



CAN INVESTMENTS IN SOCIAL PROTECTION CONTRIBUTE TO SUBJECTIVE WELL-BEING?

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GDP as a measure of well-being....

- Even if we act to erase material poverty, there is another greater task, it is to confront the poverty of satisfaction - purpose and dignity - that afflicts us all. Too much and for too long, we seemed to have surrendered personal excellence and community values in the mere accumulation of material things. Our Gross National Product [...] counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. [...] It counts napalm and counts nuclear warheads and armored cars for the police to fight the riots in our cities. [...] Yet the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. [...] it measures everything in short, except that which makes life worthwhile.

Bobby Kennedy, 1968

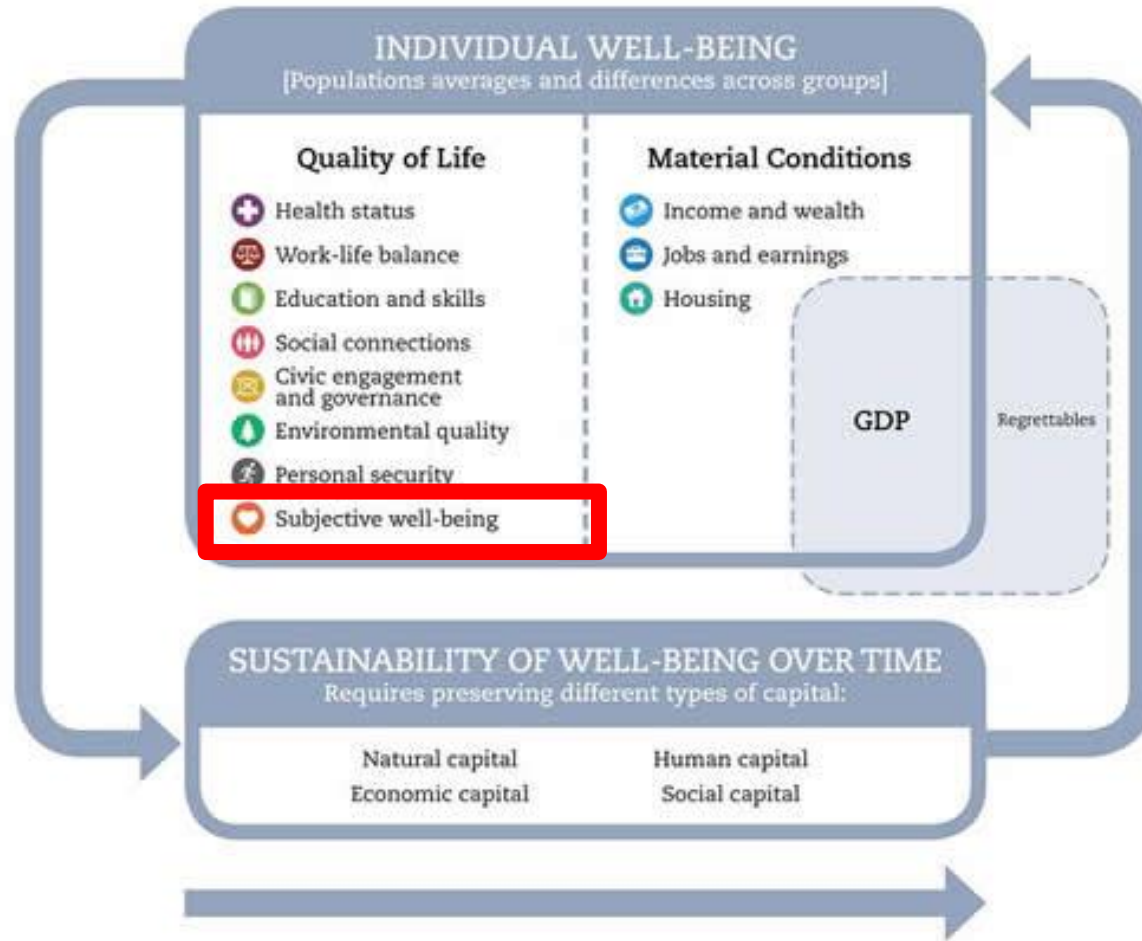


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- Are our lives getting better?
- How can policies improve our lives?
- Are we measuring the right things?



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Subjective Well-Being (SWB)

- Recognized as a reliable measure
- Of interest to different audiences
- Increasingly included in individual surveys

- Two main different concepts: *evaluative* and *experienced* SWB



Different measures: Evaluative SWB

- Refers to an overall assessment, retrospective judgment
- Life Satisfaction: Please imagine a ladder, with steps numbered from 0 at the bottom to 10 at the top. The top of the ladder represents the best possible life for you and the bottom of the ladder represents the worst possible life for you. On which step of the ladder would you say you personally feel you stand at this time?



Different measures: Experienced SWB

- Refers to range of emotions, positive or negative, experienced during a specific time frame
- *Positive* index: rest, respect, smiling, learning, joy
- *Negative* index: pain, worry, sadness, stress, anger



Macro determinants of SWB

Positive	Negative
GDP per capita	Economic downturns
Political freedom	Inflation
Economic freedom	Unemployment rate
Personal freedom	
Generosity of unemployment benefits	
Labor protection legislation	
Rule of law	

Sources: Frey & Stutzer, 2002 / Di Tella, MacCulloch and Oswald, 2003 / Veenhoven et al., 2000 / Boarini et al., 2013 / Preziosi, 2013 / Helliwell, 2005



What about social protection?

- Little, sometimes problematic, evidence
 - Subsets of SP (unemployment benefits)
 - Size of state as proxy for welfare policies
 - Expenditures:
 - Weak or no correlation
 - Empirical and sample limitations



Relationship between social protection and subjective well-being in countries with different income levels?

- Worldwide sample of 38 countries (low, middle and high income)
- Experienced and evaluative well-being
- Potential channels explaining this relationship



Data

- ILO Social Security Expenditure Database
- World Development Indicators (WDI)
- SWB: Gallup World Poll (~1K/country)
 - Life evaluation
 - Positive/Negative Index

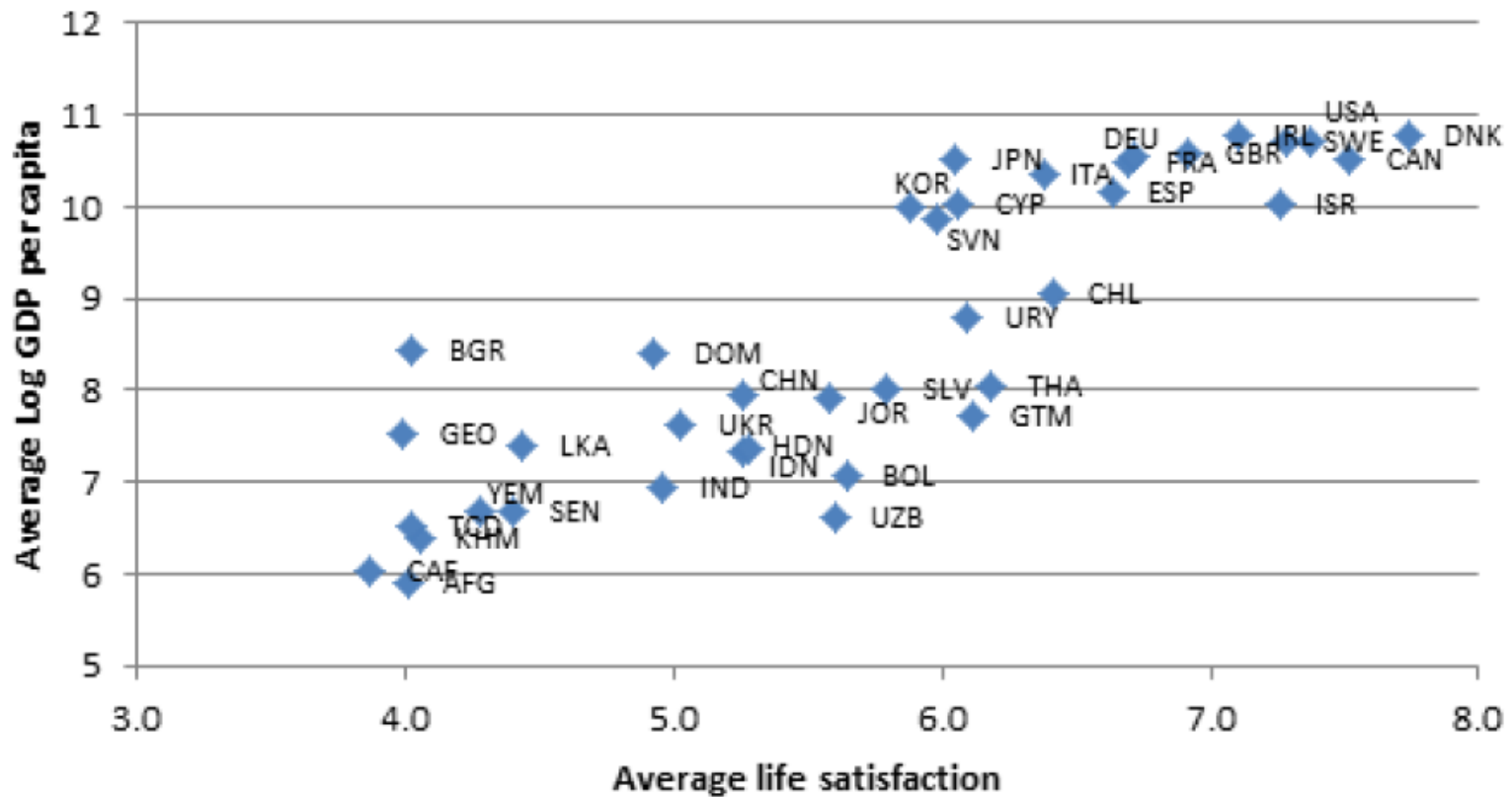


Sample

1. Afghanistan
2. Bolivia
3. Bulgaria
4. Cambodia
5. Canada
6. Central African Republic
7. Sri Lanka
8. Chad
9. Chile
10. China
11. Cyprus*
12. Denmark
13. Dominican Republic
14. El Salvador
15. France
16. Georgia
17. Germany
18. Guatemala
19. Honduras
20. India
21. Indonesia
22. Ireland
23. Israel
24. Italy
25. Japan
26. Jordan
27. Republic of Korea
28. Senegal
29. Slovenia
30. Spain
31. Sweden
32. Thailand
33. Ukraine
34. UK
35. United States of America
36. Uruguay
37. Uzbekistan
38. Yemen



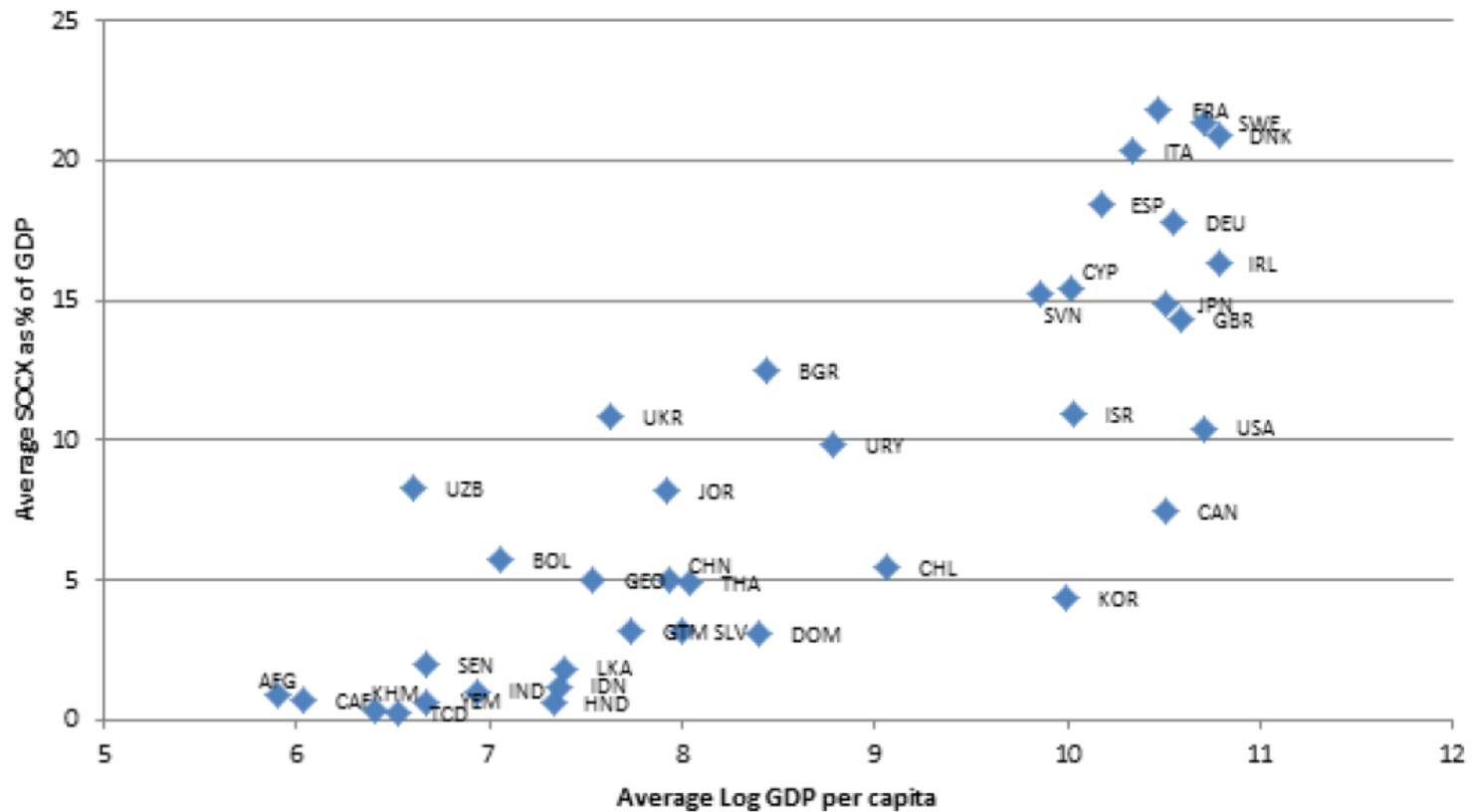
Figure 1. Average life satisfaction and average log GDP per capita





SP expenditures and GDP per capita

Figure 2. Public social expenditure vs. GDP per capita





Empirical strategy

- $SWB_{ict} = \alpha + \beta SOCX_{ct} + \gamma Macro_{ct} + \theta Micro_{ict} + \delta_c + \rho_t + \mu_{ict}$
- i=individual, c=country, t=time
- Macro=GDP p.c., school enrolment, infant mortality, social support, generosity
- Micro= age, education, marital status, gender, income, employment
- Years=2009, 2010, 2011



Descriptive statistics

Table 1. Descriptive statistics

Variable	Mean	SD	Min	Max	N
Age (years)	36 426	42.78	17.74	15	100
Secondary education	36 426	2145.06	1695.77	225	10000
Tertiary education	36 426	0.47	0.50	0	1
With partner	36 426	0.16	0.36	0	1
Female	36 426	0.54	0.50	0	1
Household income (USD)	36 426	18498.04	27930.29	0	1200000
Employed	36 426	0.56	0.50	0	1
Life satisfaction	36 426	5.52	2.24	0	10
Positive Index	36 426	71.20	26.98	0	100
Negative Index	36 426	25.28	27.91	0	100
Log GDP per capita in constant 2005 USD	36 426	8.31	1.53	5.88	10.76
Primary school enrolment	36 426	105.87	11.33	83.4	129
Infant mortality (per 1 000 live births)	36 426	23.70	24.93	2.4	103
Public social protection expenditure (% GDP)	36 426	7.41	6.45	0.3	21.8
Public social protection expenditure on benefits for children (% of GDP)	36 426	0.85	1.02	0.01	4.15
Social support	36 426	0.81	0.39	0	1
Generosity	36 426	0.35	0.48	0	1

Source: Authors' calculations based on Gallup World Poll, ILO Social Security Expenditure Database and World Development Indicators.



Results

- Positive statistically significant relationship between social expenditures and subjective well-being (both evaluative and experienced)



Does it differ for the rich/poor?

- Identify effect for bottom 40% versus top 60%
- The relationship is stronger between subjective well-being and SP for the bottom 40%, but it matters to everyone



Does it differ for beneficiaries/non beneficiaries?

- Use subset of child related SP expenditures and the effect on individuals with children
- The difference is very small



Robustness test

- Check if SP expenditures are a good proxy for social protection
 - Check if enrolment/generosity have different effects
- use World Bank ASPIRE data on social protection enrolment (CCTs) and SWB data from LatinoBarometro
- Results hold!



Conclusions

- Positive significant robust relationship between SWB and SP
- Effect is stronger for the poor
- Relationship partially driven by « direct effect » , but also potential altruistic mechanism, general benefit to overall population



Questions?

A solid blue triangle is located in the bottom-right corner of the slide, pointing towards the center.