

SOCIAL SECURITY, HAPPINESS AND WELL-BEING

International Series on Social Security
Volume 14

SOCIAL SECURITY, HAPPINESS AND WELL-BEING

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intersentia

Antwerp – Oxford – Portland

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Groenstraat 31
BE-2640 Mortsel
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Social Security, Happiness and Well-Being
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© 2008 Intersentia
Antwerpen – Oxford – Portland
www.intersentia.com

ISBN 978-90-5095-815-8
D/2008/7849/82
NUR 825

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PREFACE

The objectives of social security systems are varied. They vary from country to country, with the type of social security regime. They vary with the particular type of benefit. They may vary at different times with the ideology of the government in power in a country. Different social security regimes emphasise different objectives – incentives to work versus the relief of poverty; income replacement versus maintaining a minimum income; support to families with children versus pensioners. However there is surely no argument that social security institutions are generally concerned with welfare, not every element of them, but generally. They distribute resources between individuals and households: horizontally, vertically, between genders and age groups, spatially, over the life cycle, and between generations. Social security systems respond to needs such as low or non-existent income. They provide some security against contingencies and risks like unemployment, sickness, disability, retirement, the loss of a spouse. They recognise particular statuses like being a couple with children, or a lone parent. However behind those needs, contingencies/risks and statuses is the aspiration to improve welfare, well-being and even happiness. They aspire to this, even though such grandiose objectives may never be made explicit.

Social security broadly defined as public or regulated private cash transfers funded by contributions or taxation is the largest single element of public expenditure in all industrial societies. In 2003 social expenditure varied as a proportion of Gross Domestic Product from 31.3 per cent in Sweden to 5.7 per cent in Korea with an average in the OECD of 20.7 per cent of GDP. So social security effort varies. What about the outcomes of that effort? What is the relationship between social security effort and the enhancement of happiness?

Well, perhaps curiously that question has not been asked much before. Different and related questions have been asked and to some extent answered. What impact does social security have on poverty or inequality? What is the relationship between social spending and human development? Does social security enable people with disabilities to function better? Does it provide security in retirement? And so on.

The question that has perhaps achieved most attention is does social security harm or enhance economic growth? The presumption that social spending does harm economic growth was a firm tenet of the neo-liberal critique of the welfare

state in the 1980s. This was thought to be a bad thing because the benefits of economic growth and rising income would enhance welfare. The benefits would even trickle down to the poor.

Economists have tended to use income as the key indicator of well-being on the grounds that people satisfy their wants or maximise their utility by purchasing goods and services in the market place and income is therefore a good indicator for the satisfaction of well-being. The more you have the more the well-being – all other things being equal.

However we are now becoming aware that more income does not necessarily equate with higher levels of well-being, and that beyond a certain level additional income may actually diminish well-being. At a national level this translates into the possibility that higher GDP and increased growth of GDP does not inevitably lead to happier societies. Growth for what? – is now the question to ask. If economic growth harms the environment and/or does not improve the welfare why should we be aiming for it?

The OECD has recognised this and begun to develop alternatives to GDP. Mira D'Ercole (2007) developed indicators for four domains of well-being (self-sufficiency, equity, health status and social cohesion) and then combined them into a composite index. He found this index differed significantly from GDP per capita for more than half the countries – the USA had lower well-being than its GDP and Poland, the Czech Republic, Portugal, Greece, Finland, Sweden and Denmark had higher well-being than GDP. He goes on to explore money income, money income adjusted for different non-market factors and concludes that non-material factors including subjective measures should play an increasingly important role in assessing how individuals in society are faring.

Although at a particular point in time happiness is positively correlated with a person's income, happiness has been static over time despite considerable increases in income since the mid 1970s. This has been called the Easterlin Paradox after the person who first observed it (Easterlin 1974). A considerable effort has now been put into exploring the paradoxical relationship between income and happiness. Di Tella and McCullough (2007) for example used data on happiness collected from 400,000 people living in OECD countries between 1975 and 1997. They have found that happiness was positively associated with income but also with life expectancy, the generosity of the welfare state, the generosity of unemployment benefit and negatively correlated with the hours worked, atmospheric pollution, the rate of divorce, the crime rate, the openness of the economy, inflation and unemployment.

Some people are not content with well-being reduced to the felicific calculus of a happiness question. Schokkaert (2007) for example has argued that such an approach is too utilitarian, too narrowly psychological, too subject to adaptation, false consciousness and adapted preferences, and determined by features of personality and other genetic endowments and other 'ethically non relevant' factors such a religious belief. He argues that actual physical conditions, capabilities and the values of individuals should determine the measurement of well-being and argues in favour of developing a 'responsibility-sensitive egalitarianism'. This is effectively a plea to develop from Amartya Sen's capabilities approach an index of well-being. But no one has yet achieved that as far as I am aware, though Wolff and De-Shalit (2007) interestingly discuss how it might be done in their book on Disadvantage.

In the first paper in this volume **Stefansson** explores the relationship between welfare state effort and well-being at the national level. He distinguishes between two measures of well-being – happiness which is a more affective measure of subjective well-being, and personal satisfaction which is a cognitive and evaluative assessment of the gap between aspirations and achievement. He uses two indicators of welfare state effort social expenditure per capita and decommmodification, and controls for material living standards using GDP. Frustrated by the problem of small numbers in cross-sectional analysis he uses pooled time-series. Basically his conclusion is that the jury is out on the relationship between welfare state effort and well-being. While there is some evidence that welfare state effort may be associated with well-being, independently of material living standards, the results are different for happiness and life satisfaction and different for cross-sectional and time series analysis. The association is not always positive. He thinks that the potential for exploring the relationships between social policy and well-being using comparative analysis is not very promising and it is probably more promising to undertake disaggregated analysis of specific policies.

Rottiers presents a theoretical discussion of why social security policies might have an impact on happiness. Drawing on social relativity in psychology, sociology and philosophy he argues that human beings are relative beings and are happy or unhappy due to their relative position in society. Social security reduces poverty and inequality. But there is an inequality paradox – inequality is both destructive and productive of well-being and if social security tries to reduce inequalities by transferring resources from the top to the bottom of the distribution it will enhance the well-being at the bottom but reduce the well-being at the top. Rottiers believes that the inequality reduction of the welfare state is more at the bottom of the distribution than at the top and therefore social security may avoid the inequality paradox.

Jordan asks whether social security systems can take account of more than employment, earnings and savings in an effort to improve well-being. He argues that social security in the Anglophone tradition has been dominated by individualistic, contractarian economic theory where citizens are offered incentives that motivate them to the labour market and to make savings through social insurance. In contrast well-being is a matter of culture and the involvement of people in the community, politics and friendships. He claims that in social security the idea of basic income has the potential to transform social relations because it guarantees an unconditional income and enables people to participate in socially useful work, greater democratisation of social relations and more collective action.

Dean draws a distinction between the Greek hedonistic satisfaction and eudaimonic well-being, which he relates to theories of justice, need and capabilities. He categorises social assistance (and global development policy) as fundamentally part of the hedonistic calculus. Social insurance in contrast with its risk sharing and solidaristic principles, he characterises as more eudaimonic, more concerned with flourishing. He goes on to discuss how this might apply to social security in the developing world, where social insurance might not be an option. He suggests that the answer might be in an ethic of care, propounded by feminist writers, and not involving principles of conditionality – a eudaimonic approach would be universal, unconditional and global.

Following these theoretical discussions there are four empirical chapters.

Bonsang exploits data from the European Community Household Panel Survey for eleven countries to explore how income and health influence younger and older people's well-being. Well-being is measured by satisfaction with domains of life: main activity, financial situation, health status, free time and housing and the first principle component derived from these. He finds that income is positively associated with well-being and more for the young than the old but the results are only significant for six countries. Ill health is negatively associated with well-being and more for the old than the young but the results were not significant for three countries. Income has the biggest effect on financial satisfaction of the young. Illness has the biggest effect on other domains such as satisfaction with main activity and free time.

Holden, Kim and Fontes explore the impact of widowhood and the financial shocks involved on psychological and financial well-being in the US. They use data from the Wisconsin Longitudinal Study which is a panel of over 10,000 tracked since their senior year at school in 1957. They compare the widowed with the still married. They find widowhood has no impact on the financial satisfaction of widowers and only on some

widows (those widowed for 3–7 years). Controlling for financial satisfaction, widows and widowers are more likely to be depressed than married men and women, though there are differences in the characteristics of the depression over time.

Andersen explores whether unemployed persons experience different effects on reemployment probabilities from participation in government training. The chapter investigates if expected differences in unemployed persons' well-being during unemployment explain such different effects. The chapter identifies differences in well-being using theory on social norms and reputation effects, and analyses administrative data from Statistics Denmark using a Cox proportional hazard model. She finds that for both men and women differences in the unemployed persons' well-being explain differences in reemployment probabilities following programme participation.

Bradshaw explores the responses in the media and government to the findings of the UNICEF report on child well-being that the UK came bottom of the international league table. The government tended to blame the data and methods and the media tended to blame parents, teachers and the government. The paper explores some of the possible explanations for the comparative ranking of countries. It finds no relationship between child well-being and the prevalence of family breakdown, though there is a very strong association between child well-being and the teenage fertility rate. There was no association between child well-being and educational attainment. However overall child well-being is associated with child poverty and, more strongly, material well-being, as well as GDP per capita and social expenditure as a proportion of GDP. However spending on family benefits and services did not seem to be associated with overall well-being.

Jonathan Bradshaw

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