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How much should we trust life satisfaction data? Evidence from the Life in Transition Survey

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ABSTRACT

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We analyse responses to two similar life satisfaction questions asked at different points in the same wave of a major cross-country household survey covering the transition region, Turkey and five Western European countries. We show that while the answers to the two questions are broadly consistent for most people, the responses for some groups differ significantly. Respondents of a lower socio-economic status and with a more favourable parental background show systematically higher levels of self-reported satisfaction in the later question. We also find evidence that responses to the later question are influenced by preceding questions on social capital. Our results have important implications for the design and length of household surveys that contain subjective questions. *Journal of Comparative Economics* 000 () (2016) 1–12. European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2JN, UK.

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1. Introduction

In the past two decades, the study of life satisfaction, or “happiness,” has become a thriving area of research in economics. There is now a firm body of evidence to support the view that surveys of well-being can yield meaningful and policy-relevant information about people’s welfare. Increasingly, this research has spilled over into the policy arena, with institutions such as the OECD routinely constructing cross-country measures of happiness and producing guidelines on the appropriate methodology.¹ But what happens when people are asked twice in the same interview about their well-being? Are the responses consistent or do they differ for some people, and if so, how? These questions, which have received little attention in the literature so far, are the focus of our paper.

Our analysis is based on the second round of the EBRD/World Bank Life in Transition Survey (LiTS II), a nationally representative household-level survey. LiTS II was carried out in late 2010 across 29 transition countries of central and eastern Europe and the former Soviet Union, Turkey and five western European countries (France, Germany, Italy, Sweden and the UK). A unique feature of this survey is that respondents are asked about their overall satisfaction with life at different points in the same interview, which allows us to study how intervening questions change the interviewee’s initial life satisfaction

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¹ Life satisfaction is a key component of the OECD’s “Better Life Initiative”, described in <http://www.oecd.org/statistics/measuring-well-being-and-progress.htm>. The United Nations produces an annual report on world happiness – see Helliwell et al. (2013).

answer. The first subjective well-being question, which asks respondents to agree or disagree with the statement “*All things considered, I am satisfied with my life now*” (on a five-point scale), appears relatively early in the interview. In contrast, the second question, phrased as follows: “*All things considered, how satisfied or dissatisfied are you with your life as a whole these days? Please answer on a scale of 1 to 10, where 1 means completely dissatisfied and 10 means completely satisfied,*” is near the end of the questionnaire. While the questions are quite similar, there are differences when it comes to phrasing and scaling which may also drive the observed variation in responses.

Cojocaru and Diagne (2015) have looked at the consistency of the two measures and show that the answers are highly correlated at the country level. Although our individual-level analysis is broadly in line with such a conclusion, we also find that for approximately 14% of respondents the answers to the two life satisfaction questions differ significantly.² In our analysis, we test three specific hypotheses related to (1) the *direction* of the response switch (captured by the actual response difference) and (2) the *precision* of the two responses (proxied by the absolute value of the response difference):

- The responses may be affected by context and framing effects. Some of the questions and topics addressed between the first and second life satisfaction question may influence answers to the latter because they prompt respondents to evaluate good or bad aspects of their lives.³ We explore the extent to which answers to the second question appear to be influenced by socio-economic status, social capital, views on issues such as trust and corruption, and events from the past.
- Responses to life satisfaction questions may be significantly affected by an individual's mood, which can change markedly during the interview. The LiTS questionnaire is lengthy, with interviews typically lasting more than an hour. Therefore, an apparent drop in life satisfaction between the first and second question could be related to age and health, as older and less healthy people become tired and fed up as the interview progresses.
- In addition to leading to a downward bias in self-reported well-being in the second question, certain intervening questions and individual characteristics may affect the recall of previous information and thus the measurement error in responses.

We find that several groups of people report a decrease in life satisfaction in the second question. Higher education (both individual and parental), income and social capital have a positive effect on responses to the second well-being question, though favourable opinions about institutions are either insignificant or, surprisingly, seem to bias life satisfaction scores downward in the second question. Those aged 63 and above and people who report themselves to be less healthy (on a 1–5 scale) appear on average to experience a drop in life satisfaction during the interview, though these effects are less robust. Lastly, our results suggest that response precision is positively associated with individual socioeconomic status (captured by controls for education, income and employment status).

Of course, the “gold-standard” approach would be to use two identical life satisfaction questions whose position is randomly assigned in the survey. This is an important limitation of our work. Unfortunately, a research design of this type may be difficult and expensive to carry out in a large cross-country survey such as the LiTS. In the absence of such an approach, we believe that the research strategy adopted in this paper provides an important methodological contribution.

Since our regressions are based on cross-sectional data, a potential concern is that the results may be driven by unobservable individual traits (Ferrer-i Carbonell and Frijters, 2004). We adopt four complementary approaches to deal with such issues. First, by construction, our dependent variable (the response difference to the two life satisfaction question) eliminates individual-specific effects, which may otherwise have contaminated the estimates. Second, we control for a rich set of observable individual characteristics, ranging from health and marital status to political party membership. Third, we also include country dummies (in the baseline specification) as well as dummies at the levels of sub-national administrative regions and even primary sampling units (PSUs) (in the robustness checks). By comparing similar individuals within very narrow geographical areas, our empirical analysis makes it less likely that the observed effects are driven by fixed sub-national differences such as geography or culture. Finally, it is reassuring that our results survive multiple robustness checks, such as the inclusion of interviewer fixed effects or alternative estimation techniques. Although we cannot eliminate all sources of bias in our cross-sectional data, our multi-pronged, micro-level approach makes us more confident that the relationships which we uncover are likely to be causal.

We contribute to the literature in several ways. First, the unique research setup implemented in this paper provides us with the rare opportunity to identify the biases associated with data on subjective well-being. More substantively, we complement a small but increasingly important literature which looks at how answers to life satisfaction questions vary with various survey characteristics ranging from order effects and the type of preceding questions to the accessibility and motivation of respondents.⁴ While this work is largely based on surveys from single advanced countries, we show that similar concerns about life satisfaction responses may be applicable in a broader cross-section. In fact, the magnitude as

² We explain below what we mean by a “significant” difference between the two responses.

³ The importance of context and framing effects has been analysed extensively in the psychology literature. See Diener et al. (2013) who point to the relevance of “chronically accessible information, which is information that readily comes to mind when people think of their lives” as a determinant of life satisfaction scores.

⁴ We review these contributions in more detail in the following section.

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