How Does the Welfare State Promote Happiness?

Jennifer L. Glanville
Department of Sociology
University of Iowa

Debate on the role of the social welfare state and happiness

- One view: the happiness of individuals is best left entirely to the forces of the free market
- Other view: the level of state involvement in promoting well-being and managing risk should contribute to
  - the subjective well-being of citizens overall
  - the distribution of subjective well-being
- Existing research has produced mixed findings

Three gaps in current research

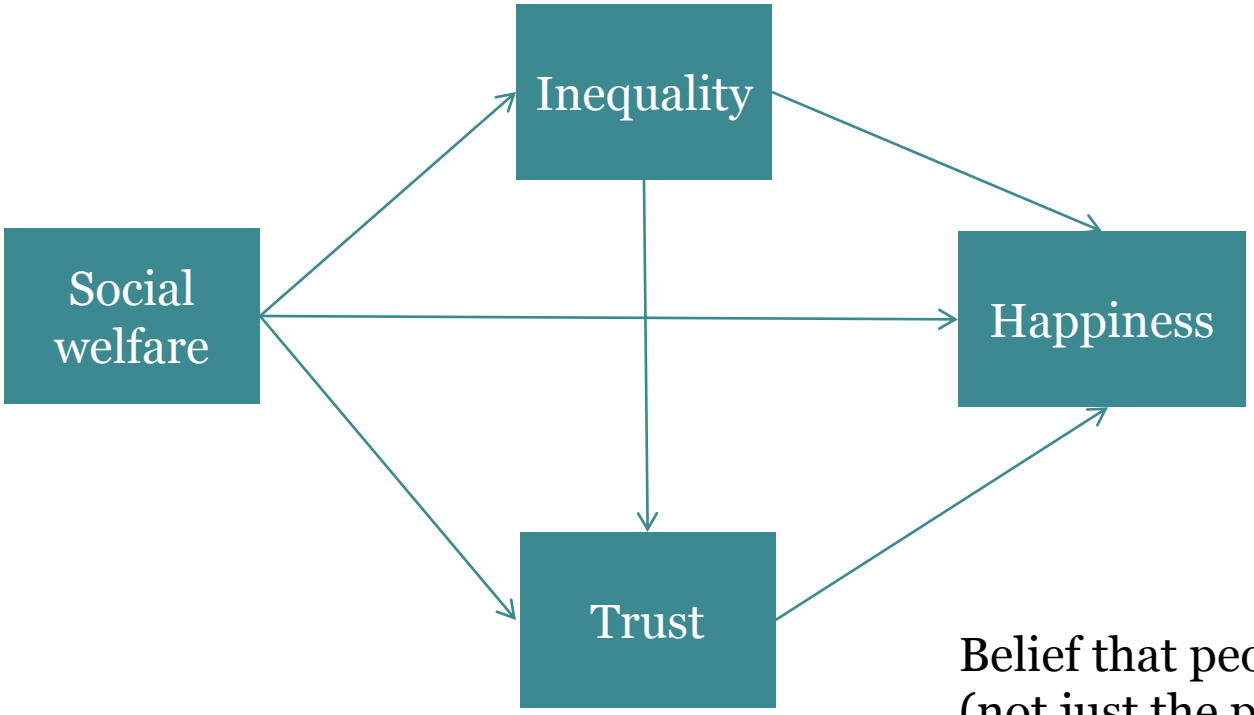
1. What should we be measuring when we evaluate the potential influence of welfare state policy on subjective well-being?
   - Which kinds of policies are most important?
2. Mechanisms?
3. Divergent effects on poor and non-poor members of society?

Which aspects of social welfare policy are most conducive to happiness?

- Often, the social welfare state is measured as total social expenditures as % of GDP or total government consumption.

- **Active labor market policy** (ALMP) expenditures are likely more important than overall spending levels.

Potential mechanisms



Belief that people in general (not just the people we know) can be trusted.

--individual-level effects

--contextual effects

Data

- European Social Survey, Wave 1 (2002)
  - 21 countries (Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom)

Measuring happiness

- Index of
  - How happy are you? (0-10)
  - How satisfied are you with life as a whole? (0-10)

- Examination of measurement invariance demonstrates that these measures operate similarly across European nations.

- 12% of variance occurs at the country level.

Measuring social welfare provision

- OECD social expenditures as % of GDP
  - (cash assistance for illness, old age and survivors, family allowances, and social assistance and welfare)
- OECD active labor market policies as % of GDP
  - (job training, job placement services, job creation)

Selected Coefficients from the Welfare Expenditures Models (HLM)*

	Model 1	Model 2	Model 3
GDP per capita	1.314***	0.865***	0.565***
	(0.272)	(0.309)	(0.165)
Welfare expenditures	0.038	0.011	0.009
	(0.028)	(0.027)	(0.014)
Gini index		-5.782**	-0.499
		(2.471)	(1.450)
Country-level trust			0.576***
			(0.076)

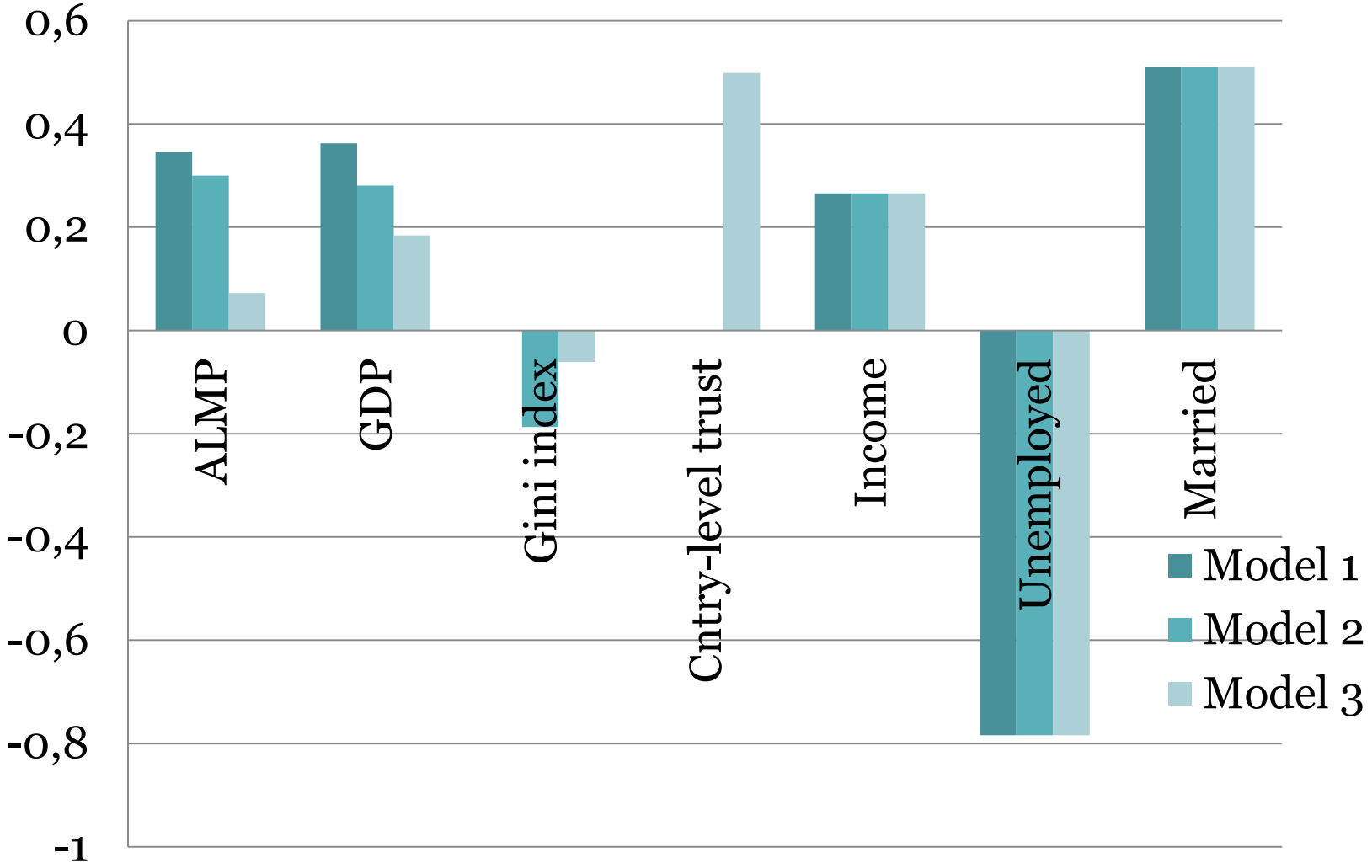
*All models control for individual-level trust, gender, age & age squared, marital status, education , unemployed, children in the home, urban residence, and religious attendance.

Selected Coefficients from the Active Labor Market Policy Spending Models*

	Model 1	Model 2	Model 3
GDP per capita	1.051***	0.814***	0.533***
	(0.218)	(0.241)	(0.161)
ALMP expenditures	0.919***	0.797***	0.193
	(0.225)	(0.220)	(0.176)
Gini index		-3.600*	-1.173
		(1.995)	(1.327)
Country-level trust			0.542***
			(0.098)

*All models control for individual-level trust, gender, age & age squared, marital status, education , unemployed, children in the home, urban residence, and religious attendance.

Selected Predicted Effects on Happiness

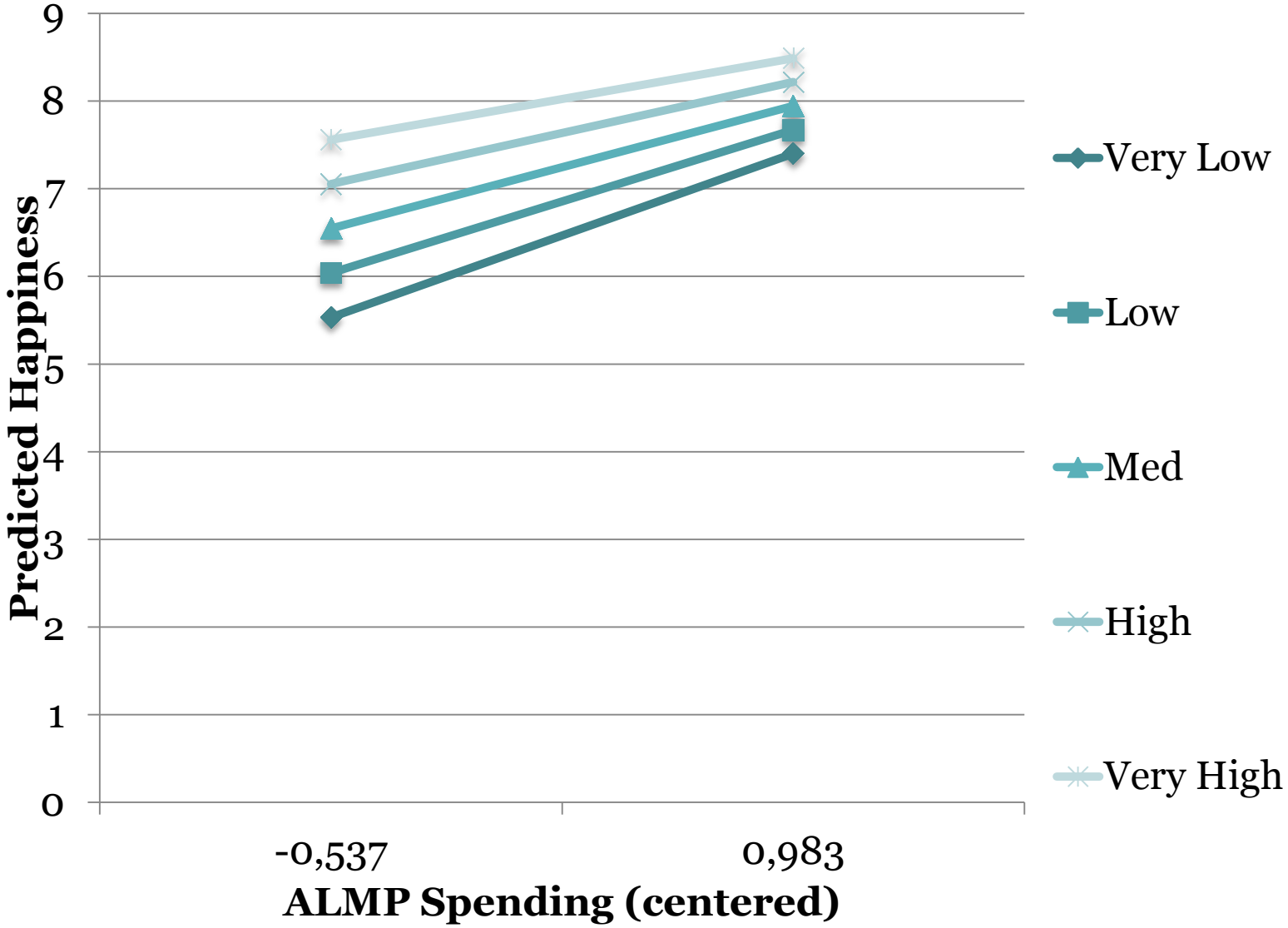


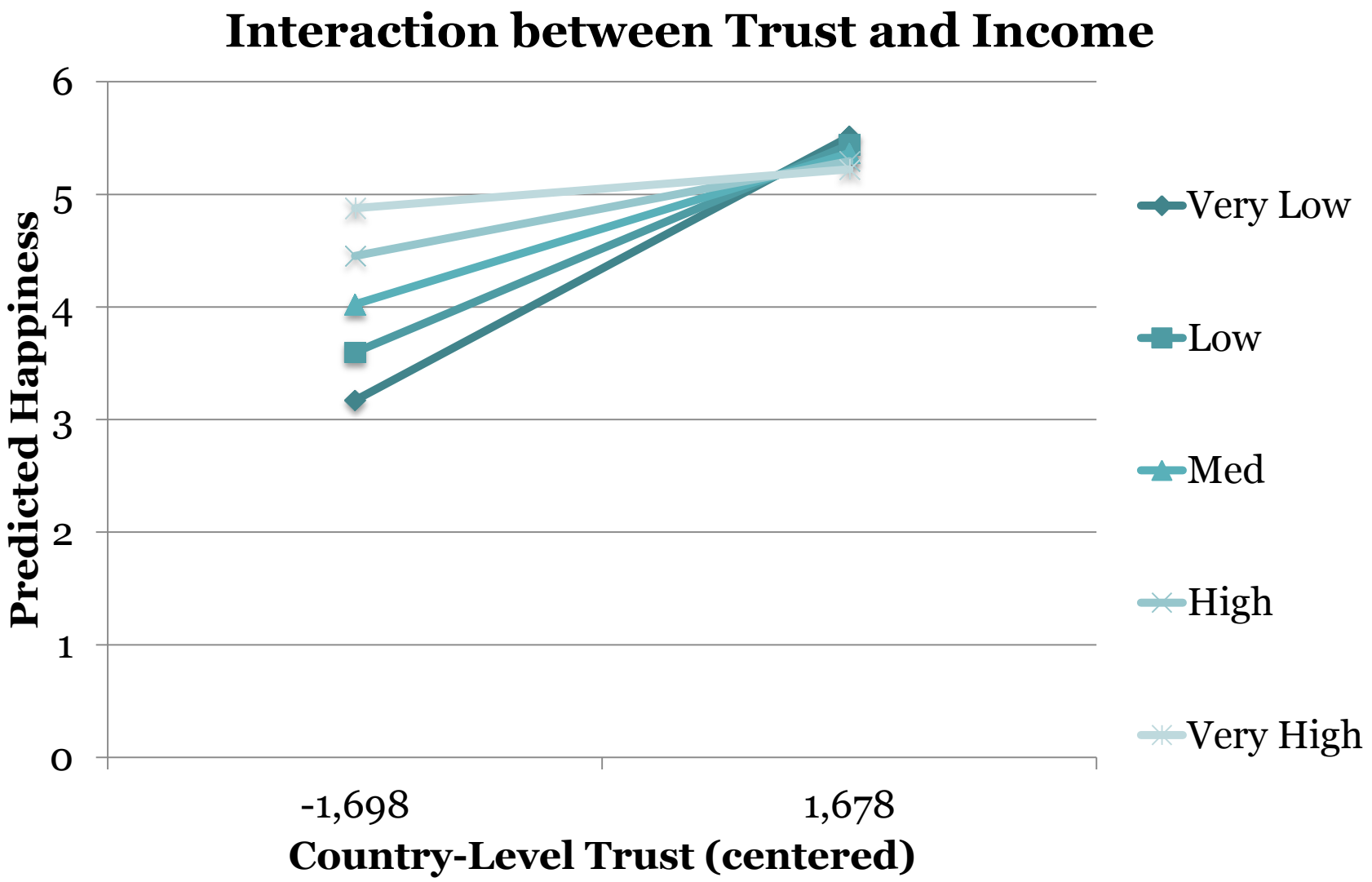
For continuous variables, predicted change is for a one st. dev. increase.

Income Interactions

- Interaction with welfare expenditures is not significant.

Interaction between ALMP and Income




Interaction between Trust and Income
Predicted Happiness
6
5
4
3
2
1
0
-1,698
1,678
Country-Level Trust (centered)
Very Low
Low
Med
High
Very High

Preliminary Conclusions

- Overall level of social welfare generosity may be less important to subjective well-being than more specific features of welfare policy.
- Trust, at the country level, appears to be a mechanism for the effect of the welfare policy on happiness.
- Trust also conditions the influence of income on happiness and explains the variation in the effect of income across welfare state types.

Next steps

- Longitudinal fixed-effects analyses of ESS data
- A more diverse sample of countries linking WVS to Luxembourg Inequality Study data on
  - Transfer share
  - Universalism

This report was presented at the 5th LCSR International Workshop “Social and Cultural Changes in Cross-National Perspective: Subjective Well-being, Trust, Social capital and Values”, which will be held within the XVI April International Academic Conference on Economic and Social Development.

April 8 - 10, 2015 – Higher School of Economics, Moscow.

www.lcsr.hse.ru/en/seminar2015

Настоящий доклад был представлен на V международном рабочем семинаре ЛССИ «Социальные и культурные изменения в сравнительной перспективе: ценности и модернизация», прошедшего в рамках XVI Апрельской международной научной конференции НИУ ВШЭ «Модернизация экономики и общества».

8-10 апреля 2015 года – НИУ ВШЭ, Москва.

www.lcsr.hse.ru/seminar2015