



# LIFE SATISFACTION

Measurement and  
its implications for public policy formulation



*Life Satisfaction  
Measurement System*

POLIS - OBSERVATORIO DE POLÍTICAS PÚBLICAS

Facultad de Ciencias Administrativas y Económicas

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# PRESENTATION

During the last decades there has been an outstanding increase in studies about happiness. Since the 70's, psychologists, economists, sociologists and other disciplines, have developed multiple theoretical and empirical frameworks to explain what factors are associated with happiness. One of the most interesting findings of this investigation is that money and the things money can buy, help achieving happiness, but to a certain extent. This has been proven in developed countries. For instance, different studies show that the increase in wealth – measured through an increase in income – does not make people happier. In the United States the levels of happiness in the population have been the same in the last 50 years, despite the average increase in wealth and income. This same phenomenon is found in different countries.

Economic growth and the average income increase of the population are factors that are traditionally used by governments to measure their progress. As a result, a substantial share of government indicators are focused on measuring the economic progress throughout diverse macroeconomic policy indicators. Nevertheless, when economic progress does not present any increase in the population's happiness, an inherently governmental question has to be made. If the traditional indicators that are used by

nations to measure their progress are not what make people happier, then what should be measured? Many countries have already made this question. The most notable case is Bhutan. In this country the government measures the aggregated level of happiness, -as well as economic growth- and those measures help making decisions about expenditure and investment in public policies. European countries have already understood the necessity of measuring the level of happiness in the population. The OECD for instance, compile and disseminate life satisfaction measurements of developed countries and this information is taken into account in for the policy making process.

One of the biggest challenges in the study of life satisfaction and its relation with governmental action, is measurement. One of the consensuses that have been reached is that the only way of knowing the levels of happiness within the population is asking directly about how they feel and what makes them happy. This is the task that has been developed over the past three years at the Public Policy Observatory - POLIS of Universidad Icesi.

Since 2014 we have implemented a system to measure life satisfaction within the population. This study has been carried throughout annual direct surveys to individuals in 53 cities in the city.

To be able to put yourself into context, imagine you are living in Cali and are over 18 years old. One day while you take the bus, go shopping, pay the bills or while practicing some sports, an interviewer asks for 20 minutes of your time to conduct a survey about your life satisfaction. Out of 82 questions that you answer, there is one specific question in which the survey revolves around: "In a scale from one to ten, how satisfied are you with your life?". Before responding, the interviewer clarifies that it is not how happy you are feeling today, but the level of satisfaction you have with your life taken all together. The interviewer then invites you to think about your life in general and not in a particular event that can affect your mood.

What we are presenting in this policy brief is the results of an extensive investigation about life satisfaction in Cali. Since 2014 in POLIS we have been dedicated to collect and analyze data in order to understand what make "caleños"<sup>i</sup> happy and what role government play on this condition. We have developed CaliBRANDO because the research of life satisfaction has a high relevance for the public administration. The quality of life in the city does not only depend on employment rates, wages and homicides. How the population feel, the priorities it has regarding public

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<sup>i</sup> Spanish term referring to someone from Cali



expenditure and the level of satisfaction with their lives, are all determinants for a proper management of public resources. The investigation conducted at POLIS measures regularly and systematically, life satisfaction in one of the major cities in Colombia. Likewise, CaliBRANDO is the only system in the country, which main goal is to measure subjective wellbeing in an urban setting.

In this edition we present articles that allow our readers to understand how economic studies have addressed the study of happiness and why this is relevant for government performance. The main goal of this policy brief is to provide an understanding of subjective wellbeing (term used by economists to approach "happiness"), how it is measured and why the government should include it as an indicator of government performance. The articles included in this edition are written by academics that have conducted research about how subjective wellbeing impact the policy making process.

This policy brief is conformed by 5 sections. The first presents CaliBRANDO, the methodology used for its implementation, survey components and the most relevant statistics for the three years of data collection. This section also includes an analytical article presenting the overall picture behind the generalized happiness in the city. In the second section, Mariano Rojas argument how government progress has been revalidated and the relevance of [http://hub.neiu.edu/sites/hub.neiu.edu/files/styles/feature\\_image/public/news-images/2016/08/10/AACSBimage.jpg?itok=mLzj5Snj](http://hub.neiu.edu/sites/hub.neiu.edu/files/styles/feature_image/public/news-images/2016/08/10/AACSBimage.jpg?itok=mLzj5Snj) studying subjective wellbeing for government purposes. Third section address the challenges of measuring life satisfaction and the differences between concepts such as "happiness", "subjective wellbeing" and "life satisfaction". Robert Cummins and Gemma Crous explain the differences between these concepts, indicating the relevance in the field of public policies. The fourth section shows

which are the most relevant findings in this field of research in developed countries and Colombia. David G. Blanchflower, Jeanne Kelly Ruiz and Silvio Borrero show an overall picture of the developments made on empirical and theoretical studies on this topic. Finally, Christopher Ambrey and Christopher Fleming, Andrés Mauricio Vargas and Eduardo Wills discuss how happiness or subjective wellbeing are creating a burgeoning body of research in other areas such as the environment, urban policies or organizations.

The investigation conducted at POLIS aims towards the generation of information and academic understanding of life satisfaction. We hope policy makers find this project relevant and useful in the policy making process. We thank to all caleños that have participated in the project.

*Lina Martínez*  
Director  
POLIS



# CALIBRANDO, LIFE SATISFACTION MEASUREMENT SYSTEM

*About CaliBRANDO*

*Methodology*

*Results*

*Lina Martínez*

*John Rennie Short*

Life satisfaction in Cali:  
Behind the happiness syndrome

# ABOUT CaliBRANDO



Since 2014, the Observatory of Public Policy – POLIS of Universidad Icesi is implementing a survey about life satisfaction in Cali (Colombia) called CaliBRANDO. The purpose of this survey is to measure the levels of life satisfaction within the population. The project also aims at understanding the relationship between life satisfaction and government performance.

This survey allows to:

- Identify aspects of the city that matter (and do not matter) to the population.
- Understand in a more integrated manner the basic needs of the population.

Since 2014 the survey has been replicated in 2015 and 2016. In this first section, the aggregated results of the three years are presented, as well as an analytical article of life satisfaction in Cali.

CaliBRANDO focuses on 9 central topics:

SOCIO-DEMOGRAPHIC  
CONDITIONS



EDUCATION



EMPLOYMENT



INCOME



HEALTH



LIFE  
SATISFACTION



CITY  
SATISFACTION



PERSONAL  
SATISFACTION



OTHERS



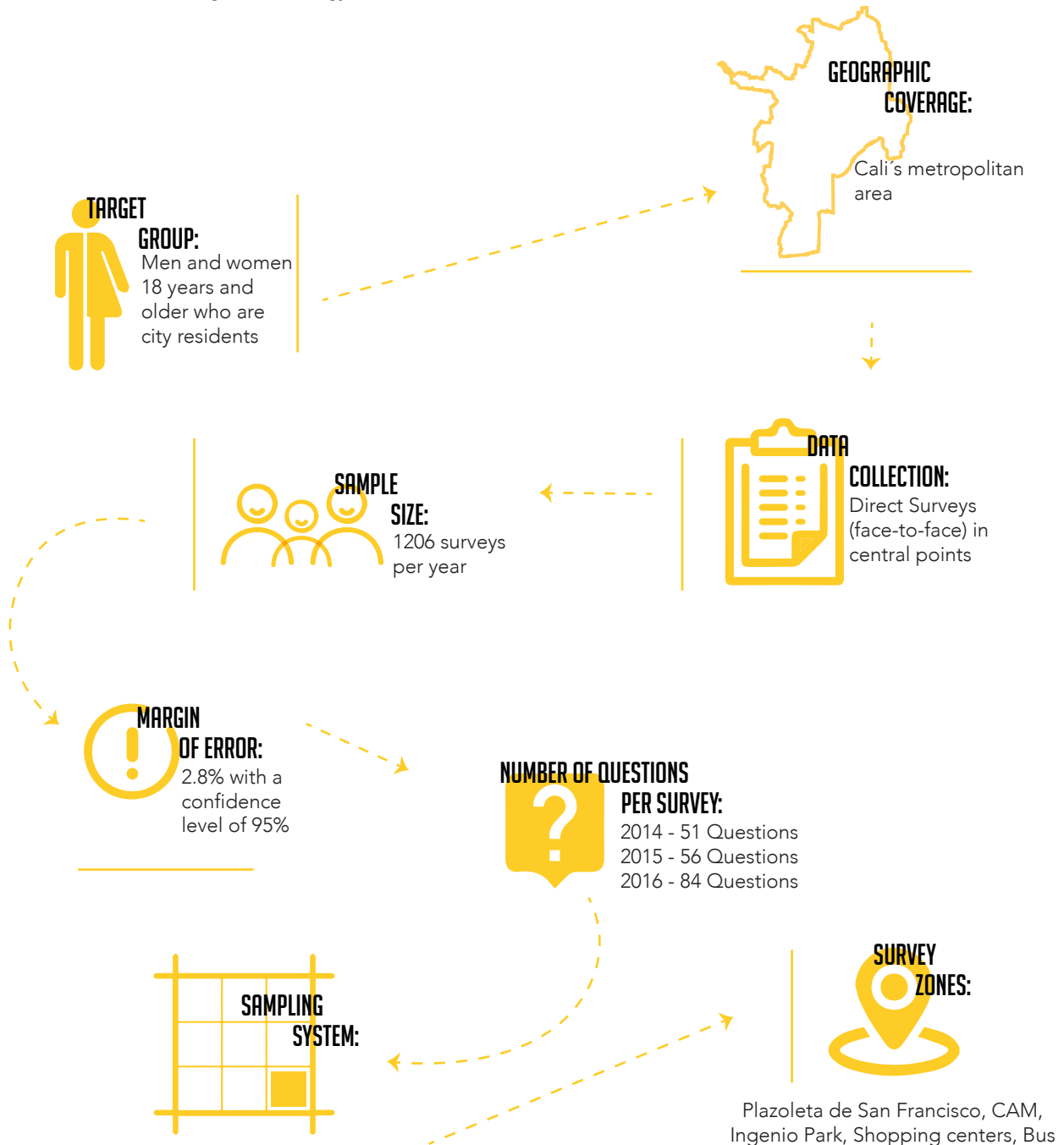
Since 2016, the survey included a special module of middle class consumption.



MIDDLE CLASS

# METHODOLOGY

CaliBRANDO is the only life satisfaction measurement system, statistically representative for a city in Colombia. The following methodology is used for each data collection:



**TARGET GROUP:**  
Men and women  
18 years and  
older who are  
city residents

**GEOGRAPHIC COVERAGE:**  
Cali's metropolitan  
area

**SAMPLE SIZE:**  
1206 surveys  
per year

**DATA COLLECTION:**  
Direct Surveys  
(face-to-face) in  
central points

**MARGIN OF ERROR:**  
2.8% with a  
confidence  
level of 95%

**NUMBER OF QUESTIONS PER SURVEY:**  
2014 - 51 Questions  
2015 - 56 Questions  
2016 - 84 Questions

**SAMPLING SYSTEM:**

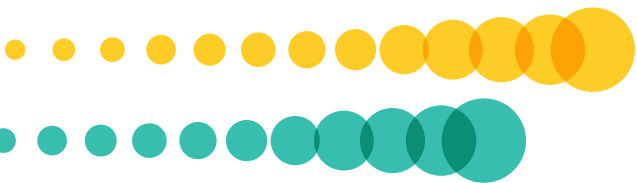
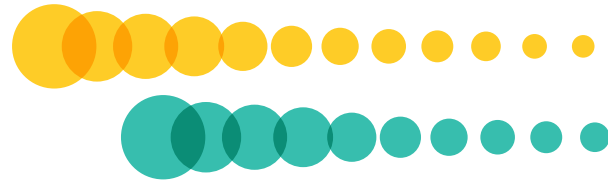
**SURVEY ZONES:**

Plazoleta de San Francisco, CAM,  
Ingenio Park, Shopping centers, Bus  
stations, Centre of Cali, Siloé, Ciudad  
Jardín, Caney, Meléndez, El Poblado,  
Salomia and others.

Stratified sampling, multistage. First stage, selection of 49 points around the city. Second stage, quota definition according to socioeconomic strata, gender and race/ ethnicity. Third stage, simple random selection of target population.

# RESULTS

# 2014-2016

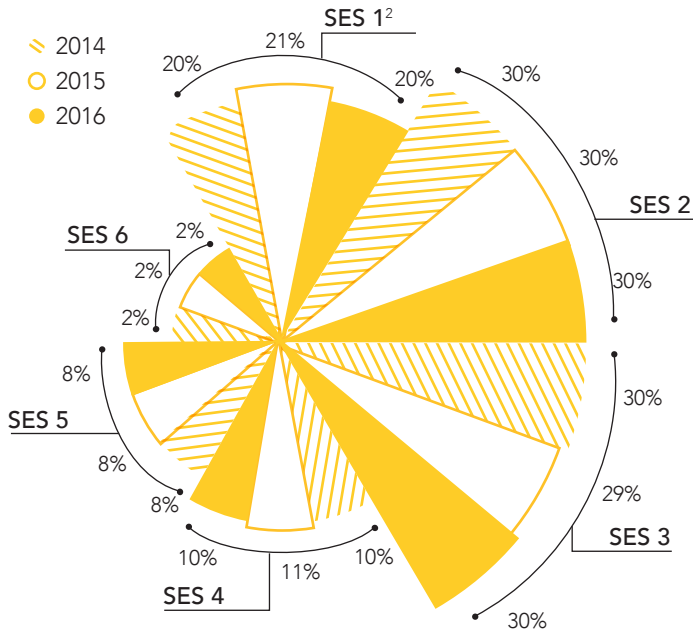




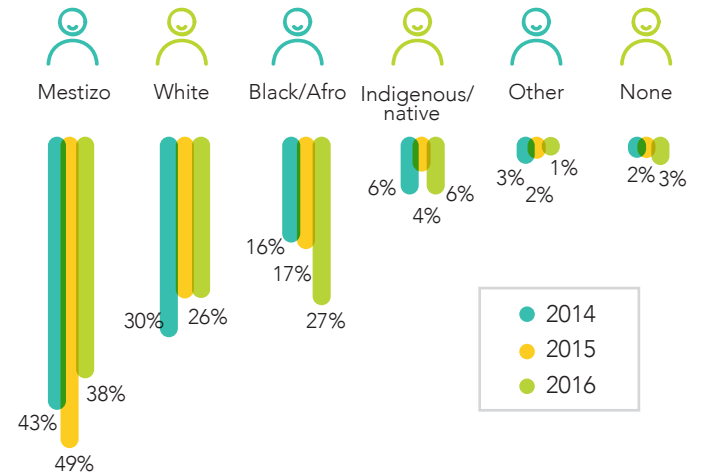
# SOCIODEMOGRAPHIC CHARACTERISTICS



Socioeconomic strata<sup>1</sup>



Ethnicity

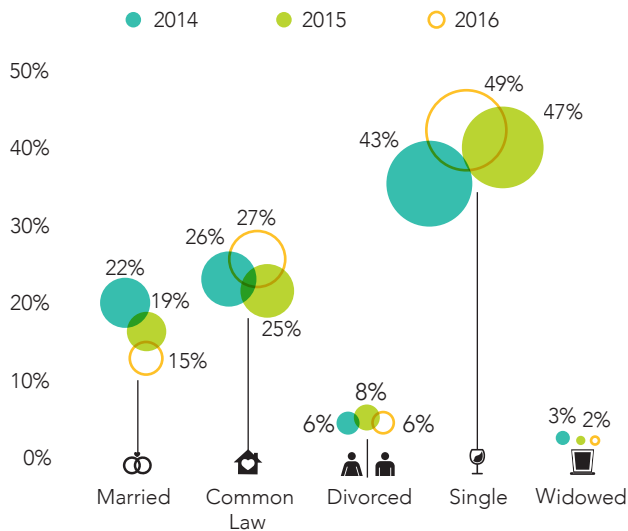


The racial/ethnic composition shows that the majority of the population interviewed identify themselves as Mestizo (multi-racial). In second place lies the White population, followed by the Black/Afro community. In 2016, the survey was adjusted to be representative of race/ethnicity.

<sup>1</sup>National government uses households stratification as a mechanism for targeting social spending. Households are classified in a scale 1 to 6 based on the physical and social conditions of neighborhoods. Households classified as 1 in the scale are the poorest, 6 are the richest.

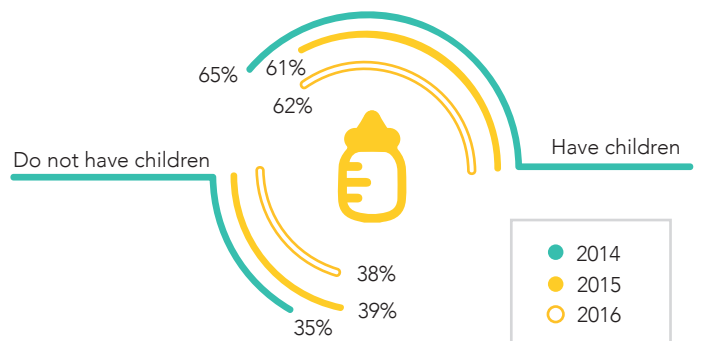
<sup>2</sup> Socioeconomic strata.

Marital status



On average, 4 out of 10 caleños live with a partner. The married population reflects a progressive decrease.

Percentage of people with children

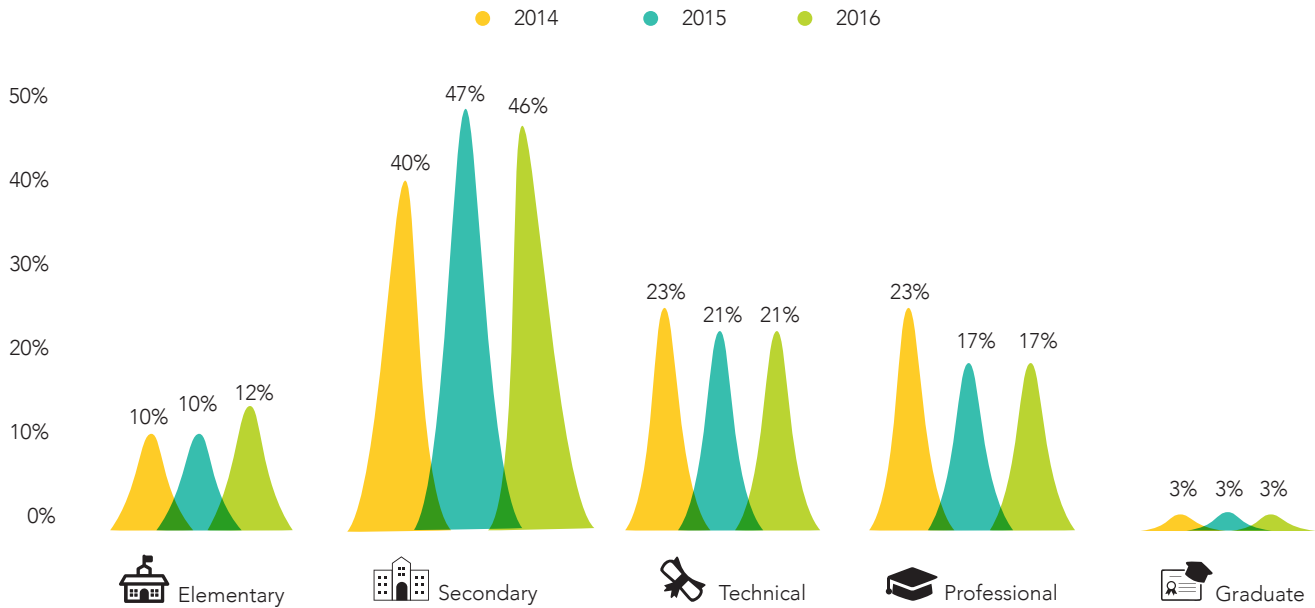


6 out of 10 people surveyed have children. There are no differences by race/ethnicity, however there are differences by socioeconomic strata. The lower the strata, the higher the proportion of people with children.

# EDUCATION

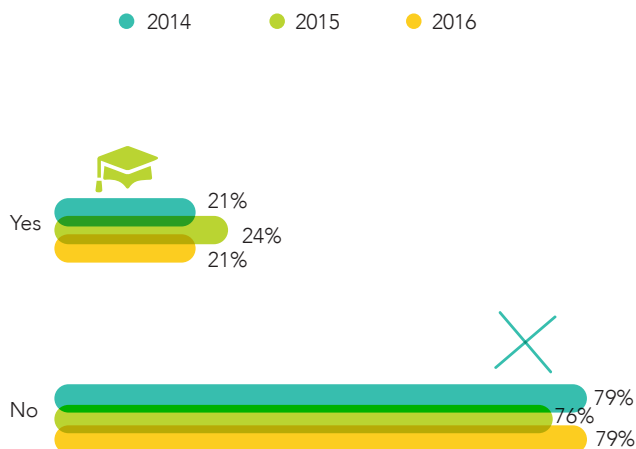


Education level

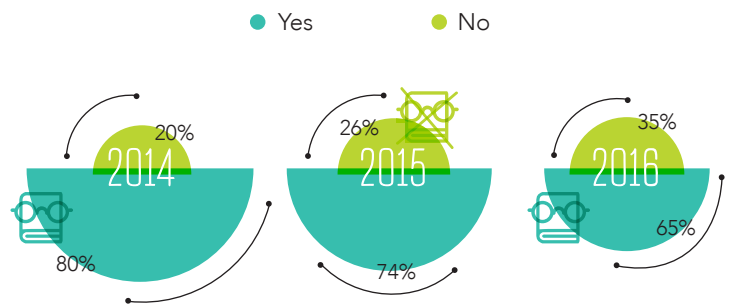


An average caleño (around 45%) has a high school diploma, close to 22% has a technical career and less than 20% have a professional career. There are differences by gender. Males access higher education more frequently than females.

Percentage of people studying formally



Percentage of people who want to continue studying

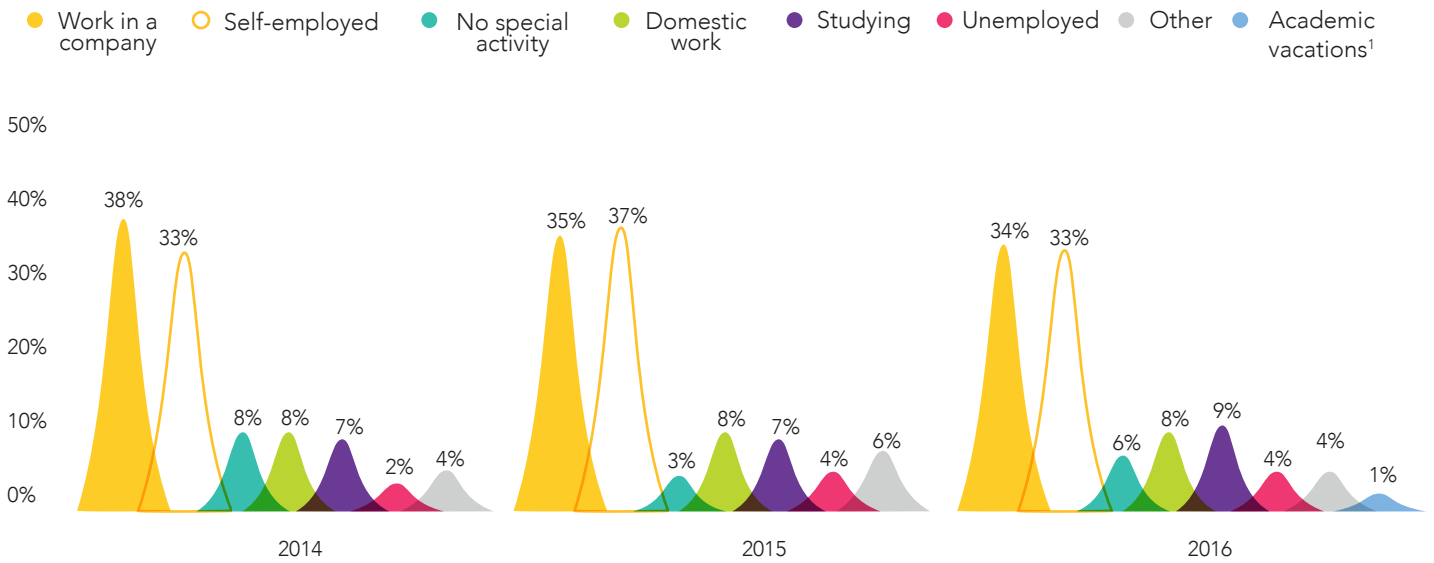


Amongst those who at the time of the survey were not formally studying, a vast majority declared that they would like to continue studying: 80%, 74%, 65% for 2014, 2015 and 2016 respectively.

# EMPLOYMENT

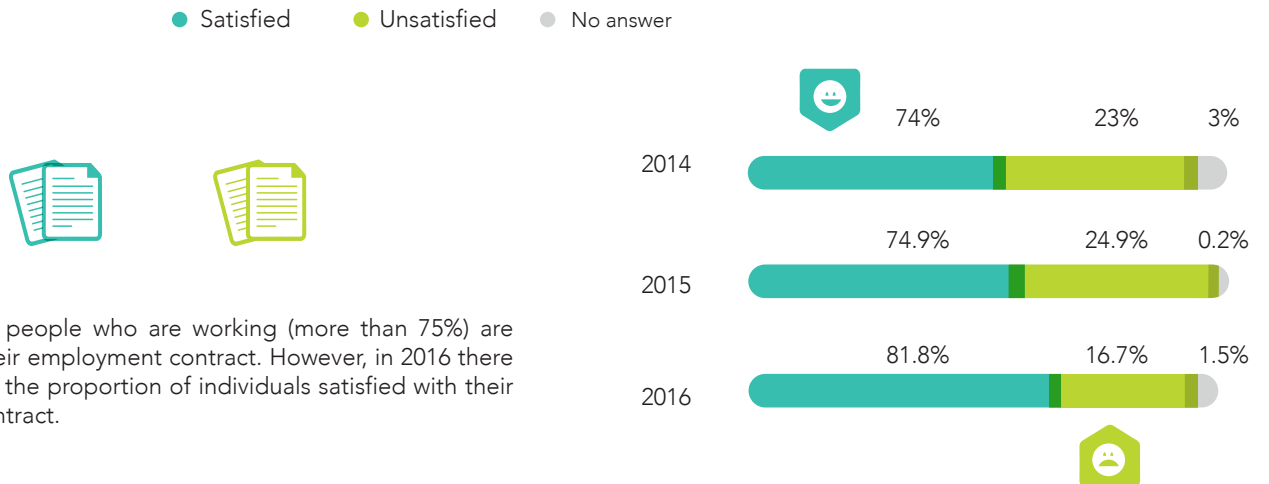


## Economic activity



On average, 35% of the caleños work in the formal sector. A similar proportion work independently. 25% of the women surveyed during 2014-2016 declared being unemployed, not having any economic activity or being a housewife. Only 11% of men declared the same situation.

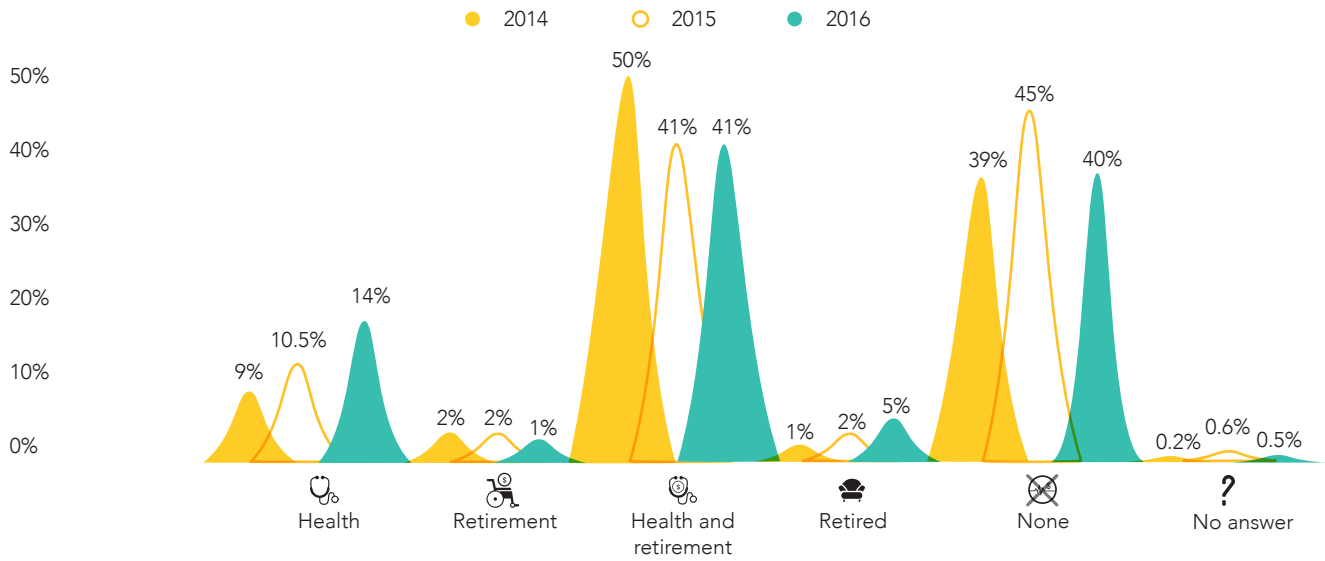
## Percentage of people satisfied with their labor contract



The majority of people who are working (more than 75%) are satisfied with their employment contract. However, in 2016 there is a reduction in the proportion of individuals satisfied with their employment contract.

<sup>1</sup> In 2016 the questionnaire was modified, adding "Academic Vacations" as an option. Only 1% reported being this category.

Contributions to health system and retirement plans



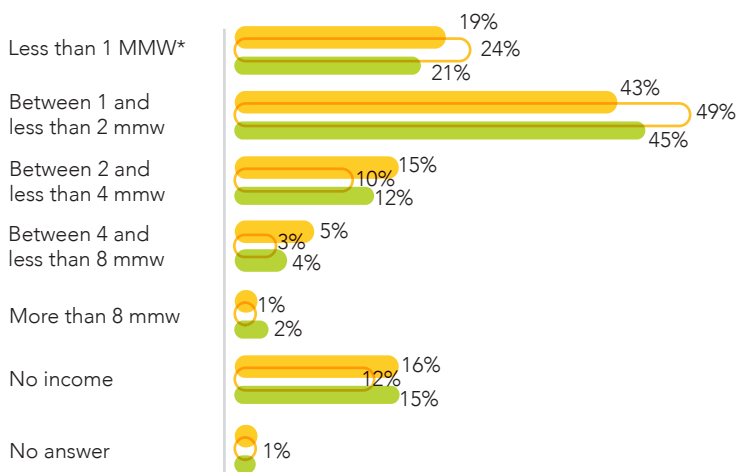
In 2014, 50% of the surveyed population in Cali affirmed contributing to health system and retirement plans. This proportion felt by nine percentage points in 2015 and 2016. There are important differences by gender. 44% of men contribute to health and retirement, only 32% of women do the same.

# INCOME



Average income

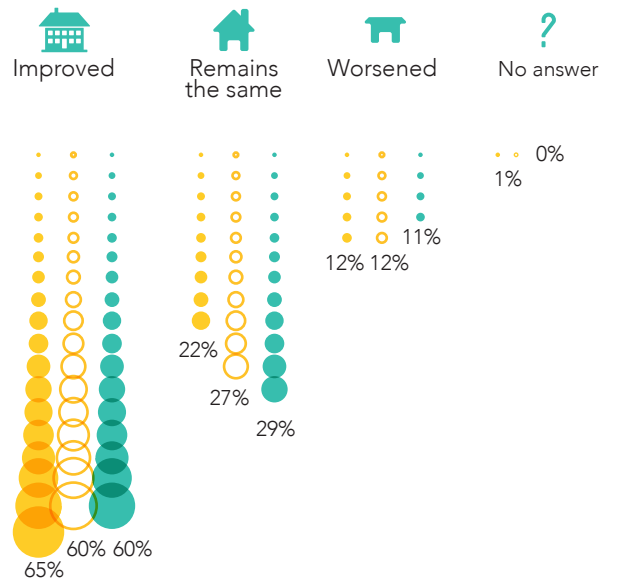
● 2014 ● 2015 ● 2016  
 \* Monthly Minimum Wage (MMW) = US\$ 246



The average income of a caleño ranges between 1 and 2 minimum monthly wages. Income level presents important differences by gender and race/ethnicity. The percentage of women who receive a minimum salary or do not have any income is significantly higher as compared to men. In terms of race/ethnicity, 17% of the people who recognize themselves as white, earn a minimum wage, whereas the percentage for afros and indigenous is 24%.

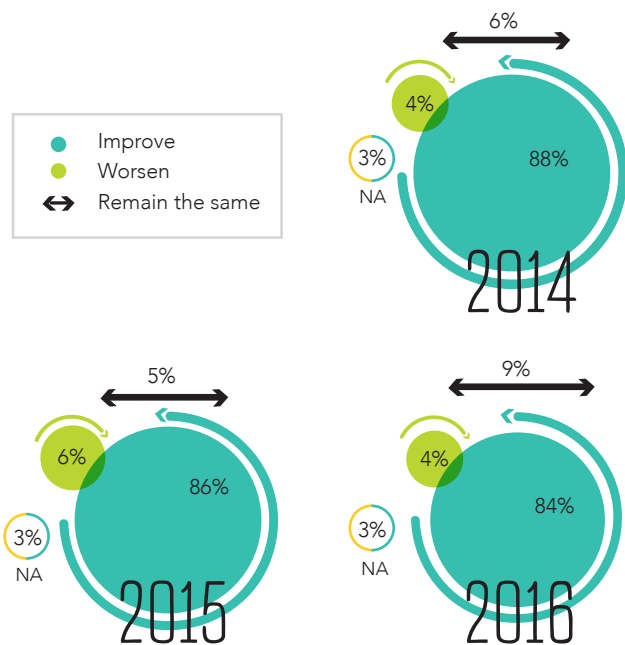
Percentage of people who think their economic situation at home has...

● 2014 ● 2015 ● 2016

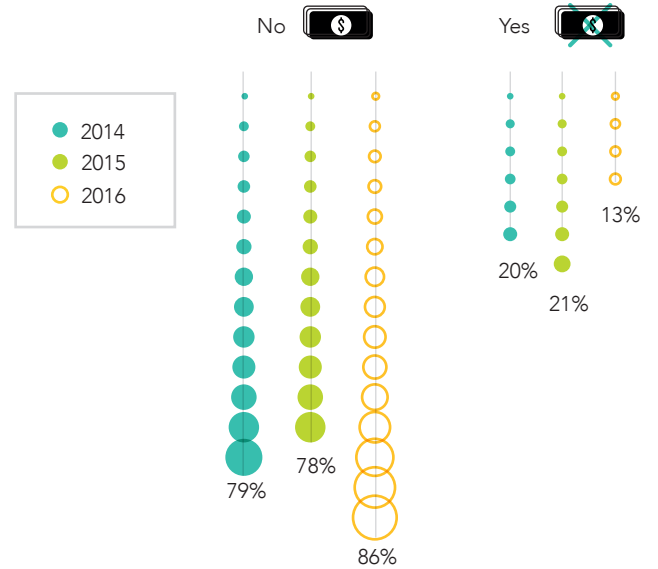


In general, over half of the population surveyed consider that their economic situation at home has improved. Along the same lines, the vast majority regardless gender, race/ethnicity and socioeconomic strata, consider being in a better situation than their parents.

Percentage of people who consider that their economic conditions at home will...



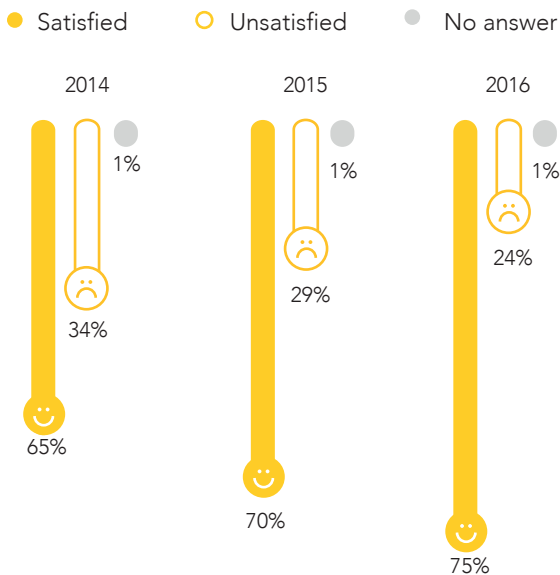
Percentage of people who consider themselves poor



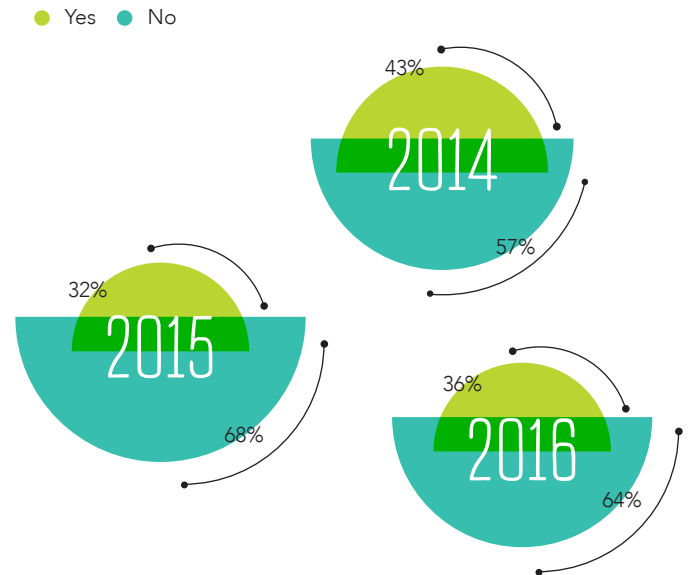
Caleños from all races/ethnicities, gender and socioeconomic strata declare being optimistic about their economic future. In all years analyzed, more than 80% consider that their economic condition in the future will improve.

The perception of poverty within the population surveyed, decreased significantly in 2016. The proportion of people who considered themselves poor -in monetary terms-, decreased from 20% to 13%. Differences by race/ethnicity are important: 14% of the white population in Cali consider themselves poor, whilst this proportion increases to 25% within the afro and indigenous community.

Percentage of people satisfied with their living standards



Percentage of people with savings to subsist at least three months in case of unemployment



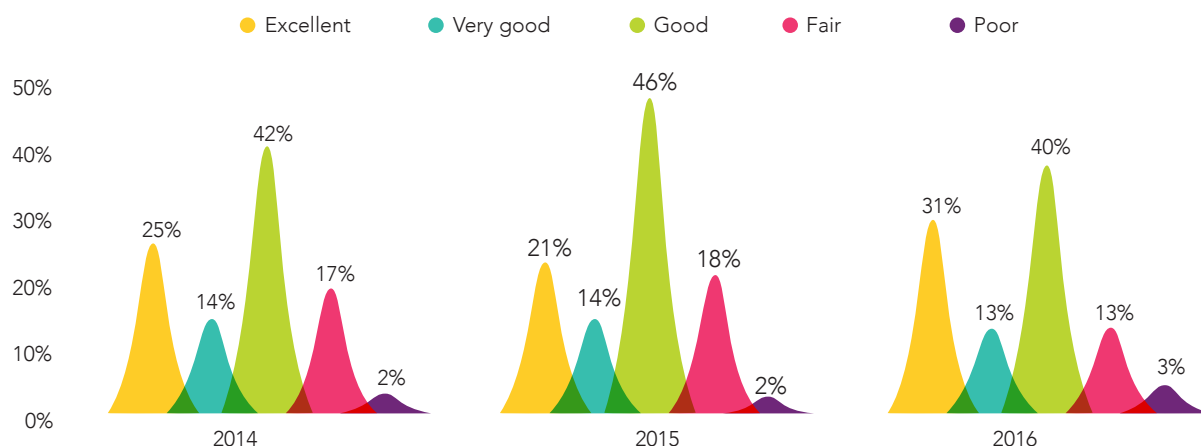
In general, Caleños are satisfied with what they can buy and do with their current income. In 2015, 7 out of 10 individuals surveyed affirmed feeling satisfied. Amongst the unsatisfied, the vast majority lives in low socioeconomic strata neighborhoods. The unsatisfied declare needing more money and owning a house to improve their living standards.

On average, 60% of the surveyed population do not have savings to cover basic needs during three months in case of unemployment. As expected, those living in higher socioeconomic strata neighborhoods, report having savings in a major proportion.

# HEALTH

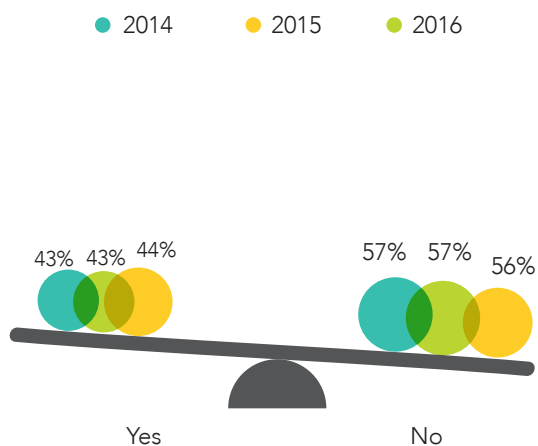


Percentage of people who consider that their health condition is...

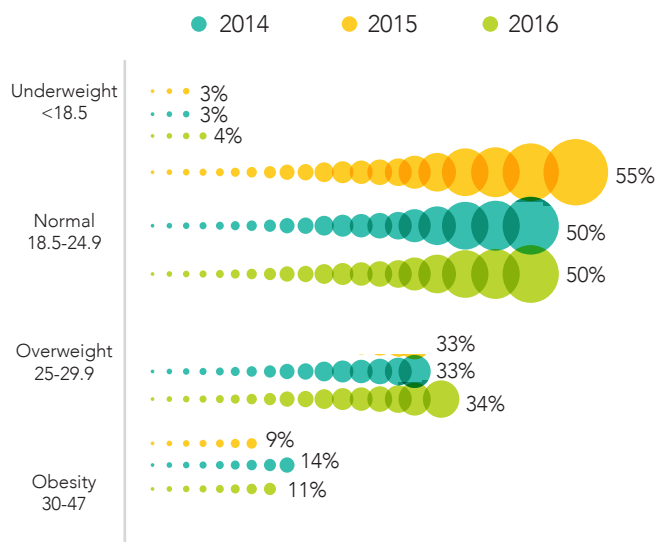


In the three years studied, the population surveyed considers that their health is good. Generally speaking, men affirmed having excellent health, whilst women perceived their health condition as good.

Percentage of people satisfied with their weight



BMI<sup>1</sup> for the total population



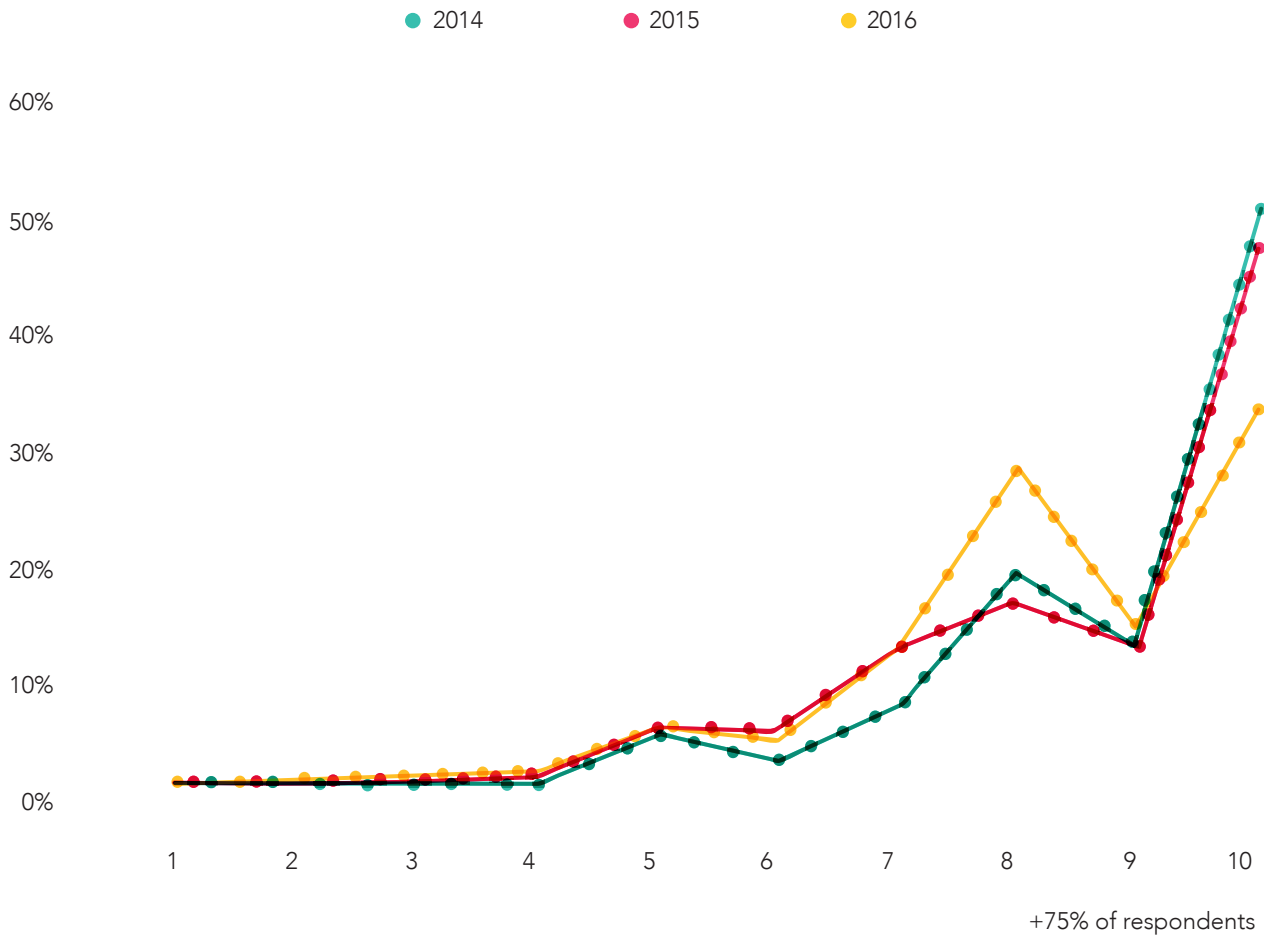
Half of the surveyed population in all the years analyzed presents normal weight, according to the Body Mass Index (BMI). The remaining 50% present overweight or obesity rates. In 2014 the percentage was 42%, it increased to 47% and 46% in 2015 and 2016, respectively.

<sup>1</sup> Body mass index (BMI) is calculated dividing the weight of a person in kilograms by the square of their height in meters (kg/m<sup>2</sup>), it is used to identify the overweight and obesity in adults.

# LIFE SATISFACTION



Overall Life Satisfaction



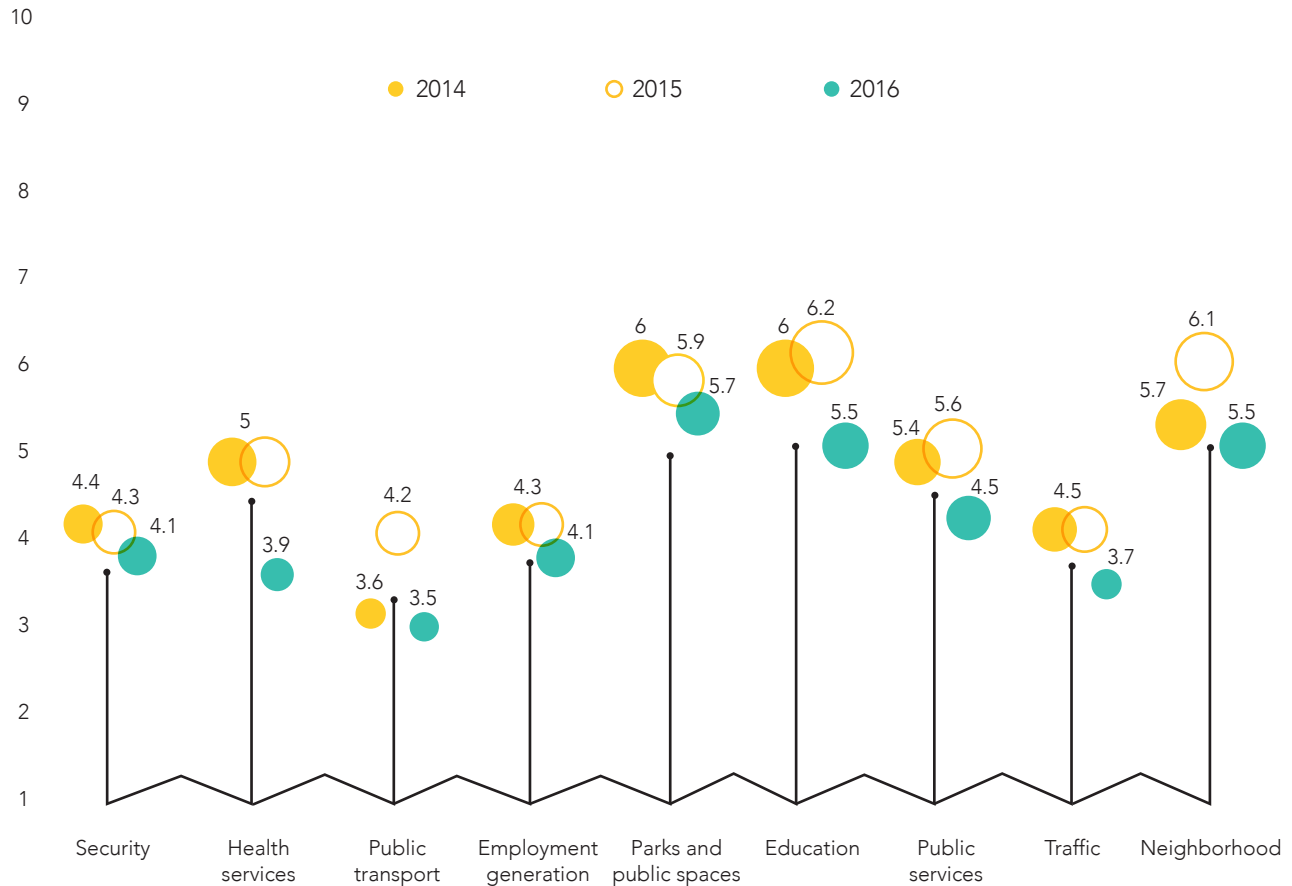
The average level of life satisfaction<sup>1</sup> in the city during the years analyzed is 8.5. Regardless of gender and income level, the majority of population surveyed range their life satisfaction between 8 and 10 in the measuring scale. CaliBRANDO's figures are very similar to national measures of life satisfaction.

<sup>1</sup> Scale 1 to 10. 1 the lowest and 10 the highest level of life satisfaction.

# CITY SATISFACTION



Satisfaction with government performance



CalIBRANDO inquire about perception of local government performance. We ask about nine government areas. Generally speaking, caleños consider that the government does a better job in parks and public spaces, education and interventions at neighborhood level. There are no significant variations in the average score of each dimension during the period analyzed. However, health report the major decline on government performance.

Regardless of gender or age, caleños identify four aspects that are relevant in terms of government performance:

1. Security

2. Health services

3. Employment generation

4. Education

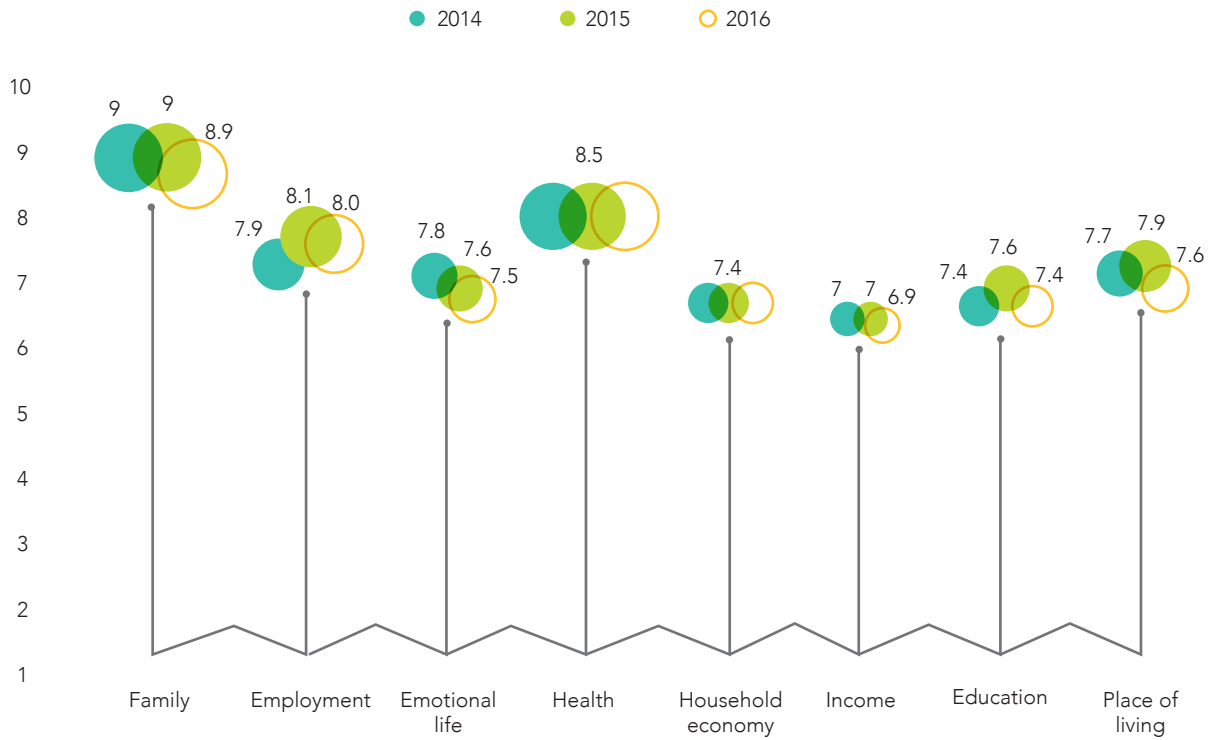


# PERSONAL

# SATISFACTION



Satisfaction with different dimension of personal life



Satisfaction with personal factors is higher than the satisfaction with government performance.

In general, there were few variations from one year to another. Income is the personal aspect with the lowest score, whilst family has consistently reported the highest value. Likewise, health and employment also ranks in the upper end of the scale.

The most relevant aspects of personal life –regardless of gender or age- are:

1. Family

2. Employment

3. Health

4. Household economy

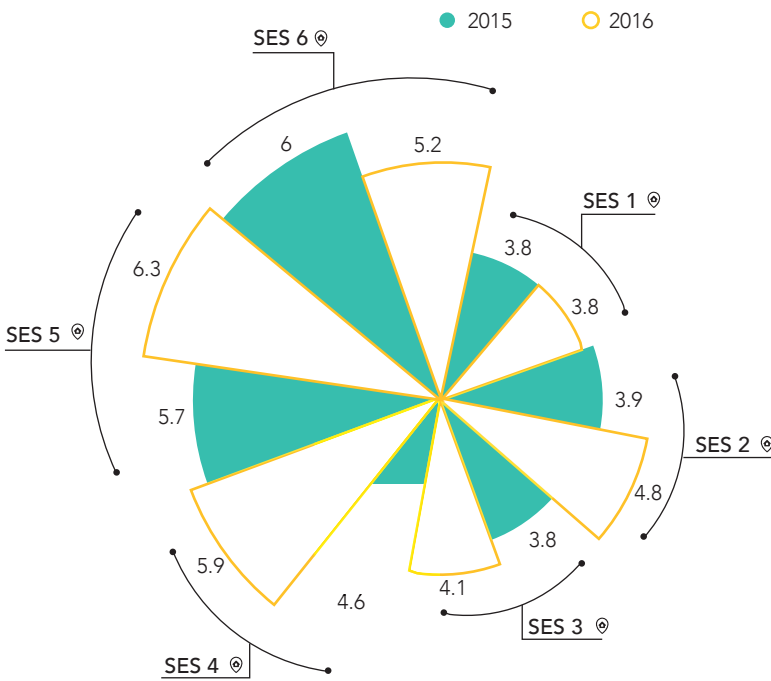
5. Income

# OTHERS



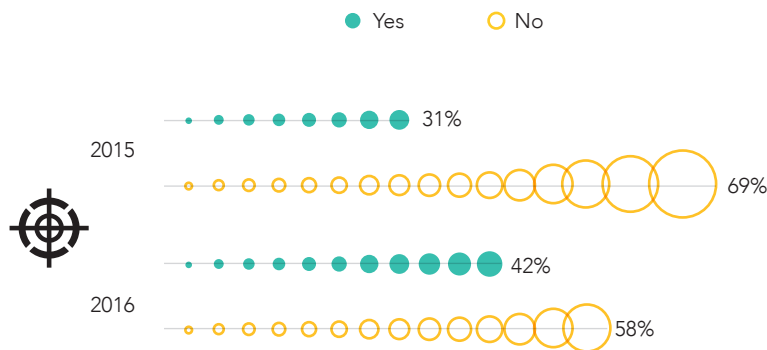

Since 2015, a new module was incorporated in the survey to explore family networks and support, victimization and mobility. Below are presented the most relevant results for 2015 and 2016.

Number of nearby friends or relatives



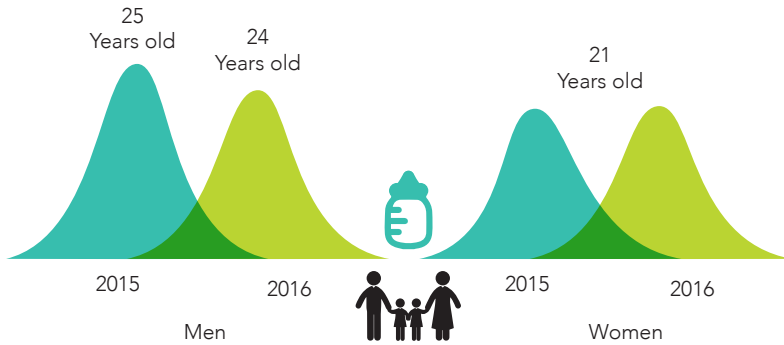
Since 2015 CaliBRANDO inquires about family and supporting networks. In general, it is shown that the average number of close friends or family members increases with socioeconomic strata. As socioeconomic conditions improve, social network increases.

Victim of a violent act



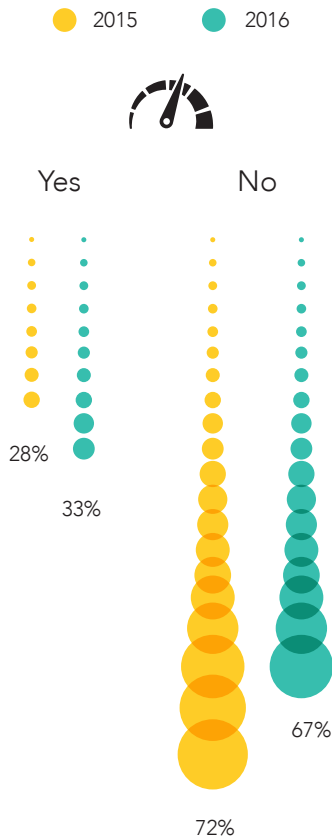
31% of Cali's population affirm being victim of some sort of violent act –the surveyed or any household member-. Women have been the most affected, especially those who live in the most impoverished areas of the city.

Average age of parenthood (first child)

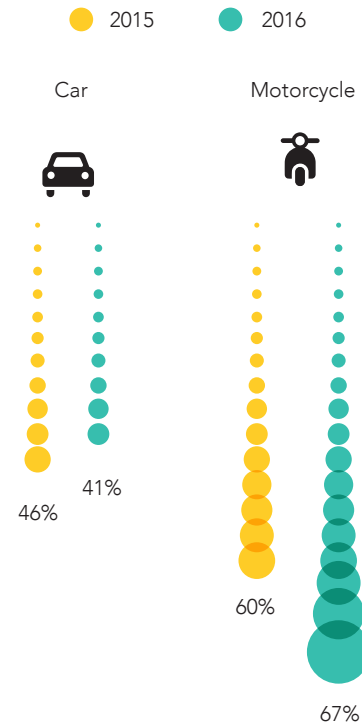


Respondents who affirmed having children were asked at what age they had their first child. On average, women assumed maternity at a younger age (21 years old), while men four years later (25 years old).

Percentage of people with motorized vehicle



Type of vehicle



In 2015, approximately a third of CaliBRANDO respondents expressed having a motorized vehicle. In 2016, this proportion increased in five percentage points. 38% of men are owners of a motorized vehicle, while the proportion in women is 23%.

For 2015 and 2016, motorcycles are the dominant mean of transportation within the population. The proportion of respondents owning a motorcycle in 2016 increased 7 percentage points as compared to 2015.

# LIFE SATISFACTION IN CALI: BEHIND THE HAPPINESS SYNDROME



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Multiple measurements of subjective wellbeing show that Colombians are very happy. According to the extensive data used in the literature such as Gallup World Poll, Latin America is one of the happiest regions in the world and in the area, Colombia is one of the countries that reports higher levels of happiness. In 2013, 39% of the surveyed Colombians by Gallup declared enjoying what they did and felt motivated with their lives; 38% consider having a good physical health and 46% indicate having affective relationships<sup>1</sup>.

These results correspond with national measurements taken by DANE (National Center for Statistics) throughout a survey of quality of life, which indicates that 85% of the residents of Cali declared being very satisfied with their lives. Bogotá and Medellín, report similar levels<sup>2</sup>.

During the edition of this policy brief, results of one national survey conducted by DNP (Planing National Department) were presented. Alike the measurement taken by DANE, Colombians report being highly satisfied with their lives. On average, a colombian reports life satisfaction levels of 8.6 (from a scale of 0-10). There is a clear evidence of differences by gender, especially within women from lower socioeconomic strata, who reported lower levels of life satisfaction.

CaliBRANDO's data, -survey conducted annually by POLIS-, goes in the same direction. On a scale from 1-10, an average caleño declares a life satisfaction level of 8.5. What is left to be completely satisfied is more money, owning a house and employment. The measures taken in POLIS, are also in line with the findings of the literature in developed countries (see Benchflower article). Married people are happier, unemployment decreases life satisfaction, men and women declare

equal satisfaction and children do not have a major effect on happiness.

Caleños are also very optimistic. During the years in which the measures were taken, more than 80% of the respondents recognized an improvement on their economic situation and 70% are satisfied with their life standard -what they can afford with their current income -.

Despite the good news, there are other many factors underlying high satisfaction and optimism. One of the most interesting factors in the analysis conducted is low formal employment and financial stability. Less than 36% of the respondents have savings to live at least for three months in case of loosing their job. Within the current employed population, 33% find themselves satisfied with their current contract and only 58% of the respondents in 2016 considered they would keep their job in the following 6 months. Likewise, 18% of respondents declared being poor in economic terms. All these aspects contribute negatively to life satisfaction.

A large proportion of the population surveyed consider that having good health conditions (around 80%). Nevertheless, obesity and overweight rates in the city are increasing. Almost half of the people who participated in the study presented obesity or overweight. The numbers remain relatively stable, but each year it increases one or two percentage points (the measures show a similar tendency reported by ENSIN<sup>3</sup>). This is an important factor of high relevance for the government. It has been demonstrated by multiple studies that obesity is correlated to heart problems, diabetes and other preventable conditions. Besides representing a decrease in quality of life, it is an additional cost for the public health system.

Acronym in Spanish referring to a national survey: Encuesta Nacional de Situación Nutricional.

According to the literature, there are two ways to reduce overweight and obesity: exercising and healthier eating habits. More than half of respondents affirmed that they conducted some sort of physical activity at least twice a week. If exercising does not contribute to decrease obesity and overweight rates, it is important to emphasize on the quality of food consumed. The government proposal of increasing taxes to sweet beverages is a clear example of government intervention in the subject.

56% of the respondents affirmed being satisfied with their weight, but there is a clear difference by gender. 64% of men and 48% of women are satisfied with their weight, despite men have a higher prevalence in overweight and obesity. An interesting fact is that overweight and obesity do not affect life satisfaction.

The survey also inquired about mental and physical health (number of days feeling physically ill or stressed/depressed in the previous month). 11% of the respondents affirmed feeling depressed, stressed or having emotional problems at least seven days in the previous month. 14% reported feeling physically ill. Women are affected by mental or physical health conditions in a higher proportion than males. Feeling ill (physically or mentally) has a negative impact in life satisfaction, particularly within women.

Since 2016, CaliBRANDO included a section aimed at understanding consumption patterns, aspirations and access to financial services of the middle class. During 2016, over 1000 caleños were part of this study. The results showed that 40% have a savings account in a financial institution and 19% own a credit card. As expected the lower the socioeconomic strata, lower access to formal financial services.

The main asset at home within the middle class population is their household (27%), electrical appliances (22%) and a motorcycle (13%). 17% of the respondents affirmed not having any asset of great value at home. 23% paid the asset using a credit card with a financial institution.

In terms of consumption of non-necessary goods and services, 55% of the participants went out to eat at least once during the previous 30 days before conducting the survey, 25% went to the

movies, 43% paid hairdressing services and 4% paid for a gym membership or housekeeping. In the last three months 49% spent on clothing, 15% bought books or magazines, 14% invested in furniture and 3% remodeling their home. 26% went on a vacation during the previous year and 22% have traveled out of the country. Additionally, 16% of the respondents affirmed having difficulties paying their debts and 20% spend on the lottery (mostly those from lower socioeconomic strata).

We also asked about middle class attitude towards government intervention and democracy. Results showed that 48% voted in previous elections and only 18% voted based on candidate proposals. Those in the lower socioeconomic strata favored subsidies and welfare promoted by the government. Over 75% agree on providing free cost households and cash transfers to the poor.

Generally speaking, CaliBRANDO data present a highly satisfied population with their life conditions and great optimism towards the future. Results also reveal that a great part of life satisfaction comes from personal aspects such as family and affective relationships and health. It was found that caleños' life satisfaction is not related—at least not statistically speaking—with government performance<sup>3</sup>.

We asked respondents to evaluate different government factors. Security and transportation are consistently the worst evaluated. Consequently, people who know someone or have been victims of some sort of criminal activity have lower life satisfaction levels. Likewise, those who own a motorized vehicle (and do not have to use public transport) are more satisfied with their lives. Homicide and lack of public space also have a high impact in people's health. Those who live in areas with higher criminal activity and less access to green areas present higher prevalence of mental and physical illnesses and obesity<sup>4</sup>.

CaliBRANDO is the only study in Colombia generating a permanent and comprehensive measurement of life satisfaction. In general, we found a satisfied and happy population. High levels of satisfaction in the city are not necessarily associated with government performance. Security, public transportation and employment generation are the government conditions

that the population surveyed expect to improve in the nearby future.

There are many aspects underlying the happiness in the city. On the surface it seems that happiness is equally distributed in the population. Nevertheless behind this generalized syndrome there are many factors that deserve a deeper analysis. Differences between genders are important, women report more frequently feeling depressed or stressed. Also, women are more affected by lack of savings and the perception of poverty. Differences by ethnicity were also found, people who define themselves as afro and indigenous are less satisfied. The generalized financial optimism is worrisome given the large proportion of individuals without a stable job, low saving rates and the low proportion of people saving for retirement.

We expect the local government to look closely to the data provided in this study. This policy brief aims to present the relevance of subjective well-being on government performance. Developed countries have already incorporated subjective measures like these to make decisions, develop programs and redistribute resources. POLIS expects to contribute with this purpose.

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# A NEW WELFARE PARADIGM

*Mariano Rojas*  
Public policies for welfare

## PUBLIC POLICIES FOR WELFARE



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### *The old Paradigm of progress as economic growth*

For decades we have been immersed within a paradigm that associates social progress to the increase of GDP (Gross Domestic Product). Within this paradigm the main purpose of development strategies and of many public policies has fundamentally been the increasing of people's income<sup>1</sup>.

Several theoretical and conceptual frames have been built around the paradigm of progress as economic growth; concepts such as physical, financial, natural, human and social capital have become familiar in the public discourse of economic development. For example, the theory of human capital suggests that education must be focused on providing abilities and knowledge that are useful in the productive process. Valuing education –as well as health services– in terms of its contribution to the productivity of human resources has become a common practice. Some social capital theories stress the importance that interpersonal relations have in the reduction of transaction costs that foster market expansions. Under this framework, education, health and interpersonal relationships are conceived as instruments serving economic growth<sup>2</sup>.

The design and evaluation of public policies may share to the vision of progress as economic growth. For example, social programs are designed with the purpose of generating higher economic growth. For instance, in programs where poverty is conceived as low income, cash transfer programs have been conditioned for the beneficiaries to undertake actions that enhance their ability to generate income<sup>3-4</sup>.

The paradigm of progress as economic growth has also facilitated the design of monitoring systems that measure and explain GDP trends. Measurements of consumption, investment, government expenditure and trade balance constitute the first-explanation level of GDP trends. The National Account System provides further details to understand the behavior of interest rates, which is relevant on explaining areas of investment and consumption that influence the evolution of the GDP.

### *The false assumption that income determines wellbeing*

The paradigm of progress as economic growth is based on the assumption of a close relationship between income and wellbeing taking place. Students of economics learn in their introductory courses that income is the unique important argument in the utility function and that consumer's utility depends positively on it. On the basis of these foundations, wellbeing is supposed to increase directly with income, and the only way of generating more wellbeing would be throughout further increases in income<sup>5</sup>.

The government's interest in raising people's income is justified by this assumption of income contributing to citizens' wellbeing. Nevertheless, it is important to observe that people have not shown the same enthusiasm for economic indicators as that which is shown by those in charge of constructing and using them. In consequence, public policies that are designed with the purpose of increasing citizens income do not necessarily count with the support -or passion- of their supposed beneficiaries.

The disconnection between the apparent success of certain public policies according to some economic indicators and citizens' indifference –sometimes reaching rejection levels- suggests that a profound revision of the wellbeing paradigm is much needed.

There are many illustrations where citizens manifest dissatisfaction towards government practices that are associated to positive economic results. For example, the social riots in Egypt and Tunisia erupted under conditions of high economic growth. Likewise the official Irish party lost the elections under an economic growth higher than 7%. Martínez (2016) shows how the probability of reelection of official parties in Latin America does not depend on the conditions of economic growth but on the situation of subjective wellbeing. Rojas (2015) shows that in Latin America the rejection to the reforms of the Washington consensus is explained by its unfavorable impact on subjective wellbeing.

### ***Subjective Wellbeing. A new paradigm of wellbeing***

The new subjective wellbeing paradigm emerges from the acknowledgement that wellbeing is something that happens in the realm of the person and not in the realm of objects. Under this new paradigm, the practice of referring to objective wellbeing is challenged, meaning: wellbeing should not be measured in the world of objects because objects do not experience well-being. The subjective wellbeing paradigm sustains that notions of objective wellbeing are incorrect, insofar as the person is necessary for the experience of being well to take place<sup>6</sup>.

It is in human condition to experience wellbeing; this is why it is stated that wellbeing is an experience that happens to people. Four types of wellbeing experiences can be distinguished. First, the affective experiences associated to emotions and moods; positive (joy) and negative (sufferings) affects are recognized. Secondly, experiences associated to the assessment of achievements and goals in life; normally related to accomplishments and failures within these goals. Thirdly, sensorial experiences related to senses; pleasure and pain. Fourthly, flow experiences,

which involve energizing experiences of total involvement. These wellbeing essential experiences overlap and a single event can detonate –in different ways- affective, evaluative, sensorial and flow experiences. People are also capable of making a synthesis about their life on the basis of these essential experiences; thereby, a person's report about their life satisfaction can be understood as a global appreciation of their wellbeing.

The recognition that wellbeing is not something that happens to objects but experiences that people have implies that the best way of knowing it is by asking people directly. It is because of this that monitoring wellbeing requires asking people directly about their life satisfaction and about their essential experiences of being well<sup>7</sup>.

### ***Some findings relevant for public policies***

Subjective wellbeing research has grown exponentially over the past two decades; most findings focus on the factors that promote wellbeing, as well as on the relevance of surrounding conditions<sup>8</sup>. Perhaps one of the most relevant findings for public policy is that people's incomes is just one of the many factors which affect their wellbeing. Easterlin's pioneering study (1973, 1974) show that reported wellbeing does not necessarily increase with income; further studies have proved that the relationship between income and wellbeing is not simple or direct<sup>9-10</sup>.

Studies about the relationship between income and wellbeing show that income is just one of many factors that can influence the wellbeing. Increases in income do not guarantee increases in wellbeing; in fact, it is not possible to predict with a good level of accuracy people's wellbeing the basis of their income alone. Many other factors are relevant in the understanding of the wellbeing experienced by people; such as: quality and warmth of interpersonal relationships, the availability and use of free time, health condition, satisfaction with employment and strength of emotional relationships (especially at the family level)<sup>11</sup>.

Several reasons explain why income increases do not necessarily imply greater wellbeing; perhaps the strongest reason is that income is of the greatest relevance to the well-being of simplified consumers,

but not to the wellbeing of concrete human beings –of flesh and bone-. Although it may result evident, in many academic and public-policy contexts it is necessary to remember that human beings are much more than simple consumers and producers. Whereas consumers are recurrent figures in economic textbooks, it is human beings who live in cities and communities. Kahneman (2012) says “nothing is as important as it seems when you are thinking about it”; this illusion of focalization shows up in the economic discipline when the focus of analyses is placed on the consumer –an agent that specializes in consuming goods and services and that lacks many other relevant aspects in a person's life. It's not the consumers but human beings who experience wellbeing; thereby it is not surprising that subjective wellbeing research shows that people's wellbeing depend on many aspects other than income.

It would be a huge mistake for the design of public policies to focus on increasing consumers' wellbeing rather than people's wellbeing. Public policies which are designed for the wellbeing of consumers overestimate the relevance of income while neglect many other relevant aspects for people's wellbeing. In fact, public policies designed under the paradigm of progress as economic growth end up measuring success and failure in terms that are distant to people. These policies would be ineffective and inefficient; ineffective because it doesn't increase the wellbeing experienced by people and inefficient because many resources are wasted in this attempt. It is not surprising then that the passion and enthusiasm that politicians and policy makers show regarding these results do not match the enthusiasm displayed by their presumed beneficiaries.

### ***Public policy for wellbeing***

It is crucial to distinguish between final goals and instrumental ones. Final goals are pursued per se and not as a mean to attain something else; this is the case for experienced wellbeing. Instrumental relevant as an intermediate aim and as long as they contribute to reaching the final goals. Wellbeing is a final goal, whilst income, urban infrastructure, recreation parks, health services, community development programs and many others



are no more than instrumental goals. Thus the final goal of public policies is not increasing citizen's income or reaching certain internet coverage, but the experience of being well people do have.

Public policies aim to impact in the wellbeing of people, not in the wellbeing of abstract and simplified consumers. The raise of income is just one instrument –not the only one and not necessarily the most important– for public policies to contribute to people's wellbeing. It is also necessary to incorporate in the design of public policies their impact on such relevant factors as the quality and warmth of interpersonal relations, the availability and gratifying use of free time, the habitability of the community's environment, the practices for social coexistence, preventive health behaviors, satisfaction and quality of employment, knowledge and abilities towards having a satisfying life, and the balance between working hours and free recreational and home hours, among others.

The national account system –primarily focused on income–, falls short in terms of evaluating the impact of wellbeing public policies. Thereby, it is necessary not only to develop a systematic monitoring system of subjective wellbeing, but also of the essential experiences of wellbeing people have as well as of their satisfaction in different domains of life. Also the design of public policies for wellbeing requires from universities to undertake further research on what are the relevant factors and how they influence wellbeing.

With information, research and political will it is possible to advance in the generation of those social-organization conditions that promote life satisfaction. By moving from an understanding of progress as economic growth to progress as happiness it would be possible to promote a kind of progress citizens can relate to and feel enthusiastic about.

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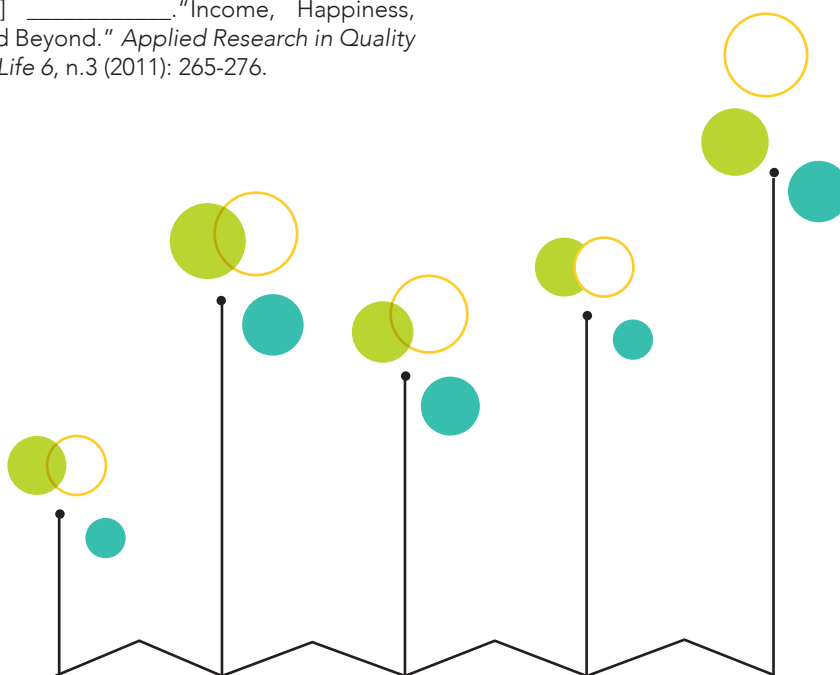
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# SUBJECTIVE WELLBEING MEASUREMENT AND LIFE SATISFACTION

***Robert A. Cummins***

Subjective wellbeing as an  
index to advise national policy

***Gemma Crous***

Subjective wellbeing:  
meaning, evaluation,  
evolution and its role  
in social and early  
childhood policies

# SUBJECTIVE WELLBEING AS AN INDEX TO ADVISE NATIONAL POLICY<sup>i</sup>



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## **Abstract**

This essay considers the development of subjective indicators. Of special interest is subjective wellbeing, most particularly as it is understood through the theory of subjective wellbeing homeostasis. The theory is described and the potential use of subjective wellbeing as an indicator, relevant to the development of public policy, is described. I conclude that it is timely for national statistical agencies to consider the adoption of a scale to measure subjective wellbeing.

## **Introduction**

This essay considers the development of subjective indicators. Of special interest is subjective wellbeing, most particularly as it is understood through the theory of subjective wellbeing homeostasis. The theory is described and the potential use of subjective wellbeing as an indicator, relevant to the development of public policy, is described. I conclude that it is timely for national statistical agencies to consider the adoption of a scale to measure subjective wellbeing.

## **History of social indicators**

The traditional measures of life quality are objective and focus on the physical circumstances of living. These indicators are tangible, in that they can be simultaneously observed by a number of people, usually as estimates of frequencies or quantities. An example is average population income.

A quite different component of life quality is subjective. Here the measures are quite different. Subjective life quality can only be measured through the direct experience of each individual, such as their degree of positive feelings. Hence, subjective life quality can only be measured by asking each individual how they feel about their life.

The importance of subjective indicators in the measurement of national functioning has been recognized for over 80 years. They are mentioned in the 1943 report of President Hoover's Research Committee on Social Trends, entitled 'Recent Social Trends in the United States'. However, the adoption of subjective indicators by national statistical agencies has been very slow to develop.

One reason has been uncertainty as to the policy implications of measuring such positive feelings. For example, population surveys conducted during the 1950s and 1960s revealed that, while GDP was rising, the average levels of positive feelings among the population was not. This finding is in direct contravention of basic economic philosophy holding that money is proxy for happiness, and caused national statistical agencies to regard subjective wellbeing (SWB) suspicion.

Despite this difficulty, subjective social indicators are slowly becoming accepted. The influential Stiglitz commission, in 2010, reiterated that GDP was not sufficient as an indicator of national progress, and proposed SWB as a complementary national indicator. Additionally, both the WHO<sup>1</sup> and the OECD<sup>2</sup> have recommended the

<sup>i</sup> This work is carried out with the support of Korean Foundation for Research, financed by the Korean government (NRF-2013S1A3A2054622)



directed to the restoration of homeostasis. If these resources are sufficient, they will reduce the perceived level of challenge to a level allowing homeostatic control to be restored. If the resources are insufficient to achieve such restoration, then SWB remains below its normal range and the person is at high risk of depression<sup>8</sup>.

Assisting homeostasis are several internal psychological resources and three major external resources, collectively referred to as the 'Golden Triangle of Happiness'. These are:

- Money used to avoid a negative experience such as house-cleaning, with the time saved used for a personally satisfying activity.
- Relationships, when positive and intimate, provide a secure social environment, which also reduces the probability of unpleasant social encounters.
- Achieving something personally important each day engages positive life routines in a secure context and provides a positive sense of purpose.
- In summary, engagement with these three resources both assists homeostatic defense by reducing the probability of negative events, and maintains positive feelings through engagement with secure and rewarding activities.

### *SWB and national policy*

When a population SWB mean score is 65 points, what does this mean? The answer lies in comparing such a result against two kinds of population norms.

The first norms use survey mean scores as data. Thus, 30 Australian surveys each contribute one datum and their combination yields a mean of 75.27, a standard deviation of 0.72, and a normal range (x2 SDs around the mean) of 73.83 to 76.71 points. In other words, any random sample of the Australian population should fall within this 2.9 percentage point range. Samples with means outside this range can be considered abnormal for the Australian population.

A dramatic example of a group falling below this range in Australia are informal carers – people caring for a disabled family member at home. Even though social security benefits provide support to such people, this resource is quite insufficient to counter the stress of long-term and unrelenting responsibilities, loss of paid employment, broken marriages, and social isolation. A study of 4000 carers yielded a SWB mean of 58 points, indicative of their substantial levels of homeostatic defeat and distress<sup>9</sup>.

The second kind of population norms are based on scores from individuals. Such norms, based on data from almost 60000 people in Australia, can be found in Cummins et al. (2013). They show a mean of 75.29 points, standard deviation of 12.47, yielding a normal range of 50.35 to 100.22 points. In other words, any individual with a PWI of less than 50 points can be considered to be in homeostatic failure and in need of additional resources.

The application of this understanding has recently been demonstrated by Tomy, Weinberg and Cummins (2015). Their study involved an intervention program delivered to 4243 adolescents who had been assessed 'at-risk' of not attaining year 12 or equivalent. For the adolescents with a baseline SWB <50, the intervention increased their SWB by 23.75 points. In sharp contrast, the effect of the

intervention for adolescents with a baseline >50 points was barely significant. This result is consistent with theory and reinforces two ideas. First, that providing additional appropriate resources to people in homeostatic failure will assist homeostasis to lift their SWB towards their normal range. Second, that providing additional resources to people whose SWB is normal range is inefficient, since homeostasis will defeat any attempt to raise SWB above its normal set-point range.

The general policy implication is consistent with common sense. Government resources will be most effective when distributed to citizens who are in homeostatic defeat.

### *Summary*

It is evident that the future of subjective social indicators, especially Subjective Wellbeing (SWB), is much brighter than it is past. From a technical standpoint, the scene is set. Reliable and valid measures are available and the results can be interpreted in a manner useful to the formulation of public policy, most particularly in relation to the most efficient distribution of resources. Whether national statistical offices decide to collect data on subjective wellbeing is now a political rather than a scientific decision.



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# SUBJECTIVE WELLBEING: MEANING, EVALUATION, EVOLUTION AND ITS ROLE IN SOCIAL AND EARLY CHILDHOOD POLICIES.



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## *Evolution of subjective wellbeing alongside public policy studies.*

Until the 60's, psychosocial intervention was understood under the perspective of studying and confronting social problems. It was when the debate about positive social change began based on the construction of quality of life. These are the roots of current positive psychology.

In this same period the crisis of material values emerged<sup>1</sup>. Until then, traditional economic criteria were used for evaluating growth, development or social evolution. However, the crisis emerged once it was evident the deficiencies that the exclusive use of social and economic indicators and objectives generate. For instance, in social policy studies it was found, as shown by Easterlin (1974) that the relationship between happiness and income (Gross Domestic Product) in different countries around the world was positive but weak. Consequently with this and many other evidence, it was clear the need of introducing subjective or psychosocial indicators for measuring quality of life. In this way, social indicators movement was born<sup>2</sup> with the consequent consolidation and expansion of quality life conception. Since these events, personal wellbeing became a political and macro-social interest, not only restricted to individual and micro-social realm<sup>3-4</sup>.

Since then, theories and definitions of wellbeing and quality of life are elaborated and those concepts are introduced into the political discourse. Nevertheless, this movement is consolidated in 2008 when Nicholas Sarkozy, -French Republican president-, asks Stiglitz, Sen and Fitoussi to create *The commission on the Measurement of Economic Performance and Social Progress* (CMEPSP)<sup>5</sup> with the objective of

identifying other social and economic indicators, considering GDP limitations. In the report, the commission recommended the evaluation of subjective wellbeing as a compliment to traditional economic measurements in order to design and evaluate social policies, as well as assessing and influencing the functionality of the market. Later in 2013, The Organization for Economic Co-operation and Development (OECD) designed the guidelines for subjective wellbeing evaluation.

Currently in Europe, it is possible to find some countries where subjective wellbeing is measured nationally. For example, in the United Kingdom, first minister David Cameron in 2010 announced the need of collecting national information about subjective wellbeing throughout the Office for National Statistics (ONS) and this is how the National wellbeing program was launched<sup>6</sup>.

## *Definition of subjective wellbeing*

We cannot continue talking about subjective wellbeing and quality of life without discussing different definitions and concepts that are different, but used indistinctively in the colloquial language.

According to Veenhoven (1996), quality of life has objective and subjective dimensions, it is considered to be influenced by physical and psychological factors experienced by the individual. Under this concept, quality of life is related with the satisfaction of material and mental needs<sup>7</sup>. Glatzer y Mohr (1987, within Casas, 1996) go further assuring that quality of life depends of the interaction between two elements: objective wellbeing evaluated throughout objective life conditions and subjective or

psychological wellbeing, evaluated throughout perceptions, evaluations and people's aspirations.

Within the psychosocial and positive psychological interventions, two traditions for wellbeing study are considered: the Hedonic and Eudaimonic traditions.

The main aim of the Hedonic tradition is the study of subjective wellbeing<sup>8</sup> both on an individual and population level<sup>9</sup>, usually called in colloquial terms as happiness. This tradition is based on two grounds: the backgrounds of happiness perspectives that are the positive and negative affects of Bradburn (1969), and the perspective of satisfaction developed by Cantril (1965). This definition refers to the presence of positive affect, the absence of negative affect and individual life satisfaction<sup>10</sup>. In other words, subjective wellbeing is based on three components: individual experiences, evaluations and perceptions of the experiences (not only the absence of negative affects but also the presence of positive ones), and a general evaluation of life -also known as life satisfaction-. To sum up, there is a combination between cognitive and affective processes<sup>11</sup>, which are independent but frequently interrelated, transforming individual perception of wellbeing<sup>12-13</sup>.

The Eudaimonic<sup>14</sup> perspective is mentioned and studied concept by Aristotle. It is extensively analyzed by other authors using its basic idea, especially intellectual traditions of the XXI century including humanist psychology. The Eudaimonic tradition is related with a good life and reaching high personal and human potentials more than a result or psychological state<sup>15</sup>. The primary focus of study is found in psychological wellbeing.

From now on, we will concentrate on subjective wellbeing, since it is the primary focus and objective of this article. However, understanding these concepts and differentiating it from similar ones is relevant for this discussion.

### ***Instruments to measure SWB<sup>i</sup>***

There are two measures of subjective wellbeing described in the scientific literature, not exclusive between them: a global evaluation of life satisfaction or an evaluation of specific aspects of life, the

most relevant. The former, life satisfaction, takes into account an evaluation about life in general not referred to a particular moment<sup>16</sup>. Instead, in the second definition, life satisfaction refers to specific life aspects of peoples' lives such as family, friends, health, work, free time, etc<sup>17</sup>. Although there is disagreement with the concrete number of life satisfaction aspects and its characteristics, there is a certain agreement in considering that life satisfaction is more than the sum of all life satisfaction aspects<sup>18</sup>. This explain why life satisfaction measurements are complemented with a one single item scale that measures overall life satisfaction.

Different authors have given their contributions regarding instruments used for measuring subjective wellbeing, but there is still no agreement about the indicators to measure or conceptualize subjective wellbeing<sup>19</sup>. Two of the most used examples of psychometric scales are PWI (Personal Wellbeing Index) and SWLS (Satisfaction Wellbeing Life Scale). PWI<sup>20</sup> evaluates subjective wellbeing considering satisfaction with different aspects of life: health, quality of life, security, interpersonal relationships, future, personal achievements, community and spiritual feelings. SWLS<sup>21</sup> evaluates satisfaction without considering aspects of life, using five items with a response option of agree/disagree. Regarding the instruments used, besides the scales, single item questions are also used, such as Overall Life Satisfaction (OLS) or the Happiness Overall (HOL)<sup>22-23</sup>, both instruments evaluate satisfaction or global happiness using only one question.

### ***Subjective wellbeing definition of children and teenagers, and instruments used for measuring.***

When referring to children wellbeing we can see a similar history: the indicator to measure wellbeing amongst this population was a child poverty index. An example if this, is a report developed by UNICEF: State of World's Children (1979), which informed about basic indicators for survival and child development. This report aimed at creating global consciousness on monitoring children wellbeing. It was only until the beginning of the XXI century, when it was introduced the discussion of wellbeing instead of basic survival needs, and the first efforts were made on understanding what child

quality of life means from children own perspectives, seeing the concept in a positive way beyond the absence of illness<sup>24</sup>.

Once children rights started to be considered relevant in studies focused on them, and childhood was understood as a relevant stage itself not only a transition stage to adulthood<sup>25</sup>, positions taken by the younger people started to change in society and research. Children started to be questioned about their lives, instead of considering adults (parents, professors, doctors, etc.) the only experts able to talk about the topic. In addition, several studies started to demonstrate the difference between studying childhood by asking directly to children instead of asking parents or tutors (for example Casas et al., 2007; and Casas et. al, 2008).

Therefore, the social indicators movement -previously mentioned-, influenced the childhood indicators movement, which was developed towards the end of last century. The first comparative indicator of children wellbeing, which included an evaluation of subjective wellbeing, was a comparative study between twenty-five countries of the European Union<sup>26</sup>. This study was updated two years later comparing 29 countries of the European Union with some measurement improvements<sup>27</sup>. Likewise, professor Ben-Arieh, under the Jerusalem project, organized a series of meetings to discuss social childhood indicators; this effort translated into the Multinational Indicators Project, with the main goal of monitoring and evaluating childhood wellbeing. This led to the creation of the International Society for Child Indicators (ISCI), which has been published by recognized journals regarding Child Indicators Research, besides organizing seminars and conferences.

This effort, led to a more ambitious project: the Children's Worlds<sup>ii</sup> or the international survey of child wellbeing. The project started in 2009 when a group of researchers, mainly from the ISCI, gathered in a reunion organized by UNICEF to debate the necessity of conducting an international level survey about young people's lives. It started with a pilot test in Brazil, England, Germany, Honduras, Israel and Spain during 2010. After incorporations and modifications made by a group of researchers and

<sup>i</sup> Subjective Well-Being.

<sup>ii</sup> Consult in: <http://www.isciweb.org/>



modifications made to the survey, in 2012 data from 14 countries worldwide was collected as a large scale pilot test. Later in 2013 and thanks to the financing of Jacobs Foundation, the questionnaire was administered to over 50,000 children from 8, 10 and 12 years old, over 16 countries worldwide, obtaining information about their lives and subjective wellbeing. Currently, this is the larger database with information about child subjective wellbeing. Children's World's promoters pretend throughout this material, to influence the opinions of leaders, policymakers, professionals who work with this population and the general public, on a national and international level.

We have been talking about subjective child wellbeing; however it has not been defined. Between numerous definitions we are able to find Bradshaw et al. (2010), which defines it as the opinions and points of views given by children of their own personal wellbeing and relations. Regarding the evaluation, many of the constructed instruments by adults have been adopted to children, such as The Quality of Life Profile –Adolescent Version (QOLPAV)<sup>29</sup> or the Personal Well-being Index-School Children (PWI-SC)<sup>30</sup>, which were transformed into adolescents and children versions and simplifying scales for adults. Nevertheless, some instruments has been developed exclusively for this age group, such as Brief Student Life Satisfaction on Scale (BMSLSS)<sup>31</sup>, which is designed to collect information regarding life satisfaction throughout five aspects: family, friends, school, self-evaluation and environment.

### **Social and childhood policies and their relation with subjective wellbeing.**

Lastly, it is intended to provide a brief and simple reflection of how subjective wellbeing influences or should influence social and childhood policies. The term happiness or wellbeing is normally found next to participation, rights, empowerment and autonomy, and it is always presented alongside objectives and political guidelines in many countries of the world. We all agree that improving children's and adolescents' wellbeing is important and should be a priority at any country, but we should also ask ourselves: how it should be evaluated? Without evaluation, it is not possible to know if policies implemented are improving or

deteriorating young people's wellbeing. We should remind politicians and those who are in power, to materialize wellbeing as an transversal objective of all decisions (also cutbacks) and related interventions, because sometimes it seems as if words are left in the wind, and only in few countries is there a true consciousness of the relevance of evaluating and monitoring children's wellbeing, to be able to measure the impact of interventions. We cannot forget some countries where these evaluations have been made. For instance, the United Kingdom, where regular reports about child wellbeing have been made since the beginning of the century, starting with Bradshaw's (2001) book, recently published with the latest version by the same author (last year).

Finally, our call is to promote consciousness regarding the concept of subjective wellbeing. Hopefully, we may be able to see it someday written in all political agendas with their corresponding evaluations, considering always, children as the main characters of their lives and best informers.

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# RESEARCH IN DEVELOPED COUNTRIES AND COLOMBIA

*David G. Blanchflower*  
Happiness

*Jeanne Kelly Ruiz*  
The economics of happiness in Colombia:  
Research advance

*Silvio Borrero*  
Let them take away from me  
what I've danced...!

# HAPPINESS<sup>i</sup>



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The last few decades have seen a body of researchers attempt to rise to the difficult challenge of how to study “happiness” or wellbeing in a systematic, empirical way. These scholars come from a range of disciplines, including psychology, economics, epidemiology, medicine, statistics, sociology, political science, and management science. Although their methodological approaches differ in detail a common methodology has begun to emerge. Most researchers begin from the idea that inside a human being there is some happiness or utility function of general form:

Happiness= f(age, gender, labour force status, education, marital status, diet, other personal characteristics, region characteristics, country characteristics)

Authors typically take a random sample of the population, use multiple-regression techniques, use some form of well-being as the dependent variable, and calculate the size of the coefficients within so-called “happiness equations”. At a formal level, this method is like the approach of an epidemiologist who wishes to understand the myriad influences on a person’s chance of good or bad life outcomes, such as falling ill with cancer. In both literatures the outcome of such research is a regression equation in which factors such as a person’s age, gender, diet, labour and marital status are shown statistically to matter.

Before presenting data on happiness and life satisfaction in seminars to the many skeptical economists who do not believe you can, or even should, measure wellbeing – although there are less of that ilk these days – I first explain that the data have been validated by researchers in other disciplines. I tell them that the answers to happiness and life satisfaction

questions are well correlated with a number of important factors.

- Objective characteristics such as unemployment.
- Assessments of the person’s happiness by friends and family members.
- Assessments of the person’s happiness by his or her spouse.
- Heart rate and blood pressure measures of response to stress.

The risk of coronary heart disease

- Duration of authentic or so-called Duchenne smiles. A Duchenne smile occurs when both the zygomatic major and orbicularis oris facial muscles fire, and human beings identify these as ‘genuine’ smiles.
- Skin-resistance measures of response to stress.
- Electroencephelogram measures of prefrontal brain activity.

The seminal work of Richard Easterlin (1974) had in the 1970s demonstrated that happiness in the United States did not seem to be rising through time with GDP growth. He argued— and still does—that the likely reason was that humans are fundamentally creatures of comparison, so that when they see everyone around them becoming richer at the same time as they themselves do the net result is a kind of generalized neutrality. We go from having one Ford to having three Lexuses, and nobody is happier. Many researchers believe in some version of this idea—that people’s wellbeing or “utility” (as economists tend to call it) depends on relative factors.

<sup>i</sup> My thanks to Jacob Wojnas for invaluable research assistance.

In an early paper<sup>1</sup> we found using a time series of cross sections from the General Social Survey that happiness in the United States was un-trended from 1972-1998. Table 1 updates to 2014 and finds similarly although there was a small decline in happiness in 2008 during the Great Recession. Table 2 sets out changes in life satisfaction scores scored similarly taken

from the World Database on Happiness for 18 Latin American countries for six years from 1997 to 2015. Four main points stand out. First, consistent with the Easterlin hypothesis, happiness has risen over time as these countries became richer. Second, happiness fell between 2008 and 2009 in all countries except Costa Rica and then recovered to a higher

level in 2015. Third, happiness in 2015 is lowest in Peru (2.75) and highest in the Dominican Republic (3.51). Fourth, happiness levels in Latin America are broadly comparable to those in Europe.

**Table 1.**

US Happiness over time;  
1972-2014 (%)

Age	Score	Age	Score
1972	2.14	1989	2.23
1973	2.23	1990	2.24
1974	2.25	1991	2.20
1975	2.20	1993	2.20
1976	2.22	1994	2.17
1977	2.23	1996	2.18
1978	2.25	1998	2.20
1980	2.21	2000	2.21
1982	2.16	2002	2.18
1983	2.18	2004	2.18
1984	2.22	2006	2.18
1985	2.17	2008	2.14
1986	2.21	2010	2.11
1987	2.16	2012	2.16
1988	2.25	2014	2.18

Source: General Social Survey

Notes: Happiness score where "1=not too happy"; "2=pretty happy" and "3=very happy".

**Table 2.**

Happiness in Latin America, 1997-2015

Country / Age	1997	2008	2009	2011	2013	2015
Argentina	2.51	3.01	2.84	2.98	3.07	3.07
Bolivia	1.97	2.94	2.81	2.61	2.70	2.78
Brasil	2.38	3.38	2.84	2.89	2.76	2.83
Chile	2.32	3.07	2.83	2.72	2.84	2.83
Colombia	2.50	3.39	3.35	3.22	3.30	3.30
Costa Rica	2.83	3.01	3.38	3.36	3.35	3.32
Dominican Rep.	-	3.40	2.98	2.93	3.47	3.51
Ecuador	2.06	3.18	2.61	2.88	3.05	3.02
El Salvador	2.49	3.18	2.97	2.59	3.15	3.07
Guatemala	2.40	3.27	3.04	3.09	3.17	3.11
Honduras	2.41	2.86	2.81	3.00	3.09	3.16
Mexico	2.61	3.25	3.04	3.18	3.10	3.14
Nicaragua	3.01	3.12	2.93	3.16	3.10	3.19
Panama	2.38	3.35	3.27	3.37	3.41	3.34
Paraguay	2.79	3.04	2.91	2.89	2.91	3.07
Peru	1.70	2.97	2.69	2.74	2.77	2.75
Uruguay	2.40	3.15	2.98	2.96	3.06	3.06
Venezuela	2.45	3.44	3.37	2.98	3.19	3.08

Source: World Database of Happiness  
Notes: Overview of Happiness Surveys using measure type: 121C <sup>ii</sup>.

<sup>ii</sup> Posed the question: ¿How satisfied are you with the life you lead? And it's used 4-step verbal Life Satisfaction: "4 = very satisfied", "3 = fairly satisfied", "2 = not very satisfied", "1 = not at all satisfied".

For example, in 2015 happiness scores in Europe, be shown in table 3, where happiness is highest in Scandinavia and lowest in Eastern Europe as well as the countries impacted most by unemployment including Greece, Spain, Portugal and Italy. This is a consistent pattern found in many datasets including the Eurobarometers and the ISSP.

**Table 3.**

Happiness in European countries 2015

Country	Age
Austria	3.10
Belgium	3.03
Bulgaria	2.32
Denmark	3.71
France	3.03
Germany	3.22
Greece	2.20
Hungary	2.68
Italy	2.64
Netherlands	3.47
Poland	2.97
Portugal	2.52
Romania	2.56
Spain	2.91
Sweden	3.44
UK	3.35

Fuente: World Databases Happiness.

Below I document five patterns that appear to be highly consistent across countries. In Table 3, I estimate a couple of life satisfaction equations for Latin America using data from the 2013 Latino Barometer that show that several of these patterns also apply to Latin America. Happiness and life satisfaction equations for Latin America look very similar to

**Table 4.**

Happiness equations in Latin America

Age	-.0159	(8.89)		
Age <sup>2</sup>	.0001	(8.08)		
Male	.0052	(0.47)	.0060	(0.54)
Argentina	-.3018	(8.92)	-.3018	(8.90)
Bolivia	-.6726	(20.35)	-.6728	(20.32)
Brazil	-.5948	(17.97)	-.5966	(17.87)
Chile	-.5064	(15.07)	-.5047	(14.99)
Colombia	-.0923	(2.70)	-.093	(2.72)
Dominican Rep.	.1256	(3.65)	.1244	(3.60)
Ecuador	-.3491	(10.55)	-.3463	(10.44)
El Salvador	-.1768	(5.16)	-.1760	(5.12)
Guatemala	-.1481	(4.27)	-.1474	(4.24)
Honduras	-.2446	(7.12)	-.2439	(7.09)
Mexico	-.2451	(7.45)	-.2451	(7.43)
Nicaragua	-.2430	(7.08)	-.2447	(7.04)
Panama	.0330	(0.97)	.0325	(0.95)
Paraguay	-.4765	(14.40)	-.4761	(14.35)
Peru	-.6235	(18.70)	-.6220	(18.61)
Spain	-.4503	(7.69)	-.4550	(7.75)
Uruguay	-.2821	(8.52)	-.2818	(8.49)
Venezuela	-.1914	(5.76)	-.1915	(5.75)
No religion	-.0487	(2.90)	-.0491	(2.92)
Self-employed	-.0129	(0.88)	-.0124	(0.85)
Unemployed	-.1715	(6.87)	-.1721	(6.88)
Retired	.0296	(1.13)	.0377	(1.41)
Homeworker	-.0455	(2.63)	-.0449	(2.59)
Student	.0479	(1.82)	-.0423	(1.54)
Married/living together	.0327	(2.57)	.0333	(2.61)
Separated/divorced/widowed	-.0836	(4.23)	-.0858	(4.32)
Constant	36.785		36.394	
R <sup>2</sup>	.0872		.0874	
N	22,563		22,563	

Source: Latino Barometer 2013.

Notes: Equations include 17 education dummies. Column 2 includes 82 age dummies. Excluded category Costa Rica; employee; single. T-statistics in parentheses.

Question. Generally speaking, would you say you are satisfied with your life? Would you say you are....? Very satisfied=6980 (30.9%); Quite satisfied=10397 (46.1%); Not very satisfied=4525 (20.1%); Not at all satisfied=661 (2.9%).

happiness equations in Europe, just as wage equations do. The following patterns are found in happiness equations.

### 1) Personal characteristics matter

Married people are happier than single people, who in turn are happier than widowed, divorced or separated. Religious people are happier than the less religious. Education and income raise happiness. Gender does not have consistent effects<sup>2</sup>.

### 2) Happiness is U-shaped in age

We found this pattern in data for many countries<sup>3</sup>, plus we also find that, conversely, unhappiness has an inverted U-shape in age. Table 3 finds an exactly similar result for Latin America. It is found in the first column with the inclusion of an age and an age squared variable, with the

function minimizing at age 52. The second column includes 82 individual year of age dummies; their coefficients are plotted in Chart 1, confirming the U-shape pattern. With a minimum around age 50, as found in many other countries. The research implies that mental distress tends to reach its maximum at middle age, with the peak occurring between one's mid-40's and late 50's (for individuals in most of the countries studied). An alternative possibility is that the data may simply be a result of shifting baselines; as individuals get older, they are might abandon some of their infeasible ambitions, placing more value on things that they had taken for granted earlier in life.

### 3) Anti-depressant use has an inverse U-shape in age

In a recent paper Blanchflower and Oswald (2016) we considered rates of

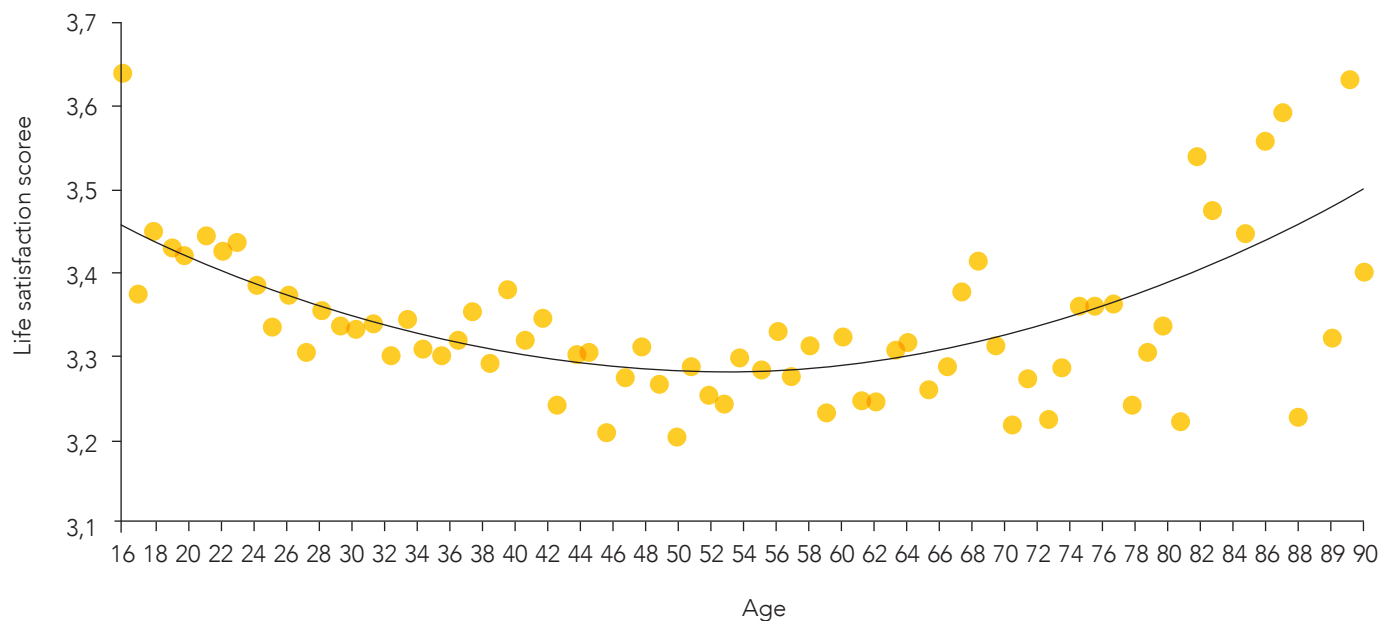
antidepressant use among adults in Europe, using 2010 Eurobarometer data. This metric can be thought of a proxy for the proportion of individuals coping with depression. After controlling for confounding factors, including gender, employment status, and country of residence, the study finds an inverse 'U-shaped' trend in anti-depressant use by age. For most of the countries sampled in the survey, antidepressant use is highest among individuals in their late 40's. Individuals in their late 40's and early 50's (ages 45-54) are approximately twice as likely to be taking antidepressants as individuals with the same characteristics who are either under the age of 25 or over the age of 65.

### 4) Eating habits impact happiness

Blanchflower, Oswald and Stewart-Brown (2013) looked to connect self-reported

Chart 1.

U-shape in age Latin-America 2013



wellbeing with other, objective proxies of wellbeing, we might decide to consider the relationship between an individual's fresh produce consumption and subjective wellbeing. After all, if subjective wellbeing metrics are truly reflective of overall utility, one might expect the benefits of a healthy diet to correlate with sense of wellbeing reported by an individual.

We found that this is indeed the case. The data reveals a positive correlation between the number of fruit and vegetable servings consumed daily and various measures of subjective wellbeing. We observed an almost monotonic

relationship between the outcome measures and the level of fruit and vegetable consumption. Those who consume approximately 7 portions of fruit and vegetables per day receive the greatest benefit in subjective wellbeing.

**5) Unemployment hurts. It is a common finding in happiness research that unemployment reduces happiness**

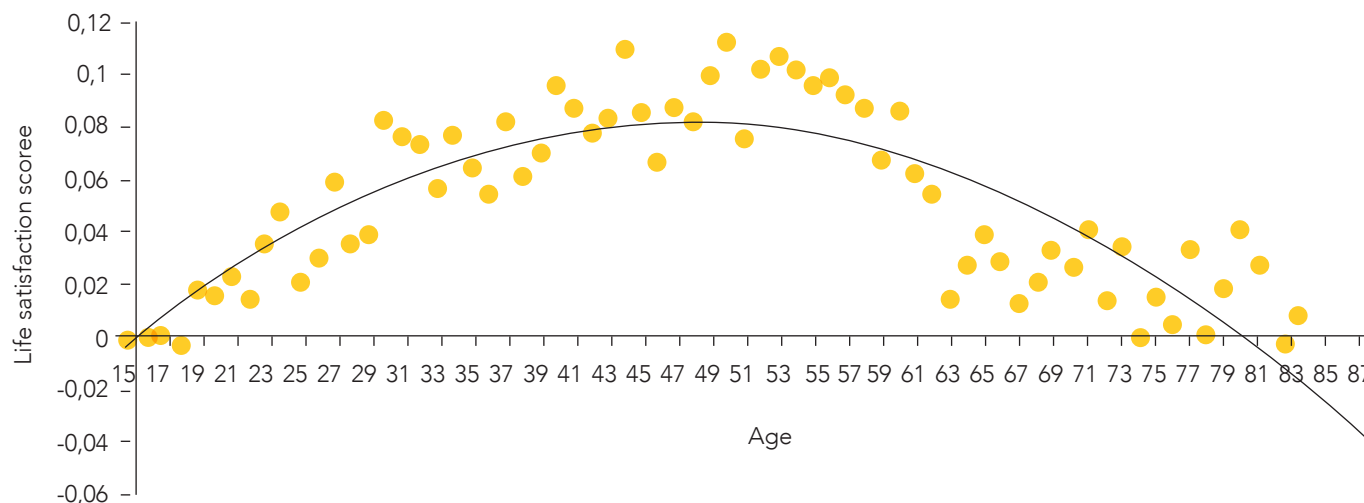
In Blanchflower et al., (2013) we examined the impact of unemployment and inflation on happiness. We found that unemployment lowers happiness for those who are unemployed, but also for

everyone else. Inflation also lowers happiness but not by as much as unemployment does. A one percentage point rise in unemployment, in European countries we found lowered happiness five times more than a one percentage point rise in inflation.

The human condition is consistent across continents. Perhaps surprisingly to many, patterns in the data from Europe appear to repeat themselves consistently in Latin America. Of more interest perhaps is in what ways they differ. Almost everyone is interested in happiness.

**Chart 2.**

The relation between the probability of antidepressants use an age



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# THE ECONOMICS OF HAPPINESS IN COLOMBIA: RESEARCH ADVANCE.



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Ancient philosophers were those first interested in reflecting about happiness. Nevertheless, psychologists were who gave economists an impulse towards constructing happiness in a prosper area of investigation. Today many economists talk about happiness, life satisfaction and subjective wellbeing, but what it means? What does it have to do with the economy? and how is this discussion progressing in Colombia?

## *Happiness and the government<sup>i</sup>*

Towards ends of the middle age and starting the Renaissance, Pericles, one of the most recognized governors of ancient Greece, wanted to convert happiness as a state policy.

Later on, during the Enlightenment, Rousseau argued that people by definition are happy but have to be wise to sustain it. In this way, he points out how inequality between societies generates unhappiness.

Two decades later, the idea of seeking happiness as an inherent and inalienable human right, was reflected for the first time in a document of a modern society (Declaration of independence of the United States of America, 1776).

The idea of seeking happiness has had a larger posterior impact, even, Liberator Simón Bolívar, referred to the concept in several occasions on his writings.

“Colombians! My last votes are for the happiness of the homeland. If my death contributes for parties to cease and the consolidation of union, I will descend to my tomb peacefully” (Bolívar, 1830).

“Not being able to accomplish between the monarchy and republicans the most perfect and finished ideal, let’s avoid falling into demagogic anarchy or monochrome tyrannies. Let’s seek a form between opposite extremes, which will conduct us to pitfalls, unhappiness and dishonour” (Bolívar, 1815).

## *Happiness and the Economy*

In the XX century, the process of rediscovering happiness in the economy<sup>ii</sup> is presented in the 70’s with a psychological work titled “Hedonic relativism and planning the good society” by Brickman and Campbell (1971)<sup>1</sup>.

Even though this study is the starting point of a new stream of the studies of happiness, it remained practically unrecognized by economists until the arrival of Easterlin’s work (1974) y Scitovsky (1976)<sup>2</sup>. These studies revived the paradox of happiness, or the relationship between wealth and happiness, which philosophers and great thinkers discussed 2000 years before.

The paradox of happiness refers to the contrast between the following two facts: Why happiness does not depend on people’s income throughout their lives, whilst in other moments of time, income and happiness are highly related<sup>3</sup>? Latter on, authors such as Hirsch (1977), Ng (1978), Layard (1980) and Frank (1985), amongst others, contributed explanations to these facts<sup>4</sup>.

<sup>ii</sup> Rediscovering is talked about to note that there is more history about happiness in the economy, than the usually recognized. Bruni (2007) presents a journey through the XVIII century showing several contributions in the subject of happiness, additional to those given by Smith.

<sup>i</sup> Parts taken from Silva-Colmenares (2008).

Even though theories behind this paradox are multiple, there is an idea present in all of them: the economics emphasis in certain variables such as income, wealth and consumption, leaves aside something very important: interpersonal relationships. For Bruni, this matter conforms "the black box" in the economy of happiness, which in other words, explains how personal relationships can transform wealth or happiness (technology of happiness<sup>5</sup>).

### ***Distinction between happiness, life satisfaction and subjective wellbeing.***<sup>iii</sup>

Unfortunately the nature of happiness has not been defined in a uniform way, therefore, it may mean pleasure, life satisfaction, positive emotions, meaningful life, amongst other concepts<sup>6</sup>. Despite this, it is clear that psychologists use the expression "happiness" far more precisely than economists.

Psychologists, despite concentrating in studying in depth unhappiness for decades, started to correct this situation publishing theoretical and empirical work about happiness, this field has grown significantly<sup>7</sup>. Experimental studies about happiness can be found since the 50's in psychology.

Generally speaking, psychologists distinguish three concepts: life satisfaction, pleasant and unpleasant emotions (affection) and subjective wellbeing.

For example Diener, one of the main recognized psychologists in this area, proposes a model in which subjective wellbeing is composed by four dimensions:

- Positive emotions such as happiness, euphoria, satisfaction, affection and ecstasies.
- Negative emotions, such as sadness, anger, concern and stress.
- Life satisfaction or overall life judgement of its meaning and success.
- Satisfaction with different domains such as marriage, work, health, leisure, amongst others.

In this approach, subjective wellbeing is defined as life's general evaluation, which people make of themselves. In this way, happiness is considered as a smaller concept than subjective wellbeing, resulting as the balance between positive and negative emotions<sup>8</sup>, and is also different from life satisfaction (both, happiness and life satisfaction are components of subjective wellbeing)<sup>iv</sup>.

From here derives one of the principal critics to economists about happiness that indicates that in the theory, these are usually based on Aristotle's versions<sup>v</sup> of happiness, but once practiced end up reducing the term to the hedonic concept of pleasure<sup>vi</sup>. More severe is the fact that economists don't even like dealing with the question of what happiness means, and despite it usually is not defined in a rigorous matter, is often measured empirically.

### ***The study of happiness in Colombia***

In Colombia happiness studies started in the 90's. One of the first articles related to the field of economics –probably the first one– is by Silva and Hernández (1994) titled "Sea F la función de la felicidad"<sup>vii</sup>.

iv In this sense "to be happy" is considered different to "being happy", and in this way, subjective welfare approaches more the first case to the conception of Aristotle's - Eudaimonic-, whilst for the second case, positive and negative emotions and life satisfaction, are associated with Benthamist's stream –hedonist- of pleasure (Bruni and Porta, 2007).

v Happiness for Aristotle's is the ultimate good and motivation of the human action obtained of superior activities such as contemplation, knowledge, religion, art, politics, amongst others.

vi Bentham marks the breaking point in the history of happiness especially in the economic stream –neoclassic- reducing the concept of happiness to pleasure (Bruni and Porta, 2007).

vii It should be mentioned that before this book, national surveys were conducted measuring happiness in Colombians. In fact, one of these works is presented by Lemoine (1993) resuming results about different aspects (family, couple, sexuality, religion, work, education and others) conducted by "El Centro Nacional de Consultoría" this same year. Nevertheless, it is related to this endnote not for being an investigative paper in the fields of economics, but rather a collection of general opinions.

This theoretical work, proposes the specification of a mathematical model, which includes economic and non-economic variables such as freedom, leisure, environment and justice, to explain happiness.

In 2000, Cuéllar published a book titled "Colombia: Un Proyecto inconcluso"<sup>viii</sup>, based on a national survey conducted to 3.000 people in 1997, covering subjects such as family, work, insecurity, violence, corruption, justice, political role, amongst others (Gaitán, 2001)<sup>ix</sup>.

The survey was based on the methodology of the World Values Survey (WVS), widely used in empirical works of subjective wellbeing, and even though the focus of the study about happiness was not explicit<sup>x</sup>, sections of the work showed information about the levels of happiness reported by the surveyed group. This could be considered as the first step in the measurement of happiness in the economic literature of the country.

From the 2000's, a great number of publications about economy of happiness can be observed.

viii The goal of the study was to obtain elements that would contribute to the design of public policies according to the prevailing values within the Colombian society.

ix In 2009 and 2010 for example, are found registered these type of seminars within Jorge Tadeo Lozano University: "Can money buy happiness?" and "The determinants of Subjective Welfare"; in 2011 and 2015 are also registered seminars in the University of Los Andes and the University Piloto: "Economy of Happiness".

x Luis Fernando Gamboa, as well as Eduardo Lora, has dedicated part of his work to investigating life quality, showing in various occasions approaches to the topic of happiness and life satisfaction.





covers 8 central topics. One of these topics is dedicated to the measurement of life satisfaction and another measures personal satisfaction, regarding different components of life, such as family, work, health, income, amongst others.

Finally this year, the Departamento Nacional de Planeación (DNP)<sup>xx</sup> presents for the first time, a general measurement of subjective wellbeing for Colombians. This first approximation was based on the survey conducted to over 9000 people statically representative for urban and rural areas. The instrument used followed the alignments of the OECD seeking international comparison.

With these advancements, the country evidences day by day more interest in treating and studying the subject of happiness on a state level. Even though internationally this area has been studied for over 40 years, there are still some challenges to overcome: definition, measurement and incidence on public policy are only a few of them.

This document is only a brief overview of the development of the topic in Colombia, it does not pretend to be an extensive work, for which all researchers who have contributed in this discussion are enormously thanked for their great effort.

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# LET THEM TAKE AWAY FROM ME WHAT I'VE DANCED...!

## THE COLOMBIAN PARADOX



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“ *Juego, canto, bebo, río... y aunque no me quede un cobre,  
al sonar la última hora... ¡que me quiten lo bailao!* ”  
Miguel Bucino, 1942.

I play, sing, drink, laugh... and if I don't have a dime, when my last hour comes... let them (try to) take away from me what I've danced...!<sup>1</sup>. Miguel Bucino's tango summarizes the relaxed approach to life common in Colombia and other Latin American countries. Some people seem to be culturally inoculated against suffering, and they exhibit a preternatural resilience to adversity, and actually thrive and are happy in the midst of poverty, inequality, violence, restlessness, and turmoil.

Colombia, in particular, has been plagued by a continuum of domestic violence that dates back to the 1940s and still causes thousands of deaths every year<sup>2</sup>. Such a terrible malady has inevitably nurtured—and in turn been fueled by—adverse poor social and economic conditions. Even if many indicators have improved significantly during the last couple decades, poverty, inequality, corruption, deficiencies in infrastructure, and education levels are still far from those found in most rich Western nations. Any objective assessment of the Colombian reality would predict a negative or, at the most, modest happiness rating. Moreover, if we define happiness as the reward for a balanced and harmonious life and the natural goal for a lifespan of virtuous discipline<sup>3</sup>, being happy looks like an elusive goal for us, who are far from virtuous, disciplined or balanced.

And yet, according to both popular indices and scholarly research, Colombia consistently ranks as the happiest country in the world, or one of the happiest<sup>4-10</sup>. Moreover, many countries with much higher living standards and allegedly better quality of life rate lower on happiness or subjective well-being (SWB).

How can this paradox be explained? I hereby suggest that at least three theoretical paradigms, taken together, help understand the Colombian paradox: needs theory, positive illusions psychology, and the collectivism/individualism dichotomy.

### *(Dis)satisfied and (un)happy*

Needs theory, including such seminal works as Maslow's hierarchy of human needs<sup>11</sup> and Herzberg's hygiene factors<sup>12</sup>, partially explains this phenomenon. There is abundant evidence on the positive relationship between wealth and happiness<sup>13-16</sup>. It just makes sense that improving material well-being will in turn increase people's overall satisfaction with life.

This is, as long as basic needs are not completely satisfied. Increasing wealth will likely predict happiness, if you are not wealthy. Once basic needs are fulfilled, further increases in material standards cease to enhance satisfaction with life. Humans are inherently dissatisfied<sup>17,18</sup> and there will always be something more to look for as soon any material goal is attained. There is always some higher and more costly goal to pursue, and there will always be other people with higher income or more possessions. The positive relationship between wealth and happiness is not linear but rather logarithmical<sup>19,20</sup>, such that progressively higher incomes result in decreasing yields of happiness. As a result, happiness eventually reaches an insurmountable plateau past which you just cannot be any happier. This threshold has been described in many studies and across varied cultures<sup>21,22</sup> and it holds at the

collective and individual levels of analysis<sup>[23-25]</sup>.

Even if satisfaction of material needs contributes to happiness, it is clearly insufficient to attain sustained, increasing SWB<sup>26</sup>, and it does not explain why Colombia and other poor or highly distressed nations consistently rank as the happiest countries in the world. Moreover, although Colombia has made considerable progress in many areas, some key economic and social indicators have actually deteriorated within the past few years. And yet, Colombians again report feeling happier than all other countries<sup>27,28</sup>.

### *Unrealistically optimistic*

Another possible explanation for Colombian stubborn happiness comes from social psychology and mental health studies. Research suggests that unrealistically positive self-evaluations, exaggerated perceptions of control or mastery, and unrealistic optimism help people maintain their mental health<sup>29</sup>. That is, conscious contact and acknowledgement of reality is not necessarily a precondition for an individual to be sane, and could in fact be counterproductive as it causes damaging stress levels. Extrapolating these findings to a country-level of analysis, perhaps Colombians keep their sanity amidst havoc by being unrealistically positive and optimistic. This would explain why Colombians have been able to maintain consistent levels of life satisfaction despite decades of continued violence, social problems and international stigmatization.

If we consider recent surveys, however, unrealistic optimism could also fall short of adequately explaining the Colombian happiness. After all, the most recent Gallup International's End of Year report shows highlights that, despite their happiness, Colombians are not so optimistic about their future, and rank in a modest 18th place out of 65 countries<sup>30,31</sup>.

### *Conveniently collectivistic*

A third possibility to understand the Colombian phenomenon, and perhaps similar behaviors in other, culturally similar nations, is our collectivistic orientation. There is abundant evidence that, in the aftermath of extremely distressing situations, such as terrorist attacks or

natural disasters, rich, individualistic countries behave much different than poorer, more collectivist countries. Indeed, whereas individualistic people tend to "go out shopping"<sup>32</sup>, collectivistic people will likely gather with family and kin, or seek refuge in collective experiences. Thus, to better understand the Colombian paradox, our national culture should be analyzed within the individualist/collectivist framework<sup>[33-37]</sup>.

Collectivism—and its opposite, individualism—refers to the degree to which individuals are integrated into groups—or not. Whereas in individualistic cultures social ties are loose, everyone is expected to look after herself, and individual success is praised, collectivistic cultures promote integrated groups, extended families, and loyalty. One could therefore suppose that collectivistic people are happier than individualistic people, which would explain why Colombia—which is highly collectivistic—achieves higher happiness ratings than other, wealthier and more individualistic countries. However, and intriguingly, collectivism does not necessarily result in higher perceptions of happiness, and individualistic cultures could actually, on average, be happier<sup>38</sup>. The relationship seems to be more complex, and it is probably explained by the interaction(s) between collectivism and other factors. More specifically, collectivism could be a survival mechanism that helps people cope with adverse situations<sup>39</sup>, in the absence of government-provided safety nets or personal assets<sup>40</sup>, and thus acts as a moderator rather than a predictor of happiness.

### *Adversity versus happiness*

In sum, there is a positive, non-linear relationship between satisfaction of needs and happiness, stronger in poor(er) nations given the relative dissatisfaction of existentialist needs. As a result, any improvement in material living standards results in more happiness for poor people, but increasing wealth eventually reaches a point where sheer satisfaction of basic needs is ineffective in increasing SWB. This apparent paradox starts making sense if the relationship is viewed as one between dissatisfaction (or adversity) and unhappiness, rather than one between satisfaction (or prosperity) and happiness. Quite evidently, adverse situations such as

poverty or violence have an undermining effect on happiness. Whereas the positive relationship between material wellbeing and happiness does not hold indefinitely or across different cultures, the negative relationship between adversity and happiness is universal.

Such negative relationship, however, is attenuated by situational or contextual factors, such as the country's cultural leanings towards unrealistic optimism and collectivistic behaviors. Based on previous research and first-hand experience, I suggest that these leanings, combined, act as a sort of vaccine against adversity. In the case of Colombia, I further suggest that a moderate satisfaction of basic needs, our natural positivism, and a strong collectivistic orientation, combined, are the prescription that inoculates us against eventual crisis and makes us happy. In other words, we are better suited than other countries to overcome adversity, and thus report higher perceptions of SWB along time.

### *Implications and subsequent research*

The previous theses are potentially valuable for marketing, economy and public policy. Understanding the role of collectivism or individualism and nation-wide optimism can help decision makers fine-tune policies and programs, in order to maximize people's wellbeing. Sheer wealth, consumption, and satisfaction of needs are not enough to produce happiness across all conditions, and have to be balanced by a sense of security and belonging. For Colombian people, a proactive approach towards collectivistic experiences might be fit into official programs aimed at improving national wellbeing.

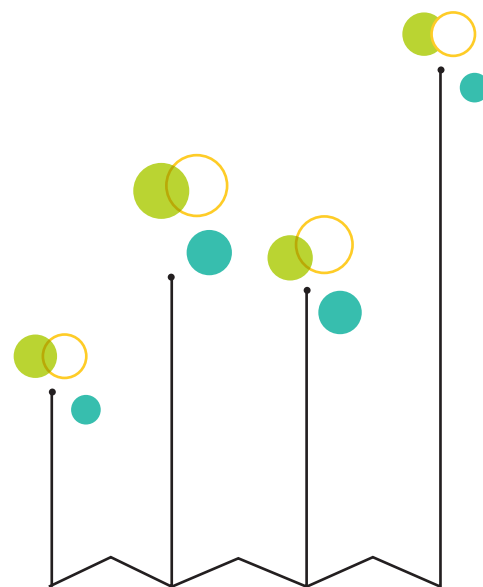
Any such prescriptive inferences, however, must address several practical limitations. For starters, nation-wide aggregate data might not translate to individuals, thus hindering potential applications to public policy. Also, our findings do not demonstrate causality but rather show correlations. In addition to more specific data on the Colombian case, future research should attempt to test these theses experimentally, at an individual level of analysis, and across varying conditions.

Future research should also address issues

related to the convenience or inconvenience of being overoptimistic (and hence more 'sane') amidst a situation of generalized social and political problems. Such mentally healthy perspective could be paired with conformity, and thus hamper social, industrial or technological progress. Colombians could actually be 'too sane' or 'too happy' for their own sake.

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# LIFE SATISFACTION AND OTHER FIELDS OF INVESTIGATION

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Christopher Fleming***

Valuing the environment  
using life satisfaction data

***Andrés Mauricio Vargas***

Urban green areas to improve  
human wellbeing

***Eduardo Wills***

Life satisfaction: The main  
variable to create and sustain  
organizations that flourish



# VALUING THE ENVIRONMENT USING LIFE SATISFACTION DATA



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## Introduction

Over the previous two decades subjective measures of wellbeing (such as those provided by self-reports of life satisfaction or happiness) have been the focus of much research effort in economics. Interest in what is commonly termed 'happiness economics', at least in part, is motivated by Richard Easterlin's (1974) finding that real income growth in Western countries in the latter half of the twentieth century had not been accompanied by corresponding increases in happiness (the 'Easterlin Paradox'). A symposium on the happiness in economics in The Economic Journal gave momentum to a subject previously considered the province of psychology. Some five years later a seminal review of the literature published by Bruno Frey and Alois Stutzer brought together a vast body of knowledge that has served to stimulate many subsequent empirical investigations on happiness in economics (Frey & Stutzer, 2002). George MacKerron (2012) and Ada Ferrer-i-Carbonell (2013) provide more recent reviews.

## Happiness, the environment and the experienced preference method

Within the happiness economics literature there is a small body of research exploring the relationship between life satisfaction or happiness and the environment<sup>[1-3]</sup>. One of the main applications to emerge from this literature is the monetisation of non-market goods using life satisfaction data<sup>4</sup>. Simply, the 'experienced preference method' or 'life satisfaction approach' entails the inclusion of non-market goods as explanatory variables within econometric functions of life satisfaction along with income and other covariates. The estimated coefficient for the non-market good yields first, a direct valuation in terms of life satisfaction, and second, when compared to the estimated coefficient for income, the implicit willingness-to-pay for the non-market good in monetary terms<sup>5</sup>.

While the valuation of air quality has dominated the literature<sup>[6-11]</sup>, other non-market environmental goods valued via the experienced preference method include airport noise<sup>12</sup>, climate<sup>13</sup>, weather<sup>14</sup>, biodiversity<sup>15-16</sup> greenspace<sup>17-18</sup>, protected areas<sup>19</sup> and natural capital<sup>[20-23]</sup>.

## Strengths and weaknesses of the experienced preference method

The experienced preference method offers several advantages over more conventional non-market valuation techniques. For example, the approach does not ask individuals to directly value the non-market good in question, as is the case in contingent valuation. Nor does it ask individuals to make explicit trade-offs

between market and non-market goods, as is the case in choice modelling. Instead, individuals are asked to evaluate their general life satisfaction. This is perceived to be less cognitively demanding, as specific knowledge of the good in question is not required and respondents are not asked to perform the unfamiliar task of placing a monetary value on a non-market good. Further, the method avoids the problem of lexicographic preferences, where respondents to contingent valuation or choice modelling questionnaires demonstrate an unwillingness to trade off the non-market good for income<sup>24</sup>. There is also no reason to expect strategic behaviour or social desirability bias in relation to the good being valued<sup>25</sup>. Finally, the method does not rely on housing markets being in equilibrium, which is a key assumption underpinning the hedonic property pricing method.

The experienced preference method nonetheless has some potential limitations. Crucially, self-reported life satisfaction must be regarded as a good proxy for an individual's utility. Furthermore, in order to yield reliable non-market valuation estimates, self-reported life satisfaction measures must: (1) contain information on respondents' global evaluation of their life; (2) reflect not only stable inner states of respondents, but also current affects; (3) refer to respondents' present life; and (4) be comparable across groups of individuals under different circumstances<sup>26</sup>. Despite these conditions, there is growing evidence to support the suitability of individual's responses to life satisfaction questions for non-market valuation<sup>27</sup>.

The experienced preference method also relies on the estimation of a probabilistic model. In particular, the valuation depends on the estimation of the income coefficient and the estimation of non-market good coefficient. These estimates are usually derived from data collected in naturalistic settings rather than in a vacuum. As such, the method faces the same methodological challenges which confront the social sciences generally. H. Welsch and Ferreira (2013) detail, among other things, some of these difficulties and their implications for obtaining willingness-to-pay estimates of 'reasonable' magnitudes.

## Discussion

The method and practise of placing monetary values on environmental goods and services for which a conventional market price is otherwise unobservable is one of the most fertile areas of research in the field of natural resource and environmental economics. Initially motivated by the need to include environmental values in benefit-cost analysis, practitioners of non-market valuation have since found further motivation in national account augmentation and environmental damage litigation.

Although these various uses of non-market values provide direct stimuli, environmental valuation is more properly considered part of the fundamental resource allocation problem. As a society, we are continually making choices to trade off the environment for economic activity. Conventional neoclassical economics dictates that, where possible, resources should be allocated via the price mechanism. In cases where allocation decisions are being made between priced goods traded in markets and unpriced (such as environmental) goods, the value of the former tends to take precedence. Non-market valuation, by explicitly valuing the unpriced good, seeks to redress this imbalance<sup>28</sup>.

In the case of the experienced preference method specifically, this method extends that part of social welfare which falls within the measuring rod of money<sup>29</sup>. In particular, it allows the monetisation of some of those more intangible values which, while well-reported, have previously been unamenable to non-market valuation. It also permits the indirect channels through which the environment may be linked to social welfare to be modelled and in a utilitarian framework that is aligned with the broader economics discipline.

Despite hundreds of applications and many decades of refinement, shortcomings in all of the conventional techniques remain and no single technique is considered superior to the others in all respects. Thus, techniques that expand the suite of options available to the non-market valuation practitioner have the potential to represent a genuine contribution to the field. The experienced

method is one such technique which offers great potential. In this regard, the introduction of 'happiness economics' into the domain of non-market valuation can be viewed as a promising development, supporting the pursuit of socially optimal resource allocation.

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# URBAN GREEN AREAS TO IMPROVE HUMAN WELLBEING



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In 1984 the renowned biologist Edward O. Wilson proposed the “Biophilia” hypothesis to refer to humans’ innate tendency to relate to life and natural processes (1984). Propensity which is not the result of a rational process, but that is imprinted in human biology product of a past in which our species evolved with the rest of the biosphere, not separate from it. The Biophilia hypothesis then implies that humans depend on nature in a way that transcends the material and physical aspects that support life. In nature we also seek satisfaction and spiritual meaning<sup>1</sup>. This contrasts with lifestyles that prevail in contemporary societies, inhabited by urbanites disconnected from the rest of life forms processes. While the city has become the space of material, intellectual and creative advancement of humanity; the disconnection from nature that accompanies this process ends up being contrary to human wellbeing. Reconnecting with nature is necessary, not only to facilitate the individual and collective change that demands the global environmental crisis (climate change, ocean acidification, accelerated loss of biodiversity, etc.), but also to reconnect with ourselves. Academic literature confirms what many instinctively have identified and experienced: contact with natural environments and green spaces have a positive impact on human wellbeing.

According to Carrus et al. (2015) natural environments promote wellbeing as they reduce psychological stress, induce positive emotions, and renew or restore cognitive resources exhausted from a grueling urban life, which requires to focus on work and ignore the distractions. Experiences in peaceful natural environments, conversely, does not require a prolonged effort to focus attention, thus allowing the brain to rest and restore its capacity for performing

challenging activities. For Atchley, Strayer, and Atchley (2012) the restorative effect of nature depends on the immersion time. If a short or even virtual exposure can improve attention, a longer contact with natural environments seems to have positive effects on cognitive functions of higher level. These authors found that a 4 day immersion in nature improved the creativity of participants up to 50%. Other studies also show that city dwellers who live surrounded by concrete tend to report worse states of psychological wellbeing. Even worse, they are unaware of the potential benefits derived from greater contact with nature. Those living in greener environments, on the contrary, have better mental health and report fewer symptoms of physical discomfort and better health in general<sup>2</sup>. But it is not just a matter of perception; the body's physiological response confirms this claim. It has been found that during exposure to green environments, people experience improvements in blood pressure, heart rate, muscle tension and levels of cortisol, the called stress hormone. Roe et al. (2013) present evidence suggesting that the physiological effect tends to be greater for women than for men.

## **Contact with nature in an urbanizing world**

The fact that contact with nature and exposure to green spaces has positive effects on people’s wellbeing in psychological and physical realms, poses a challenge for society and governments. In Colombia it is estimated that about 76% of the population resides in urban areas and it is expected that population growth in future will be absorbed by cities. DANE population projections indicate that, in relation to 2016, urban areas will host 1.9 million out of the 2.1 million additional habitants that will have the country in 2020. How to reconcile the need to

maintain contact with nature with rapid urbanization?

Two paths are possible. The first is to escape the city, not to return to a past rural life, but for engaging in outdoor activities in contact with nature. The second is to use green environments within the city. Far from being alternative ways they are complementary. Although daily life takes place in cities and the chances of escaping are limited, natural environments tend to have more potent effects on the wellbeing that urban green spaces<sup>3</sup>. The provision of public green spaces for urban citizenship then transcends areas within cities to include peri-urban areas, either through the establishment of conservation areas and/or restoration of degraded areas. I will develop on urban green areas, not without acknowledging the importance of green non-urban areas for the wellbeing of city residents.

### Deficit of urban green areas in Colombia

In Colombia green areas per inhabitant within large cities does not exceed (4m<sup>2</sup>). Bucaramanga which is called the "City of Parks" has only 2.6m<sup>2</sup> per inhabitant<sup>ii</sup>, and Barranquilla, the largest city in the Caribbean region offers less than 1m<sup>2</sup> of green space to its citizens<sup>iii</sup>. The case of Barranquilla is interesting for three reasons. First, because the city goes through a process of rapid urban growth. Second, harsh bioclimatic conditions of high temperatures and semi-arid areas makes the city parks and green areas some sort of "oasis" within the city. Finally, there is an explicit and decisive policy to recover and expand parks and green areas. Despite the lack of green areas of the city, there is a positive relationship between subjective wellbeing and satisfaction with parks and green areas at neighborhood level. According to data from Barranquilla *Cómo Vamos* 2015, citizens who are satisfied with their neighborhood parks recorded a 4% higher score on the

scale of subjective wellbeing. In other words, those who are more satisfied with neighborhood parks are happier. In addition, the proportion of citizens satisfied with parks and green areas increased from 29% in 2014 to 38% in 2015, coinciding with the delivery of renewed parks by the local government.

Although these numbers are not sufficient to claim that the policy of city parks has had a positive impact on population wellbeing, it suggest that this might have been the case. In addition to confirming this positive effect is important to advance in quantifying its impacts. As some authors suggest (see for example Bertram and Rehdanz (2015)), the gain in subjective wellbeing could be quantified in monetary terms, in analogy with the availability to pay, in order to provide useful information to inform planning environmental decisions.

### Summary

While the above only suggests that public policies promoting urban green spaces improve the wellbeing of citizens, it is important to explore particular factors that mediate the relationship between individual wellbeing and urban green space. The type of activities carried out in green areas -physical, contemplative, socialization, etc.-, differentiated by socioeconomic factors -gender, income- or location -central location zones high density, peri-urban low-density – as well as biodiversity of the green area (urban parks with the greatest diversity of flora and fauna seem to have a greater impact on wellbeing (Carrus et al., 2015). All these factors are important and deserve exploration to help design policies and contribute to a more effective planning.

Ultimately, the dynamics of urbanization experienced in Colombia and the large deficit of green spaces within cities demand public policies and planning actions that are not limited to renovate and maintain existing spaces. This is a first step, but is not sufficient. Additional improvements require better understanding of individual and environmental conditions, as well as the interrelationship between them, which determine the degree to which public interventions impact the wellbeing of different population groups.

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# LIFE SATISFACTION: THE MAIN VARIABLE TO CREATE AND SUSTAIN ORGANIZATIONS THAT FLOURISH



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The academic and intellectual world that worries about administration and development studies has reached a consensus, pointing out that the economic growth per se, with its implicit assumptions of rationality, self interest, efficiency and productivity, is simple a mechanism to achieve an ultimate goal, much more profound and valuable, such as happiness, and society subjective wellbeing. This statement has already been made by the famous economist John Maynard Keynes and recently reaffirmed by the report of the commission conformed by Amartya Sen and Joseph Stiglitz et al (2013) for the French government. In 2011, the country of Bhutan managed that the United Nations voted favourably to a resolution about happiness of the people, drawn from the pioneer proposal that this country had made in terms of measuring country progress through the average level of happiness of its inhabitants instead of the Gross Domestic Product (GDP).

The previous statement calls for the generation of a radical change from the current paradigm, by redefining and understanding the progress and development of people and nations. It is about nothing less than considering happiness as the ultimate goal from the processes of a developed country, process in which private companies play a fundamental role, besides the state and civil society. But it is not only about any type or definition of happiness. It is not precisely the traditional definition of Bentham (1976), in which the author compares happiness to the ephemeral pleasure, with denial of pain and suffering at the same time. The concept of happiness proposed is a happiness that emanates from a virtuous life, well lived by individuals of a nation and who are, at the same time, those who spend most of their life time working in organizations and

private companies. It is about a life well lived, meaningful, that allow people to transcend. A life, as said by the Bhutan government (2012), lived in complete harmony with nature, with the community belonged to and with any living being.

This is a form of happiness, different from the utilitarian vision of Bentham, which had already been thought and proposed by Aristotle as "eudemonia" in his nicomachean ethics. The philosopher defined it as a life well lived, which presumes an autonomous and active behaviour by a person, giving the best of themselves under any circumstance, for example, at work, while contemplating, while enjoying their spare time. In a similar sense, Maslow (1963) had pointed out that humans have the need to self-grow and fight for something greater in life to be and become their best version. The psychoanalyst Erich Fromm (1979) had equally pointed out that the essence of human nature is to be and not to have, validating the initial phrase with which we began, that economic growth that permits having and accumulating material goods is simply a mean and that the most important thing is being; being the person each one wants to be, to give the best of ourselves to the community and society belonged to.

This is the notion of life satisfaction as a whole, proposed nowadays as indicator to measure progress and development in countries or cities, as is the case of Cali. It is about a cognitive and affective bottom-up evaluation, which each person must do in terms of investigating the current level of satisfaction with their life and how much they have accomplished of their expectations and desires. This also makes it a subjective measure, of subjective wellbeing, which can be studied, understood and measured through a scientific method. Nowadays

some valid intercultural measures exist, as the one proposed by Diener and Suh (2000).

There is also another type of measure of life satisfaction as a whole, which includes the most significant domains of life for each person in terms of their own wellbeing. For some people, life standard is the prevailing domain, whilst for others it could be spirituality, achieving life goals, quality of interpersonal relations with family and the community, security, health, contact with nature, work, etc. Each person evaluates subjectively the relative importance of these life domains and gives a score in a scale of Likert of how satisfied they are in general with their life.

Given that adult people spend most of time at work, it is very important to highlight the connexion between work and subjective wellbeing, and between work and life satisfaction. For this, it is important to point out that the concept of work has changed radically in recent times. We are not talking only about permanent jobs in an organization, but also about voluntary work, work dedicated to the care of certain people, work dedicated to acquiring abilities and skills for a life well lived. It is then when we find an important difference between companies who allow people to grow and flourish, be creative, be satisfied with their job, develop citizen and pro-social behaviour for the well function of society compared to others where there is no autonomy, no trust and excessive control. Unfortunately, these last ones are still majority in Colombia, at least, those with low trust in employees, permanently controlled, in which employees are motivated only by extrinsic reasons related to money and not for intrinsic reasons related with obtaining satisfaction for what is done and made.

The great challenge of the Colombian society is related to how to generate these organizations, which allow people to grow, give the best of them and flourish. It is an enormous challenge that requires significant research to comprehend better this phenomenon, little known and understood in the country and our cities. It can be commenced by letting employees define their own role and meaning of their job, propose improvements to it, to the role played, which many times has been defined from top levels without being fully understood. It also requires that workers develop a full identity with the

organization, allowing acting in a pro-social form, as the development of labour contracts or psychological contracts, perceived as fair by both sides. These contractual relations must be fair, from a dimension of equity, which is mainly about remuneration and recognition made to the employee for their commitment; also from the dimension of consistency in the application of rules agreed on, in which the worker has an active say on its design, to be applied without biases or prejudices according to the group to which the worker belongs (gender, ethnics, age, sexual identity). They should also be fair in the interpersonal relations, which should part from the inalienable principle of dignity, to which each worker is self valued for individual accomplishments instead of being a mean for others to reach their proposed results.

For a program of measuring life satisfaction as a whole of the citizens of Cali, understanding these organizational realities and discussing them with their leaders and directors is of vital importance. Among other things, because positive emotions incorporated in the sensation of wellbeing is contagious and can create working environments that transcend organizational barriers. They can also be projected towards life quality, thought to be achieved within the inhabitants of the city. If the quality of life perceived by inhabitants of the city grows, this would permit likewise, attracting new innovative and creative talents for the city, which feeds the virtual cycle of improving the organization and the city.

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