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## Macro-conditions and immigrants' happiness: Is moving to a wealthy country all that matters?

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#### ABSTRACT

Migrants look for a better life. In what kind of country will they live happiest? Many migrants aspire to move to wealthy countries, but non-economic factors might be important as well in making a country livable for migrants. This issue is addressed here by examining the impact of macroeconomic conditions and non-economic macro-conditions (good governance and a pleasant social climate) on immigrants' happiness in twenty European nations. We find that immigrants' happiness depends both on economic and non-economic macro-conditions. The social climate is especially important, particularly in terms of a positive attitude in society towards migrants. Our findings imply that the choice of destination country matters for migrants' happiness and that the discrepancy between migration motives and migration outcomes may constrain immigrants from maximizing subjective gains via migration.

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#### 1. Introduction

The choice of destination country affects a migrant's happiness outcome (Hendriks, 2015). For instance, self-reported average happiness among immigrants in Spain (7.6 out of 10) is considerably higher than among immigrants in Italy (7.2 out of 10). Moving to a country with a more livable environment creates significant potential for migrants to enjoy and develop better personal conditions and, in turn, greater happiness. Thus, migrants and policy-makers would benefit from knowing which macro-conditions contribute to a livable environment. This knowledge would enable migrants to evaluate possible destination countries more accurately so that better informed choices can be made regarding whether and where to move. For policy-makers, it provides input for the right allocation of resources and the development of accurate policies for improving immigrants' well-being. However, current research has bypassed the role of macro-conditions in the happiness of immigrants. The goal of this paper is to provide a better understanding of immigrants' happiness outcomes by exploring the macro-conditions that determine their happiness. Various economic, governmental, and social factors are considered. Jointly,

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<sup>&</sup>lt;sup>1</sup> Calculation is based on the sample used in this paper. Mean is adjusted for migrants' country of origin, age, and gender. The difference is statistically significant at the 1% level.

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these macro-conditions form a comprehensive basis for understanding the potential happiness levels that immigrants might obtain in the settlement country.<sup>2</sup>

The practical importance of this article would be marginal if in general migrants and policy-makers accurately estimated how macro-indicators relate to happiness. However, people (and migrants in particular) commonly suffer from forecasting biases that result in suboptimal beliefs and decisions (Schkade and Kahneman, 1998; Gilbert, 2006). A crucial bias is that one tends to overestimate the impact of extrinsic and economic desires on happiness. In contrast, the role of intrinsic needs, such as trusting others, is underestimated because these needs are less tangible (Frey and Stutzer, 2014). Voluntary migrants often give economic reasons for their move — and perhaps the concept of "economic migration" thus exemplifies this tendency to give undue weight to factors that actually bring little happiness. Stillman et al. (2015) show how migrating for primarily economic reasons can result in suboptimal happiness: in a natural experiment among Tongans moving to New Zealand, they found that voluntary migrants achieved significant increases in income of up to 300% but experienced a decrease in happiness even so. Moreover, the revealed difference in happiness between Italy and Spain cannot be explained by macroeconomic circumstances because the economic situation in these two countries is very similar.

Therefore, the key questions this article hopes to answer are:

- 1. Do non-economic macro-conditions (good governance and/or a pleasant social climate) complement macroeconomic conditions in explaining immigrants' happiness?
- 2. Which specific macro-conditions within these three domains are particularly important to immigrants' happiness?

Using longitudinal comparative data from the European Social Survey, individual happiness scores are linked to externally derived macro-indicators via multilevel models. Diverse robustness checks are performed to test the accuracy of our findings.

Three points are worth mentioning before proceeding. First, this paper does not assert that a migration decision should be made with happiness as the sole criterion. Nonetheless, migrants' happiness deserves close study because a key goal of migration (as with choices in general) is to have a better life — a notion that surely includes a subjective facet. Second, there is not a single country that fits all migrants best. Differences among individuals (e.g. culture, language abilities, migration motives, and skills) imply heterogeneous happiness outcomes for individual migrants: one country might be "better" in general but not better for migrants whose characteristics don't constitute a good fit (however, the relation and interaction between micro- and macro-conditions is outside the scope of this article and is left for future research). Third, a country with the highest happiness for the general population is not necessarily the best choice to optimize migrants' happiness; part of happiness is genetically and culturally determined, and factors such as ethnic discrimination and language barriers are additional factors that affect migrants' happiness distinctively.

The paper continues in Section 2 with defining the concepts and discussing previous research on which this paper builds, resulting in testable hypotheses. Section 3 presents the data and methodology, while results are reported in Section 4. Section 5 discusses and concludes.

#### 2. Theoretical considerations

#### 2.1. Concepts

A conceptual clarification of happiness, immigrants, and the three macro-domains is in order because they can be interpreted and measured in various ways. Happiness is the degree to which an individual judges the overall quality of his/her own life-as-a-whole favorably (Veenhoven, 1984). Evaluations of happiness comprise two components: (1) how good one feels most of the time (i.e. hedonic level of affect) and (2) a cognitive evaluation of the extent one perceives to have obtained what one wishes and expects from life (i.e. life satisfaction). Happiness assessments are typically based on a single-item self-report question, such as "Taking all things together, how happy would you say you are?". Alternatively, researchers with a particular interest in the cognitive component use a life satisfaction measure, such as "All things considered, how satisfied are you with your life as a whole nowadays?". Although self-reports on happiness and life satisfaction tend to be highly correlated (typically above .60), life satisfaction tends to relate slightly more to environmental and economic conditions than the affective component (Lucas et al., 1996).

Immigrants are defined as people born abroad (the first generation) or who have both parents born abroad (the second generation). Three macroeconomic conditions are typically considered in the field of happiness-economics. These include average income (GDP per capita), the labor market situation (unemployment rates), and economic uncertainty (inflation rates) (Di Tella, MacCulloch and Oswald, 2003). Governmental conditions incorporate both the concepts 'governance' and 'government', which are often used interchangeably (e.g. Helliwell and Huang, 2008). Key aspects include the democratic process by which the government operates and the delivery of qualitatively good government services that support the efforts of people and enterprises to achieve their goals and enhance their well-being (Kaufmann et al., 2011). Social conditions represent how citizens relate to each other. Key aspects include public trust, attitudes, and behavior (Putnam, 2000). The

<sup>&</sup>lt;sup>2</sup> Other macro-conditions such as the natural environment are found to play a less prominent role for migrants' happiness and are not considered in this paper for reasons of brevity (e.g. Schkade and Kahneman, 1998).

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