfaction in the context of a positive description of the past. However, Diener and Lucas (2000) state that happiness of people in a nation does not depend on the income of neighbouring nations. Countries with similar levels of average income have similar SWB levels, regardless of how poor or how rich their neighboring countries are.

The third is goals theory. According to Diener and Lucas (2000), this theory can be identified as a type of relative standard theory. The theory reflects aspirations of people or personally relevant expectations reflecting desired end-states that a person works to gain or maintain. Goals can serve as a standard of comparison. Goals theory explains differences among nations in SWB on the basis of difference in progress towards one's goals. However, it does not have a clear view about the reason for this difference in the progress of achieving goals.

The fourth, and final, theory is the cultural theory of SWB. According to Diener and Lucas (2000), this theory is based on the idea that SWB is determined by the cultural environment in which people live. Differences among nations in terms of SWB could be explained on the basis of differences in culture. Cultural factors are often used in comparisons of SWB among different nations. However, some cultures can cross the national boundaries, and at the same time different cultures can exist within a country. Explaining SWB only on the basis of culture can be doubtful because of moderate or strong inter-nation correlations between income and SWB.

### SUBJECTIVE WELL-BEING IN THE EU CONTEXT

In this section, I would like to present relevant information on the interrelation between income and SWB. In scientific literature, this topic is discussed in the context of the so-called “Easterlin paradox” which originates from the findings of the professor of economics at the University of Southern California Richard Easterlin who in his numerous studies (1973; 1974; 1995; 2005) states that there is no link between society’s economic development and its average level of happiness. R. Easterlin states that within a given country, people with a higher income are more likely to be happier, while in international comparisons the average SWB does not depend on average national income. In contrast to the statements of Easterlin, B. Stevenson and J. Wolfers (2008) show a significant empirical evidence that income levels are important factors in weighing up SWB in both among people in a given country and among countries.

I would like to stress this topic of impact of average national income and its distribution on SWB in the context of the EU. The median income seems to be an important factor in the explanation of SWB variation among EU countries. The correlation between income and SWB indicator is 0.68. This relationship is consistent with needs theory emphasizing fulfilment of needs as a key factor in rising society’s average level of SWB. The level of needs fulfilment is always related to its material possibilities. Rich societies have better possibilities to fulfil a variety of their needs than the poor ones, although the other factors of economic and non-economic origin must play a role in explaining the variation of SWB as well. For instance (Fig. 1), Denmark and Germany or Romania and Bulgaria have quite a similar median income but show a significant difference in SWB. The median income is not an absolute predictor of SWB. If we suppose, for a while, that income is an absolute predictor of SWB, then we would erroneously conclude that at a certain high income level, the points that all the countries get in SWB equal to ten, which corresponds to an absolutely perfect subjective evaluation of the standard of living. However, in reality this is not the case.

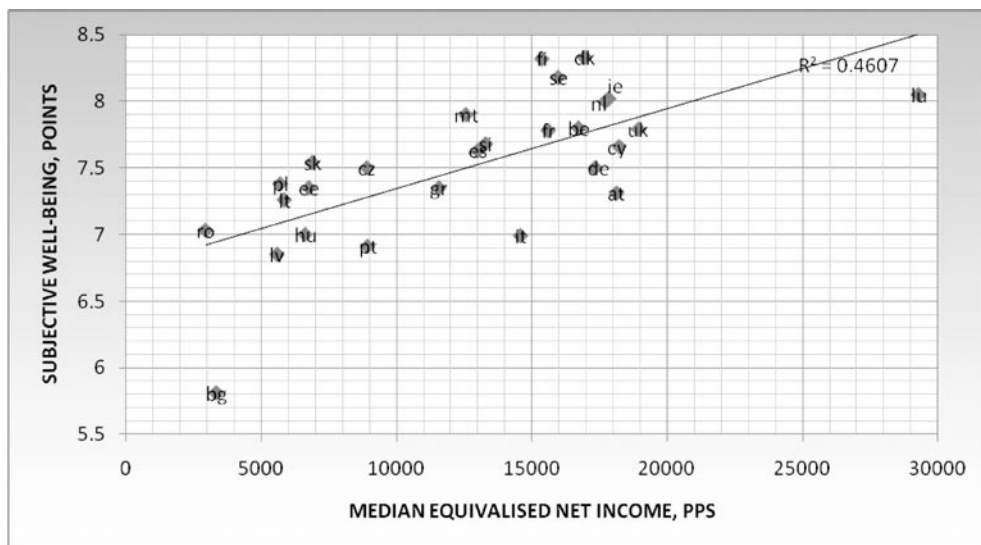


Fig. 1. Relationship between the median equalised net income and the subjective well-being indicator. Data on income are provided by Eurostat and data on SWB by the World Database of Happiness

The inequality of income distribution seems to be another important factor impacting the variation of SWB among the EU countries (Fig. 2). The countries that have a more equitable distribution of income tend to have a higher SWB indicator. Their coefficient of correlation is equal to 0.66. This may be explained in the context of theory of relative standards. A significant part of society with a much lower income feels frustrated in comparison with the part of society with a higher income, however high the average income level in society as a whole. However, the distribution of income should not be understood as an absolute factor. If that would be the case, then we would erroneously conclude that the an absolutely equal distribution of income will correspond to an absolutely high SWB within the EU.

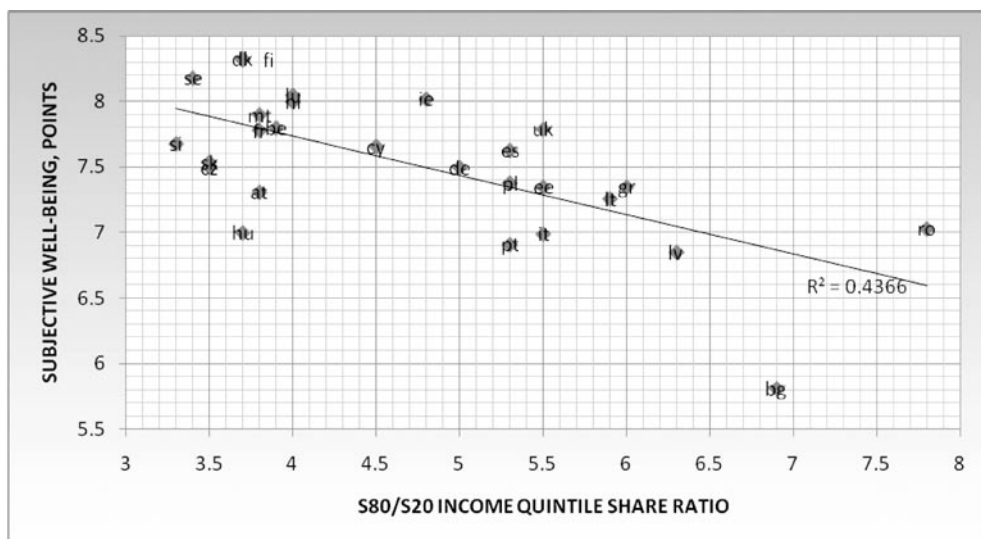


Fig. 2. Relationship between S80 / S20 income quintile share ratio and subjective well-being indicator. Data on income are provided by the Eurostat and data on SWB by the World Database of Happiness

Figure 3 indicates among the EU countries a weak tendency to a decrease of inequality in SWB distribution, while the equalised net income increases. Thus, the higher income does not have a significant impact on equalising the distribution of SWB within a given EU country. It must be a variety of the other factors, alongside the average income level, which make SWB vary.

Nevertheless, R. Veenhoven (2005) argues that an increment in the average income in modern nations tends to make the distribution of SWB more equitable. Thus, a more detailed empirical study is needed to identify the relationship between the average level of national income and SWB distribution.

Figure 4 does not show a strong correlation between the inequality in income distribution and the inequality in SWB distribution. There is no significant tendency of increasing inequality in SWB distribution when the inequality in income distribution increases. Thus, the inequality of SWB distribution does not behave in tact with the inequality of income distribution. This discrepancy could be explained on the basis of the theories that are rather cultural than economic in origin, such as goals or culture theories.

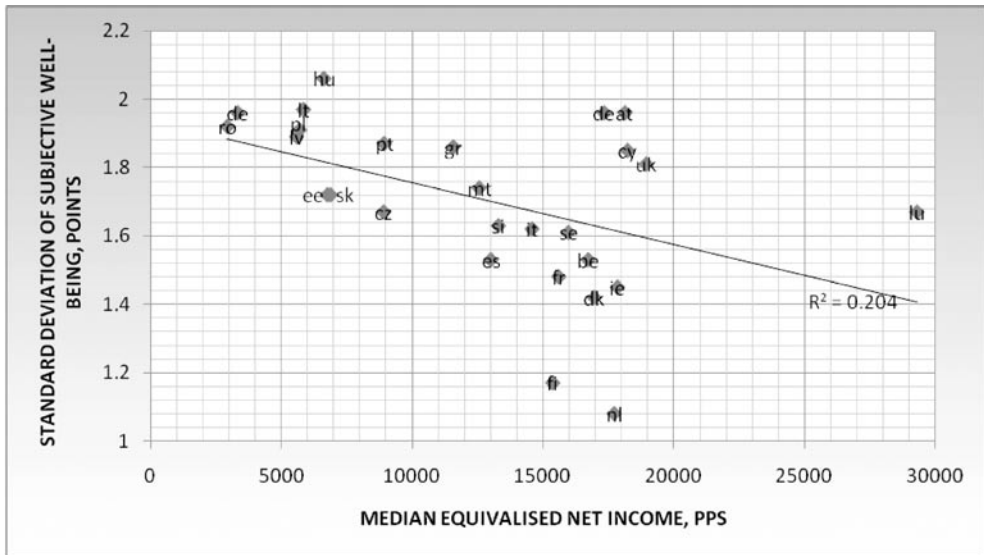


Fig. 3. Relationship between median equalised net income and the standard deviation of subjective well-being indicator. Data on income are provided by the Eurostat and data on SWB by the World Database of Happiness

R. Veenhoven (2005) states that the distribution of income has actually only a weak impact on the distribution of SWB when modern countries reach a certain high level of average income. Nevertheless, a more detailed study is needed to identify this type of tendency in the EU.

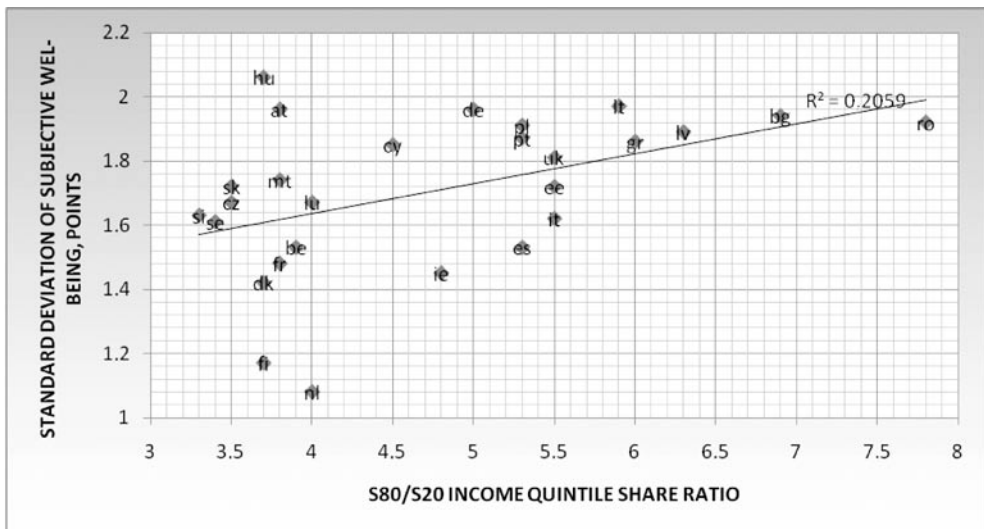


Fig. 4. Relationship between S80 / S20 income quintile share ratio and standard deviation of subjective well-being indicator. Data on income are provided by the Eurostat and data on SWB by the World Database of Happiness



## CONCLUSIONS

The importance of the concept of SWB in the standard of living research is increasing. The analysis of this concept covers a wide range of issues such as the meaning of SWB, its constituent parts, and the theories explaining the variation of the SWB indicator. The majority of scientists agree over the meaning of the concept, which should be understood as an overall subjective evaluation of life, made by people themselves. Also, researchers agree over the two main constituent parts of the concept: cognitive evaluations and affective reactions. Methods of estimating the level of SWB in the most sophisticated form are developed by the World Values Survey organization which in its surveys analyses the issue of the overall satisfaction with life.

There are no unanimous agreement over the theories explaining SWB. Different researchers refer to different factors impacting SWB. Those factors can be grouped into four major categories: needs, relative standards, goals, and culture. The question about the factors impacting SWB may be asked in the context of the so-called "Easterlin paradox" which examines the relationship among the average national income, its distribution within a given country and SWB. This study offers some empirical evidence that within the EU space both factors – the average national income and its distribution – are important in explaining SWB variation among the countries. However, the SWB distribution expressed in terms of standard deviation does not significantly correlate with the average national income or the inequality of its distribution. A more detailed study taking into account a longer time series is needed to confirm this relationship.

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ARTŪRAS GATAŪLINAS

## Subjektyviosios gerovės sąvoka ir jos taikymas ES šalių analizėje

### *Santrauka*

Šiame straipsnyje nagrinėjama subjektyvioji gerovė, kurią reikėtų suprasti kaip visuminį subjektyvų pasitenkinimo savo gyvenimo sąlygomis atspindį visuomenės sąmonėje. Aptariamas subjektyviosios gerovės sąvokos turinys ir tyrimų istorija, aprašomos keturios subjektyviosios gerovės teorijos (poreikių, santykinių standartų, tikslų ir kultūros), kurios skiriasi pagal veiksmų, turinčių įtakos subjektyviajai gerovei, svarbą. ES subjektyviosios gerovės rodiklių empirinė analizė ir šios analizės rodiklių interpretacija atlikta subjektyviosios gerovės teorijų kontekste. Empirinių rodiklių analizė atskleidė ES šalių subjektyviosios gerovės dėsninę ryšį su metinėmis ekvivalentinėmis pajamomis ir pajamų pasiskirstymo netolygumu. Aptiktas silpnas ryšys tarp netolygaus subjektyviosios gerovės pasiskirstymo šalies viduje (išreikšto standartiniu nuokrypiu) ir netolygaus metinių ekvivalentinių pajamų bei pajamų pasiskirstymo. Nepaisant to, remiantis tyrėjų R. Veenhoven, R. Easterlin, B. Stevenson ir J. Wolfers įžvalgomis, šios silpnos sąveikos tarp netolygaus subjektyviosios gerovės pasiskirstymo ir objektyvių pajamų rodiklių skatina detalesnį ES šalių empirinį tyrimą.

**Raktažodžiai:** subjektyvioji gerovė, pajamos, gyvenimo lygis, netolygus pasiskirstymas