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Full Length Article

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## ABSTRACT

Drawing on the Senian capability approach to welfare economics and using panel data from the English Longitudinal Survey of Ageing (ELSA), this paper illustrates how the approach can be used to shed light on wellbeing in older age. Specifically, we estimate models of variables related to three aspects of a person's wellbeing: daily activities, happiness and capabilities. Results indicate that the production of activities depends significantly *inter alia* on education, health and gender; that happiness is related to a wide variety of activities and that there are potentially significant gender inequalities in some of the constraints that older people face and which impinge upon their wellbeing. The paper concludes by suggesting that the capabilities approach is a workable tool for exploring the production and distribution of wellbeing in older age.

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## Introduction

The Beatle's song, whose refrain asks 'will you still need me, will you still feed me, when I'm 64?' raises an interesting and practical question about the nature of welfare outcomes in later life. Economists perhaps know less about this than we might, though some research has been done even if collectively it is far from conclusive – see for example the wide-ranging survey by [Ulloa et al. \(2013\)](#) on the u-shaped relationship between age and life satisfaction. Against that backdrop, this paper uses Sen's capabilities approach, drawing particularly on its conceptual and multi-dimensional structure to investigate the distribution and drivers of life quality in older age. The capabilities approach, when used in economics to date, has tended to be applied to the measurement of national progress ([Stiglitz et al. \(2009\)](#)), to working age adults ([Anand et al. \(2011\)](#)) and to children ([Cunha](#)

and [Heckman \(2010\)](#) and [Cunha et al. \(2010\)](#)).<sup>1</sup> Yet we believe that, potentially, it is also well suited to aiding understanding of quality of life in older age, when physical and cognitive changes have profound impacts on the conduct of daily economic and social activities.

In this paper, therefore, we seek to both extend the reach of the approach as a useful tool in the economic analysis of wellbeing and shed some empirical light on happiness and other quality of life issues in older age. To illustrate the point, we draw on data from the English Longitudinal Survey of Ageing (ELSA) which has variables relating to all the relations that we wish to explore. More specifically, in what follows, we combine data on happiness and 11 daily activities (functionings in Sen's language) from three waves of the dataset to explore evidence concerning the drivers of happiness in older age. Using a panel ordered probit specification, we find, *inter alia*, that a range of activities have a detectable connection with happiness. Guided by Sen's theoretical set-up, we then examine the production of these activities

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<sup>1</sup> For other applications in economics see [Basu \(1987\)](#), [Brandolini and D'Alessio \(1998\)](#), [Desai and Shah \(1988\)](#), [Fleurbay \(2006, 2009\)](#), [Herrero \(1996\)](#), [Kingdon and Knight \(2006\)](#), [Klasen \(2000\)](#), [Krishnakumar \(2007\)](#), [Schokkaert \(2009\)](#), [Schokkaert and Van Ootegem \(1990\)](#) and [Volkert and Schneider \(2012\)](#). The capabilities approach is also popular within health economics. In particular, a capability-based measure of general quality of life known as the ICEPOP CAPability (ICECAP-O) instrument (<http://www.icecap.bham.ac.uk/>) has been developed for use with older people and is increasingly employed in the evaluation of health and social care interventions.

themselves and find that educational status and gender appear to be significant determinants in most, if not all, cases. Health is also a significant factor in the production of a number of the activities considered. Finally, we use data on whether respondents wish to engage in activities more often than they do as indicators of constraint (lack of capability) and find evidence of connections both with wealth and with a number of non-monetary dimensions. We suggest that these findings, together with the data on actual activity involvement, point to a potentially significant aspect of gender inequality in older age.

The rest of this paper is organised as follows. Section “The capabilities approach, welfare economics and ageing” describes the capabilities approach to welfare economics and our application of its main ideas to understanding quality of life in older age. Section “Empirical analysis: Data and models” then discusses the empirical approach, the main results of which are presented in Section “Results”. A final section offers some additional discussion and concluding remarks.

### The capabilities approach, welfare economics and ageing

The capabilities approach started life as a constructive response to some deep foundational problems in social choice and welfare (Sen, 1979) and a particularly useful discussion for economic analyses can be found in Sen (1985a). This section provides an overview of the theory and an indication of how it might be applied to the understanding of wellbeing in older age.

A basic building block of the approach is the concept of functionings, which are typically defined as ‘doings or beings’. Functionings might, for example, range from activities such as attending a football match or reading a novel, through to aspects of socio-demographic status, such as being married or being a parent. So, at any one point in time  $t$ , the  $i$ th individual could be described as having a vector of functionings in an  $n$ -dimensional space given by  $\mathbf{f}_{it} \in \mathbb{N}^n$ .<sup>2</sup>

Functioning vectors are produced by individuals from the vector of resources,  $\mathbf{r}_{it}$ , with which they are endowed. The approach also emphasises the fact that there is significant heterogeneity in the way people convert resources into functionings. Typically these points are summarised by describing doings and beings as an  $n$ -dimensional vector function of resources related to characteristics of the individual, i.e.  $\mathbf{f}_{it} = \mathbf{g}_i(\mathbf{r}_{it})$ . As an approach to welfare economics, it views financial resources as an input to the production of welfare outcomes and recognises that the resources upon which people draw may be non-financial. This relationship is used to highlight the fact that people are heterogeneous in their abilities to convert resources into the functionings they seek out. This heterogeneity has been applied empirically in the context of disability by Kuklys (2005), who used data for the UK to quantify the ‘conversion handicap’ which disabled people suffer through not being able to live as good a life as their able-bodied counterparts with the same income level.

A second core idea in the theoretical setup is the view that utility, or happiness, depends on a person’s functionings, i.e.  $u_{it} = g_i(\mathbf{f}_{it})$  for some function  $g_i(\cdot)$ , where the subscript  $i$  allows for the (realistic) possibility that different people obtain utility from functionings in different ways.<sup>3</sup>

Happiness might depend on other things too, and some aspects of a person’s being might plausibly not be reflected in their measured happiness, but as a first order approximation this happiness

equation makes an important point. Happiness can be estimated as a function of income but in this theoretical framework, it is estimated also as a function of the activities that a person undertakes, or some of the states that they find themselves in. In general, we have been guided by the view that the main causal route is from functionings to happiness. Evidence from a number of studies on the impact of negative shocks from widowhood to becoming unemployed (changes in ‘beings’) seems to support this view. That said, there is a smaller but developing literature interested in relations going the other way. For example, Lyubomirsky et al. (2005) argue that the personal traits that make people happier also make it more likely that they will have a job, a partner, better health, and so on. It would certainly be interesting, and potentially of practical value, to explore in more depth the relative sizes of this two-way causality. For now, we address the issue by relying on the longitudinal structure of our data, to study connections between doings and beings and life satisfaction, while accounting for unobserved heterogeneity in all model specifications.

The third and final relationship in Sen’s set-up is based on the observation that what a person is free to do is of importance when evaluating their overall position. A person who fasts by choice is in a different position to one who is undernourished because they are having difficulty making ends meet. To reflect this aspect of wellbeing, Sen defines an individual’s capability set as being the set of all the things that person could do or be, given the resources with which they are endowed.<sup>4</sup> For any individual  $i$  with a finite endowment, their capability set at time  $t$  might be defined as:

$$Q_{it} \stackrel{\text{def}}{=} \{f_{it,1}, \dots, f_{it,m}\}$$

Typically a person’s capabilities, represented by this set, cannot be directly or completely observed, but one strategy for estimation derives from the multi-dimensional nature of the elements of  $Q_{it}$ . The idea is just that any particular capability set can be viewed as defining a maximum level of functioning on each dimension. The set of such maxima define a perimeter estimate of  $Q_{it}$  and, with obvious notation, we can therefore define a capability boundary as

$\tilde{Q}_{it} \stackrel{\text{def}}{=} \{d_{it}^{1\max}, \dots, d_{it}^{n\max}\}$ . The idea is that the higher one’s capability boundaries are, the less constrained they are. A person cannot achieve combinations of functionings which lie outside the capability set and are, therefore, constrained by this. Or, to put it the other way, the tighter the constraints people face, the less capability they have. The dataset we analyse contains responses to questions about the extent to which people would like to engage more frequently in an activity than is currently the case and we shall use these as indicators of the extent to which a person’s capabilities are constrained.<sup>5</sup>

We hypothesise that happiness of older people, when regressed directly on activities that might plausibly produce it, will be found to have multiple and diverse drivers, as seems to be the case for adults. If people only responded to life satisfaction questions based on an internally fixed measure of happiness and adapted to shocks instantaneously and completely, we would not expect to observe a relationship between happiness and functionings. However, recent work on the adaptation of happiness to shocks indicates that this is

<sup>4</sup> See, for example, Sen (1993, pp. 30–31).

<sup>5</sup> There has been considerable discussion by Nussbaum (2000) notably – and see also a review by Robyns (2006) – of ‘the selection’ of capabilities. Nussbaum was concerned about the selection of capabilities by states that should support by virtue of the rights a person had. For our empirical analysis of behavioural relations, this debate is less relevant as we are estimating relations for which we have data focussing on variables that might relate to wellbeing as indicated by research literatures, common sense and/or suggested by empirical results. The data in the ELSA survey support only a small number of capability (constraint) indicators though a larger number of variables on activities are available. Our approach is more consistent with that of Sen who does not propose a list of variables but argues that the choice of variables should depend on the question in hand.

<sup>2</sup> A richer domain such as  $\mathbb{R}^n$  could also be employed but given the ordinal nature of our data on functionings there is no need to do so here.

<sup>3</sup> In this study we equate utility with happiness, as in Sen (1985a, pp. 11–14). As discussed by Sen (1985b, p. 220), happiness is one “... of the three main interpretation of utility...” alongside “choice” and “desire fulfilment.”

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