



Family, money, and health: Regional differences in the determinants of life satisfaction over the life course

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ABSTRACT

We examine how family, money, and health explain variation in life satisfaction over the life cycle across seven global regions using data from the World Values Survey. With a life domain approach, we study whether the importance of the life domains varies by region and age groups and whether the variation explained by each factor is due to the magnitude or prevalence of each factor. Globally, family, money, and health explain a substantial fraction of life satisfaction, increasing from 12 percent in young adulthood to 15 percent in mature adulthood. Health is the most important factor, and its importance increases with age. Income is unimportant above age 50. Remarkably, the contribution of family is small across ages. Across regions health is most important in the wealthier, and income in the poorer regions of the world. Family explains a substantial fraction of life satisfaction only in Western Europe and Anglophone countries. Findings highlight that the population-level importance of family, money, and health in explaining variation in life satisfaction across regions is mainly attributable to the individual-level life satisfaction differences between people of different statuses rather than differences in the distribution of various states such as poor health across regions.

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1. Introduction

Family, money, and health are important determinants of subjective well-being (SWB). Subjective well-being refers to global judgments that people make about their lives, and is captured by measures of life satisfaction or happiness (Diener & Suh, 2000). Little is known about the relative importance of family, money, and health for explaining SWB at different stages of life, or how their importance varies across regions. In particular, nothing is known about how patterns of life cycle life satisfaction may differ by region and why. Thus far, the literature has focused only on unraveling the average happiness

trajectory over the life cycle. While some research has found happiness throughout the life cycle to be flat (Myers, 2000), others have found that the old are happier than the young (Argyle, 1999), still other research has found an upside down U-shape, with happiness peaking in midlife (Easterlin, 2006). One reason for the discrepancies may be measurement—some studies estimate life cycle happiness from synthetic cohorts while others use panel data. However, even panel studies do not concur on the life cycle pattern of subjective well-being (Easterlin, 2006).

One useful conceptual framework for understanding the life cycle pattern of subjective well-being is the life domain approach (Campbell, 1981; Campbell, Converse, & Rodgers, 1976). The life domain approach views responses on happiness as the net outcome of reported satisfaction with various domains of life that matter for happiness. Some of such factors are material living conditions, family life, health, and work. Proponents of the life domain approach to happiness argue that it captures both

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subjective and objective factors that affect happiness and classifies important aspects of everyday life that people refer to when answering about their overall subjective well-being. While there is no complete agreement on what the most important factors are, virtually all researchers agree that economic conditions, family circumstances, health, and work are important domains determining happiness (Cummins, 1996; Easterlin, 2006; Salvatore & Munoz Sastre, 2001; Saris, Veenhoven, Scherpenzeel, & Bunting, 1995; Van Praag, Frijters, & Ferrer-I-Carbonell, 2003). A good example of the life domain approach to explaining life cycle happiness is Easterlin (2006), who studies happiness in the U.S. and finds an upside down U-shaped curve over the life cycle. Easterlin concludes that the pattern is due to varying patterns of life satisfaction on each of the examined domains over the life cycle. For example, he finds that satisfaction with family life and work increase until midlife and then decrease, while satisfaction with financial situation increases with age, and satisfaction with health decreases with age.

We extend the research on life cycle life satisfaction in several ways. Although prior research has analyzed the factors explaining the level of happiness (Easterlin, 2006), no attempt has been made to analyze the factors responsible for the variation in subjective well-being. We first document population-level variation in subjective well-being and how that variation differs across regions and across ages. Second, we ask what factors explain variation in life satisfaction at different stages of life, and how the importance of these factors changes over the life cycle. The factors that we examine are family (partnership and children), money, and health.²

Analyzing the within-population variation in happiness and the factors that could explain the variation is a critically different conceptual question than the more standard quest of analyzing the factors that predict individual-level differences in happiness. Understanding the hitherto neglected population-level variation in happiness is important for several reasons. First, the variation in happiness measures the population-level inequality in subjective well-being. Second, understanding the determinants of the variation in happiness is critically important for the development of policy aiming to reduce inequality in subjective well-being. There are already initiatives to measure national-level subjective well-being, with the ultimate goal of informing policymakers about what makes people happy. For example, the OECD Better Life Index³ aims to measure quality of life more comprehensively than income or life expectancy statistics. However, to date no attention has been paid to the inequality in subjective well-being, and what accounts for that inequality.

In our analysis we take a comparative approach and study regional variation in the importance of different life

domains in explaining variation in life satisfaction over the life cycle. This is important because the factors that we consider may have very different meanings and importance for life satisfaction across regions. Consider, for example, health. First, we expect the importance of health in explaining life satisfaction to vary across regions, because empirically it will explain more variation in subjective well-being in regions with higher prevalence of poor health. Second, and more importantly, we expect the importance of being in poor versus good health on life satisfaction to vary across regions, partly because of cultural differences in the acceptance of different health statuses, partly because of the variation in the ability of health systems to alleviate suffering given a health condition. Regions differ also in terms of variation in income and family formation as well as in the differences in subjective well-being associated with different income levels and family statuses. Thus, for a more complete understanding of how family, money and health explain variation in life satisfaction across the life cycle, the regional approach is very important.

1.1. Regional variation in life cycle subjective well-being and life domains

Several studies attempt to explain national and regional differences in levels of subjective well-being based on economic conditions, cultural factors, and other contextual characteristics (Alesina, DiTella, & MacCulloch, 2004; Deaton, 2008; Diener & Suh, 2000; Frey & Stutzer, 2002; Kalmijn, 2009; Schyns, 1998; Soons & Kalmijn, 2009). However, no work to our knowledge has addressed regional variation in the relative importance of the determinants of life cycle subjective well-being. When studying the relative importance of various factors in explaining variation in life satisfaction over the life cycle, it is important to distinguish between the magnitude of the effect⁴ of a given factor, and the population level explanatory power of that factor. We examine variation explained by each factor with the R^2 and semi-partial correlation coefficient. These measures of variation depend essentially on two measures. The first is the variation in the factor of interest. The second is the difference in life satisfaction between those in different categories. Assume, for example, that people can be either in good or poor health. Then the population level importance of health in determining variation in life satisfaction depends on the proportion of the population in poor health (which is quadratically related to the variation in the variable of interest) and the average difference in life satisfaction between people in the two health states (which we call the effect size; see footnote 4). Both of these factors are expected to vary with age. The demographer's perspective, which analyzes how both compositional and individual-level differences contribute to population-level variation,

² We do not consider work separately because measures of satisfaction with work across contexts are scarce.

³ <http://www.oecdbetterlifeindex.org/>.

⁴ The term "effect" here means the regression coefficient describing the life satisfaction difference of persons in differing family situations, differing income groups, or differing health statuses. We do not put any causal interpretation on these regression coefficients.

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