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

Alexandre Kolev and Caroline Tassot
OECD Development Centre
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
OECD Better Life Initiative

• Are our lives getting better?

• How can policies improve our lives?

• Are we measuring the right things?
OECD Better Life Initiative

INDIVIDUAL WELL-BEING
[Populations averages and differences across groups]

- Quality of Life
  - Health status
  - Work-life balance
  - Education and skills
  - Social connections
  - Civic engagement and governance
  - Environmental quality
  - Personal security
- Material Conditions
  - Income and wealth
  - Jobs and earnings
  - Housing

SUSTAINABILITY OF WELL-BEING OVER TIME
Requires preserving different types of capital:
- Natural capital
- Economic capital
- Human capital
- Social capital

Source: OECD, 2013
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

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita</td>
<td>Economic downturns</td>
</tr>
<tr>
<td>Political freedom</td>
<td>Inflation</td>
</tr>
<tr>
<td>Economic freedom</td>
<td>Unemployment rate</td>
</tr>
<tr>
<td>Personal freedom</td>
<td></td>
</tr>
<tr>
<td>Generosity of unemployment benefits</td>
<td></td>
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<tr>
<td>Labor protection legislation</td>
<td></td>
</tr>
<tr>
<td>Rule of law</td>
<td></td>
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</tbody>
</table>

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
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

\[ SWB_{ict} = \alpha + \beta SOCX_{ct} + \gamma Macro_{ct} + \theta Micro_{ict} + \delta_c + \rho_t + \mu_{ict} \]

- \( i = \text{individual}, \ c = \text{country}, \ t = \text{time} \)
- Macro= GDP p.c., school enrolment, infant mortality, social support, generosity
- Micro= age, education, marital status, gender, income, employment
# Descriptive statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
<th>N</th>
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</thead>
<tbody>
<tr>
<td>Age (years)</td>
<td>36.426</td>
<td>42.78</td>
<td>17.74</td>
<td>15</td>
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<tr>
<td>Secondary education</td>
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<td>2145.06</td>
<td>1695.77</td>
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<td>Tertiary education</td>
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<td>With partner</td>
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<td>Female</td>
<td>36.426</td>
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<td>Household income (USD)</td>
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<td>Employed</td>
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<td>Life satisfaction</td>
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<td>Positive Index</td>
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<td>Negative Index</td>
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<td>Log GDP per capita in constant 2005 USD</td>
<td>36.426</td>
<td>8.31</td>
<td>1.53</td>
<td>5.88</td>
<td>10.76</td>
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<td>Primary school enrolment</td>
<td>36.426</td>
<td>105.87</td>
<td>11.33</td>
<td>83.4</td>
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<td>Infant mortality (per 1 000 live births)</td>
<td>36.426</td>
<td>23.70</td>
<td>24.93</td>
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<tr>
<td>Public social protection expenditure (% GDP)</td>
<td>36.426</td>
<td>7.41</td>
<td>6.45</td>
<td>0.3</td>
<td>21.8</td>
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<td>Public social protection expenditure on benefits for children (% of GDP)</td>
<td>36.426</td>
<td>0.85</td>
<td>1.02</td>
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<td>Social support</td>
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<td>Generosity</td>
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*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?