

## **ECONOMIC FACTORS INFLUENCING WELLBEING AND THE QUALITY OF LIFE**

Wadim STRIELKOWSKI

Charles University in Prague, Faculty of Social Sciences Czech Republic<sup>37</sup>

strielkowski@fsv.cuni.cz

Denisa HEJLOVÁ

Charles University in Prague, Faculty of Social Sciences, Czech Republic

hejlova@fsv.cuni.cz

Liudmila KISILEVA

Tyumen State Oil and Gas University Russian Federation<sup>38</sup>

kiseleva-l@mail.ru

### **Abstract**

Our paper reports on the results of the research aiming at revealing economic factors influencing the wellbeing and the quality of life in Tyumen region located in the Eastern Siberia in the Russian Federation. Our results demonstrate that the economic wellbeing and the material prosperity are positively and significantly correlated with to the feeling of happiness. The influence of education level on life quality and satisfaction comes through as slightly less significant. Moreover, it appears that women in general are more satisfied with their economic and social conditions than men.

Keywords: economics of happiness, quality of life, consumer satisfaction, Tyumen region, Russian Federation

JEL Classification: C01, I15, I30, J17

### **1. Introduction**

At present, there are more scientists who tend to think that countries should neither try to assess their power, nor the wealth, but the happiness of their citizens. So, if the gross domestic product is an economic development indicator for the industrial economy, it is not that effective for the post-industrial economy. A world happiness report, covering 130 countries, was compiled only twice. Happiness and wellbeing in the given version is a value that reflects the national wellbeing and can be determined by six factors – actual GDP per capita, healthy life time people’s self-assessment, freedom to live one’s life upon one’s choice, freedom from corruption, charity (see e.g. Biageti and Guarani, 2014). Russia is on the 68th position among the estimated countries. Foreign scholars note that the level of happiness in Russia is extraordinarily low for the country at such level of economic development.

The economic theory of happiness has not yet taken its firm place in the publications of Russian scholars of economics, except in some scarce sources (Antipina, 2012). There are no empirical studies that could explain specific features and peculiarities of the “Russian” happiness with an exception of those carried out to collect the data within the framework of international investigations of the countries.. This happens despite the fact that Russia has a huge territory with a large number of constituting regions

which considerably vary in terms of a level of social-economic development, climatic conditions, population density, urbanization level, etc., which, respectively, could considerably influence the level of happiness and satisfaction of people living in those regions.

We have made an attempt to investigate the life satisfaction and level of perceived happiness of resident of the Tyumen region – a Russian oil and gas province located in Western Siberia. The results regard to Russia, partly postulated in the scientific literature, were confirmed, though a part of findings enables to speak about some specific feature in terms of the Russians' life satisfaction and felt happiness. We managed to figure out that the region's residents' level of life satisfaction is equal to the developed countries values, except for the individuals in the age group over 55 years. Happy people are more satisfied with their lives, and the other way round, those, whose satisfaction with life is high, say more often, that they are happy. This is a classic scenario, and we did not find any differences concerning the investigated region. Material wealth, money are positively and significantly related with a feeling of happiness at the level of 5%. A conclusion may be drawn that the less money the person has, less happy he, or she will feel. Health appeared to have a negative relation with the feeling of happiness: excellent health at the level of 10%, good health at the level of 5%. The influence of education level on the life satisfaction appeared insignificant.

The paper has the following structure. In the first part of the paper we have stated the place of the «happiness» category in the scientific publications and described the main results of empirical investigations, carried out by the European and American scholars. The second part describes the database and methods. In the third part we present the main results and provide their interpretation.

## **2. Wellbeing and the quality of life: a short literature review**

The philosophy of happiness appeared back in Ancient Greece. The successors of eudaemonism considered happiness to be the principal value of life and subordinated ethics and morals to it. Among the later ideas the philosophy of happiness may be found in the ethics of utilitarianism. The founder of this trend Bentham formulated the goal of utilitarianism simply: the more people are happy, the better.

The economic theory of happiness is one of the theories which is operated by the specialists, trying to find out, what flaws the contemporary economy has. In their opinion, understanding the notion of life quality as a number of objective values (purchasing power, per capita income, etc.), economists miss its «human» constituents – among other items the life satisfaction. The first scientific investigations in the economic theory of happiness appeared in the 1970s. These principles were developed by the Nobel Prize Winner Kahneman (Kahneman 1999; and Kahneman and Sugden, 2005), as well as the American economist Easterlin (2003; 2005). In the 2000s, there was a large boost of interest to happiness not only from philosophers, psychologists, sociologists, but also from economists. Frey states that the studies of happiness have a considerable potential in order to make revolutionary changes in economics (see e.g. Frey, 2008). In this respect, it becomes interesting to know what results were achieved by the scholars, dealing with the happiness investigations, at this point, as well as what issues are the most controversial

We consider valid the grouping the array of scientific publications in the fields as: 1) theoretical studies, as a rule, interdisciplinary, which try to formulate what the happiness is and to gain new theoretical knowledge about this category with the help of historical, sociological, psychological methods (see e.g. Frey and Stutzer, 2000; Alesina et al, 2004; or Seligman, 2002), descriptive studies, that make a goal for themselves to acquire the empirical data (Kašík and Šnapka, 2013), enabling to penetrate deeper into

the matter of happiness, to study separate characteristics and features of the given phenomenon (see Diener, 1997; Oswald, 1997; Ryan and Deci, 2001; and Blanchflower and Oswald, 2008), and methodological studies, aimed at the development and improvement of methodological instruments in the studies of happiness. There are some results of economic theory of happiness, conclusively presented in the scholars' papers. To be more specific, a phenomenon, known as the «Easterlin paradox», is a pattern, formulated in 1974 by Easterlin, then specified more by him as well in 1995. The essence of the phenomena is as follows: the population of rich countries is happier as a whole, than the population of poor countries, but in the developed countries, despite the growth of the gross domestic product per capita, the subjective estimations of happiness do not rise. In other words, a growth of income of a separate individual makes him or her happy, but the growth of income of all the population of the country does not increase their common happiness.

The psychologist Veenhoven (2003) offered a generalized value of life satisfaction in this or that country, which is named HLY (Happy Life Years), which combines the data about the lifespan and about the degree of life satisfaction. Besides, the degree of life satisfaction is not the felt happiness. In some countries, the total life satisfaction is low, and there are many happy people there. Usually, it is typical for developing countries, where the current state of events improves, and in this context the currently spent life seems especially unsuccessful for the respondents. What concerns dynamics of happiness for a typical citizen of a country, the studies in this field are carried out by Oswald, Clark, King, etc. The dynamics of happiness may be described with a graph, having a «U» - type shape, where the lowest values belong to the age of 44-46 years. This is explained by the fact that during the period of active professional experience people are the least satisfied with their life – they have to give up their pleasures for the income and career. This age is a peak of depressions in Great Britain. The growth of happiness level of people above 60 years (even on the background of the health worsening) means that the pension system, healthcare, etc. make the life of the elderly comfortable and worthy (Alesina et al., 2004).

The happiness curve, drawn on the basis of the studies, implemented in the USA, looks slightly different. In the American society the «bottom» of the curve is located within the range of 50-53 years, but argumentation of the given situation will be, in our viewpoint, similar to the British one. Let us introduce some more interesting results. The studies by the American economists Stevenson and Wolfers (2009) found out that since 1970's the level of happiness of American and European women keeps decreasing and approaches the men's values. While before that time the economic development influenced the men's and women's happiness differently – women were happier.

Lyubomirsky et al. (2005) found out that happy people reach more success in their lives, than unhappy ones. According to their viewpoint, a happy person is very likely to be successful in professional activity: he or she is creative in solving assigned tasks, gets less tired, his or her enthusiasm brings a big benefit, from the amount of which happiness is also dependant. Thus, the happier person in each country, the higher is their economic effectiveness and the richer is the society. Some scholars offer measuring happiness with the help of objective, for example medical parameters. Studies in the field of physiology reveal a relation of wellbeing with defensive powers of the organism (a happy person resists virus infections easier, happy people are less likely to have high blood pressure [28]). A considerably big number of publications is dedicated to the studies of the influence of inequality degree in the society on the individual wellbeing, including health (Smith, 1999). Such studies are aimed at measuring happiness with the help of economic parameters (Layard, 1980).

Concerning the studies of factors, determining the subjective estimate of the life satisfaction, they are divided into 2 groups: economic and non-economic. The economic factors should include: a degree of economic development of the country as a whole; presence or absence of work (or a source of income), amount of individual income; rates of inflation and unemployment, variations of business activity in the country and in the world. Non-economic factors: formal features (sex, age, race); individual traits of a person (pessimist/optimist, introvert/extravert); social status (education, profession, marital status); way of spending time (communication with the close people and friends, going in for sports, or hobbies, engagement in the life of the community, rest); life conditions (climate and environmental conditions, social stratification, law and order) (Inglehart and Klingemann, 2000; Gaucher, 2009).

The research carried out in Great Britain show, that people with the university diploma are less satisfied with their lives and are more likely to be the subject to stresses, than the people without education. But in many countries (e.g. USA, Switzerland, and Latin American countries) there is a positive correlation between the level of education and the level of happiness.

### **3. Data and methods**

For achieving the goals of our analysis, we used the data of a sociological survey conducted in the city of Tyumen, Tyumen region, in February-March 2014 using the own questionnaire. The data are representative for the population of the age from 18 years and above. Representativeness is controlled corresponding to sex, age, and education. The total number of the respondents in the sample frame was 287. The type of selection we used was non-probabilistic (the version of selection quota). The objects under investigation were the following age groups: 18-25 years, 26-35 years, 36-54 years, and above 55 years.

In order to verify the relation of a degree of life satisfaction with the level of felt happiness, as well as to check the inverse relation between the given values we used two models of linear regression, calculated on the basis of the least square method (Table 1 and Table 2). The meaning variables, as the basis of the first model, influencing the life satisfaction, are the following:

age (4 age groups, enumerated above);

sex (gender);

education (secondary, incomplete higher, higher, academic degree);

level of felt happiness (the respondents chose: 1) Yes, I am happy; 2) No, I am not happy; 3) I am not certain);

content of happiness for the individual (emotional side of life or material one);

material riches (is the money a measure of happiness for the individual, or not);

perfect health condition;

good (satisfactory) health condition.

The second model checks, for how much the level of felt happiness depends on the level of the life satisfaction. The factors, determining happiness, are the same variables as in the first model, except for the level of felt happiness. Instead of this variable there is the «life satisfaction» value used, measured in

the questionnaire according to the range from 1 to 10 (the higher is the mark, the higher is the level of the individual's life satisfaction at the present moment).

#### **4. Model estimation results and discussions**

We calculated the regression equations with the help of the Ordinary Least Squares in order to analyze the determiners of the individuals' life satisfaction at the present moment on the one hand, and the factors determining the level of felt happiness on the other. These models are often used in the research of the same format (see e.g. Strielkowski, 2012). The results are presented in the Tables 1 and 2 respectively for each model.

It seems that in terms of the results obtained from our econometric analysis of wellbeing and the quality of life, the situation as yields from our model and describing the state of things in Russian Federation is very peculiar.

First of all, our results show the dynamics of happiness of the individual is different from those obtained in the case of the American and Europeans society, as described by Blanchflower and Oswald (2008):

1. It appears that the lowest happiness values are typical for the age group of 26-35 years, which varies from the practice of the earlier studied countries, but is completely logical for Russia, because in Russia the period of marriage and bearing children is considerably shifted to the younger age for the both sexes. Correspondingly, the amount of responsibilities, which are to be born, grows in the younger age, maximizing the labor effort in a wish to achieve the material wellbeing and stability, frequently at the expense of pleasures.

2. Our calculations of dependence of the life satisfaction from the age showed the following: the older the respondent is, the less satisfied with his or her life he or she is. This contradicts the conclusions, made by Blanchflower and Oswald (2008) for the individuals above 61 years of age. Though in Russia such tendency has several explanations. Firstly, retirement is combined for the majority of the population with a sharp decrease of income on the background of worsening health, expensiveness of qualitative medicines and medical services, expensive household services. The situation is aggravated by the accumulating and insurance mechanisms of comfortable old age implementation being undeveloped. Secondly, taking the average lifespan of Russians (69 years) into consideration, the majority of the population unfortunately does not come into the happy age of wisdom, which occurs after 75 years.

Gender is positively related to the life satisfaction and is significant at the level of 10%. Women in the Tyumen region are more pleased with their lives, than men. This tendency, in our strong conviction, may be transferred to the Russian society as a whole, though it is in some contradiction with the research of Stevenson and Wolfers (2009), which state that since 1970's the women's happiness gets slowly equal to the men's happiness in the developed countries. While earlier in the opinion of the same authors, starting from the 1930s the economic development influenced the men's and women's happiness differently – women were happier.

It might be that the difference in wellbeing and the satisfaction with life perceived by the Russian women, compared to the American and European women, can be explained by the differences in the

value orientations. Even by the example of the investigation, carried out by us, it becomes obvious that for the great majority of the Russian women the family and children are the main priority and a guarantee of a happy life. She would sacrifice her career without any regret, if it is harmful for the family relations and bringing up children. Considering the renovation and strengthening of religious orthodox traditions in Russia, according to which the objective for a woman is to serve for a man and help in achieving his goals, as well as children bringing up, it can be forecast that the women in Russia will not stop feeling themselves less happy for the nearest decade and will not adopt the men's style of behavior in the society and in self-realization. We think that this could be studied in detail within the framework of a separate study.

We found out, that the level of felt happiness is negatively related to the life satisfaction at the level of 5%. This means, that happy people are more satisfied with their lives. As it was earlier stated, happy people achieve a larger success in their lives, than the unhappy ones. The influence of other factors (education, health) on the life satisfaction appeared insignificant.

The second model of linear regression suggests fairly different configuration of variables. Here we find out, what factors determine the happiness of the individual, and in what degree they influence on the feeling of happiness. In the given model the meaningful variables are the life satisfaction, age, sex, money, excellent, or good health. Our study showed that the more respondents are satisfied with their lives, the more they state that they are happy. This is a classic scenario for the country with the developed economy. Moreover, it appears that the material values and money is positively and significantly related to the feeling of happiness (at the significance level of 5%). Thence, one can imply that the less money a person in our sample possesses the less happy, satisfied and secure she or he feels. Our measure of health appeared to have negative relation with the feeling of happiness a perfect health at the level of 10%, a good health at the level of 5%. The worse the respondent estimates his or her health, the less frequently he or she speaks about happiness.

What concerns the level of education and its influence on the life satisfaction and wellbeing, there is no influence recorded in the both models.

### **Conclusions and implications**

Overall, our results demonstrate that happy people are more satisfied with their lives and, on the other hand, the respondents highly estimating their life satisfaction also frequently declared that they were genuinely happy. We discovered that there is a specific dynamics of happiness in Russia, which might be very different from that in the developed countries. The elderly people in the Russian Federation appear less happy and satisfied with their lives, than the elderly abroad, which is a distinctive signal, reflecting the non-satisfactory level of social security, material wellbeing, plenty healthcare services for the people of the old age. Our study confirmed that the material riches, money influence the people's feeling of happiness. The less money the person has, the less happy he or she will feel. Women appear to be are happier than men. Also, the people, estimating their health as excellent and good, are more satisfied with their lives and are happier.

The implemented study enabled to outline the directions of the following studies, in which we particularly plan to study the causes of life dissatisfaction by the elderly in more detail; boundaries of income, enabling the increase of the happiness level, as well as people's satisfaction. Besides, we

consider interesting to study the influence of cultural values of this or that society on the life satisfaction.

Summarizing our results, one should note that the level of happiness is unlikely to be the only factor of economic development, but it is an important addition to the other indicators of progress. Nevertheless, the authorities of a number of countries plan to shift the emphases from the quantitative values to the estimation of the total happiness of their citizens during the determination of effectiveness of economic policy in the nearest future in order to form a new development model, basing upon the mental wellbeing improvement.

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