

1. Introduction

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1.1. INTRO

This book aims at describing and analysing the relation between social policy and happiness in and across Europe and in several European countries. This is done by bringing researchers from a variety of European countries together.

Social policy analysis has focussed on institutions, structure and public sector spending. The drivers and changes in the Bismarckian welfare systems, were, for example, the major factors as described in Palier and Martin's book (2008). Recent years have seen a renewed criticism of using gross national product and utility as core ways of understanding what welfare is (Frey and Stutzer, 2002a), a criticism which is in line with older types of criticism (Nordhaus and Tobin, 1973). The discussion has been sparked by an increased interest in happiness as a way of understanding and measuring different societies' development; this interest is due to the fact that happiness can be measured. Finally, by using the concept of happiness, it has been possible to probe into other factors than the usual suspects to explain developments in welfare states. However, the approach is not without criticism (Johns and Ormerod, 2007)

This book aims to bring this understanding further by asking the question of whether social policy can increase happiness in societies, and whether the degree of happiness has an impact on our understanding of modern societies in Europe and/or whether these are influenced by the chosen types of welfare policies.

The book consists of analyses which cover all the classical types of welfare state in Europe, all the traditional geographical boundaries, and big and small countries. The book brings a diverse group of authors together, all having a solid foundation in social policy and welfare analysis, that enables the reader both to have a more detailed understanding of different countries, and to get a grasp of the commonalities and diversities that exist among European countries. The choice of a very diverse set of countries has been made in order to show precisely the relation between happiness and various welfare state types, the differences and similarities of countries with diverse histories

and traditions. Despite the differences, one can discuss whether the traditional division between welfare state types can still be found: is there a large variety or can only two distinct clusters be found in Europe? (Greve, 2007a).

This introduction will first, albeit briefly, present the issues concerning happiness and its understanding, including those of measurement. This serves as a basis for the country analyses, see the overview of the book at the end of the chapter.

1.2. CENTRAL ISSUES IN RELATION TO HAPPINESS

Happiness, satisfaction, utility, well-being and other words have been used often without acknowledging the fact that they have been defined differently or have had different connotations or understandings throughout the history of mankind. Historians, philosophers, sociologists, economists and many others have tried to define what happiness is. Here it will suffice to quote the Aristotelian view "We may define happiness as prosperity with excellence; or as independence of life, or as the secure enjoyment of the maximum of pleasure" (Helliwell, 2003 p. 332). Happiness became something everybody could be, and this "turned happiness into a value of society and laid the basis for our modern welfare state" (Schmimmel, 2007, p. 5).

Happiness might not be understood in terms of these concepts, but rather as an aspect of what constitutes the good society. As stated in the American Declaration of Independence, the pursuit of happiness is a right (Frey and Stutzer, 2002a). Happiness is thus both an individual right, but seemingly also important for societies' development. This makes it important to discover the relations between the individual level of happiness, often labelled utility in economic analysis, and the societal impact on it resulting from a variety of factors.

In general, the literature on happiness agrees that factors such as health, age and marital status are strongly related to the level of happiness, whereas income is to a lesser degree (Lelkes, 2006; Peiro, 2006). The relation between age and happiness is u-shaped. Part of the reason for this relates to the adaptation of lifestyles, and also due to the fact that "old days thus are happy above all due to changing priorities in life" (Lelkes, 2008, p. 7). Age and happiness is an example of how the relation between the variables might vary across countries as happiness is also influenced by other contextual factors, for example younger people in Eastern Europe are much more satisfied than older citizens (European Foundation for the Improvement of Living and Working Conditions, 2004).

Several studies have shown unemployment to be of significance (Oswald, 1997; Easterlin, 2001), not only due to its economic impact, but also because of the subjective cost of being unemployed (Helliwell, 2003). More generous unemployment benefits increase happiness (Tella and MacCulloch, 2008),

which provides one example of how social policy can increase happiness. Income also has a role, given that in a welfarist tradition well-being is derived from the consumption of goods and services, which can be achieved through the use of money (Slesnick, 1998). A way of summing the many analyses up could be to argue that happy people are: the well paid, married, young, healthy, well-educated, of either sex, of any level of intelligence and the religious (Seligman, 2002).

The relation between income and happiness has been discussed intensively despite this seemingly clear connection between total income and happiness. The sometimes spurious relationship has often been labelled the Easterlin paradox. This refers to the fact that, in general, richer countries are happier than poor countries, but at the same time the level of happiness has not increased despite the long-run increase in income. One argument is: "Income growth does not, however, cause well-being to rise, either for higher or lower income persons, because it generates equivalent growth in material aspirations, and the negative effect of the latter on subjective well-being undercuts the positive effect of the former" (Easterlin, 2001, p. 481). Thus aspirations have an impact on the level of happiness and changes therein. Another explanation at the individual level relates to the fact that income is also related to the income of a reference group (neighbours, family and other workers) (Lelkes, 2006; Yang, 2008). Changes in the reference standard thus imply that even increases in quality and higher levels of delivery of goods and services will not increase the level of happiness (Layard, 2006). At the same time, no one denies that income has a role in relation to the level of happiness, and "income does buy happiness" (Frey and Stutzer, 2002a p. 409). Aspiration and adaptations in expectations are also behind the so-called hedonic treadmill; we will always want something more, and quickly get used to what we have (Smith, 2008). Changes in GDP growth rates might, especially if unexpected and higher than in other countries, thereby be more important for happiness than growth in income alone. Bjørnskov et al. (2007c) point out that it might not be income in itself, but also access to a variety of durable goods and services which is important. Furthermore, there will be a trade-off between income and leisure, given that free time for some is more important than money.

It might be a problem for decision makers that it is not possible to fulfil the needs of citizens, and if the expectation of improved quality and/or quantity of a given service increases, it will also be expected that the welfare state increases its delivery of services and continues to do so, for example, the hedonic treadmill in disguise. Still, public spending on welfare issues often has a positive impact on the level of happiness, although one analysis argues that no significant impact can be found (Bjørnskov et al. 2007a).

The diminishing utility of increasing income is, implicitly, also an argument that equality has a positive impact, but also why lottery winners might only temporarily be affected by winning, as they adapt to the situation (Yang, 2008). Social mobility might have an impact and Europeans seem to

be more negatively affected by the degree of inequality than Americans (Alesina et. al., 2004).

Religion and religious affiliation can sometimes be seen as having an impact on the degree of happiness (Diener and Seligman, 2004; Lelkes, 2006).

Other public policy aspects related to happiness include the way the government functions, the degree of corruption, and the effectiveness and stability of governments (Tella and MacCulloch, 2008). A study has even revealed that people are willing to give up part of their income if this could assure them a more peaceful life and less terrorism (Hoorn, 2008).

The central aspect of social policy such as having a high income, as mentioned above, a good and stable job, good housing conditions and social relations are important for happiness (Anand and Clark, 2006). The possible positive impact that can be found by having greater employee well-being on both the level of happiness and job performance (Frey and Stutzer, 2002a) implies therefore an impact not only on companies and individuals, but also on society. This is also an argument for societal involvement through social policy to ensure good and stable working conditions, including good physical and psychological working conditions.

Both men and women who do voluntary work or are altruistic also report a higher level of happiness than others (Konow and Earley, 2008), which might imply that happiness is also related to the process more than the outcome of different kind of activities. Women's altruistic activities seem to have a more positive outcome as altruism has a positive impact on women's health, but this is not the case for men (Schwartz et al., 2009). People who spend money on others also have a happier life, and spending money on social issues makes people significantly happier (Dunn, 2008). This points towards altruism is having a positive outcome. This is also the case for working voluntarily, although if the economic support in order to do so move it completely away from the altruistic behaviour, for example, by paying so it resembles ordinary jobs in the labour market, this might reduce the positive impact on happiness. If the jobs become paid ones, the positive impact on happiness may be reduced.

A high level of social capital also increases the likelihood of being happy, Delamother (2005) states, "In fact, the breadth and depth of individuals' social connections are the best predictors of their happiness". This also includes family life, married people are often happier than non-married people. Societies which can improve the level of social capital might, thus, simultaneously increase happiness.

Good health is also important for a high level of happiness (Lelkes, 2006; Schimmel, 2007). Schimmel even argues that happiness adds years to life, in fact "optimist's live about eight years longer than pessimists" (p. 10). Another study showed that to be in very good health compared to very bad health implied a difference of 2.46 points on a ten-point happiness scale (Helliwell, 2003). Happy people thus seem to be healthier and live longer

than unhappy people. The cause and effect, as in several other aspects of happiness studies, is not perfectly clear. Still, if happy people live longer, are less stressed and have less use for health care, then policies increasing happiness can be important both for individual well-being and societal cost in relation to health care.

Even though happiness is important, the “application of happiness economics to policy would take empiricism in public policy making to an extreme level” (Johns and Ormerod, 2007, p. 71). This might be true, still if we want to integrate that which by many individuals is seen as a central aspect of what constitutes a good life and thereby also a good society, it is important to include this type of information.

A core question is: Can we measure happiness? The short answer is, yes it is possible, although the possibility of absolute measurements is open to question in that happiness is often seen as being relative (Oswald, 1997). Furthermore, happiness might change rapidly due to external circumstances. Despite this, there is stability in the measurement of happiness not only at the individual level, but also when trying to measure it at the societal level. This then reflects that even if the measurement of utility has not been possible, happiness scales seemingly enable researchers to measure part of people’s well-being and the development thereof.

The main way of measuring happiness has been to ask people: Taking all things into consideration, how happy would you say you are? The scale used then often ranges from extremely unhappy (1) through to extremely happy (9).

This raises the issues of whether it is possible to measure happiness on a scale and be able to put a specific number on individuals’ happiness. If it can be, it would reduce the problem of adding and comparing utility which welfare economics in particular has tried to find solutions to at the least since early 1950’s (Arrow, 1950). Analyses seem to confirm that the answers and analyses show a high degree of validity (Hoorn, 2008). Naturally, it could be a problem if the concept of happiness is understood differently in different societies and different cultures, which even might be influenced, as is the case in Eastern Europe, by dramatic changes in the level of income, political landscape and so on. However, there is no indication that, everything taken into account, this poses a problem at either the national or international levels.

Methodological problems still exist. For example, if the interviewers’ start by asking about the weather, and it was a good and sunny day, this could influence people’s perception about the level of happiness (Nettle, 2005). There can be a bias in persons’ cognitive abilities, including neglect of length of actual duration of happiness, and that losses are more heavily valued than gains and overoptimism (Frey and Stutzer, 2002a). Furthermore, there might be different norms and expectations, for example, people might say they are happier than they actually are if positive answers are expected (Veenhoven,

2008b). Still, given that the main data used in this book are based upon the same approach in all countries, this should not be a problem.

A further issue is related to the level of happiness and time. Given the absolute scale at a certain point of time it will not be really possible to increase the level, for example, to a large degree. For example, if an absolute scale is used, it might not be possible to measure increases and decreases in happiness over time. Someone who is extremely happy may be even more so later. This is, to a large degree, the same type of criticism related to the measurement of people's level of satisfaction with service (Johns and Ormerod, 2007). This problem could, at least to a certain extent, be reduced by attaching higher values to a high level of happiness and/or also including longitudinal studies, thereby including individuals' changes in happiness. Still, happiness measurements provide additional information on which to base social policy choices in that it makes us able to combine subjective and objective data. By this, the research into happiness also bridges the gap between the more traditional ways of measuring welfare states and their development and, to a certain extent, allows us to go back to the early heydays of measuring having, loving and being as part of the social indicator development.

GDP per capita has for a long time been a central way of measuring economic development, comparisons of countries' wealth, and implicitly also the level of happiness in societies. This is despite the many weaknesses in the measurement of GDP, including increase in the value of GDP as a result of pollution and traffic accidents, but not including household work or the shadow economy. In this sense, the use of happiness as a supplement to classical measures can be an improvement in the ability for societies to measure their development including individuals' subjective feelings and perspectives.

So, although there might be some difficulties in measuring happiness, such measures seem to have a high degree of validity and, at the same time, we should remember that methodological problems often arise in anything interesting one might want to measure (Nettle, 2005).

1.3. OVERVIEW OF THE BOOK

The book is based on chapters analysing the situation in individual countries, a comparative chapter and a concluding chapter. The aim is to show that the understanding and use of the concept of happiness has an influence reflecting different traditions.

The countries covered in this book have all participated in the European Social Survey (<http://www.europeansocialsurvey.org/>) in the second or third round. This implies that the same types of questions have been asked in all countries integrated in the analysis and presented here. Combining national

analyses on a set of questions asked across Europe and having national interpretations of the implications for social policy makes the comparative analysis possible.

Countries covered in the analysis include Southern Europe (Italy), Central Europe (Germany, Slovakia, Czech Republic and Luxembourg), Eastern Europe (Russia), Western Europe (the UK) and Northern Europe (Sweden and Denmark). This is a fruitful combination as there are representatives from various historical, geographical, social and political traditions. Richer and less rich countries and large and small countries are blended together. The implication is that if they have something in common, we might provide a more general approach to the relation between social policy and happiness. They all relate to several different ways of structuring and systematising countries in Europe into welfare clusters. They also represent a variety of welfare clusters (Greve, 2007a). However, the intention is not to try to find out whether certain regimes and typologies can be depicted in relation to happiness and social policy. The aim is more modest, namely to find connections and relations between this core area of welfare state activities and happiness.

For all countries, data on happiness and indicators such as age, gender, marriage, level of education, religious affiliation, trust (including trust in the political system) and the feeling of safety have to a varying degree been included in the analysis.

The specific relation between a core aspect in many welfare states, inequality and happiness, is covered in a special analysis by one of the pioneers in the area of happiness research, the sociologist Ruut Veenhoven. This is included because on the one hand the level of income has an impact, at least up to a certain level on the degree of happiness, and on the other hand the distribution of income is important. Several studies, for example, indicate that less income can be more positively evaluated if it is higher than for other persons (Layard, 2005).

In this introduction only a few of the many and varied aspects raised in the national chapters will be presented.

Tomás Sirovátka and Steven Saxonberg focus on life satisfaction and happiness in the Czech Republic. They show how the Czech Republic has a lower level of material living than other EU countries, while at the same time having a lower degree of inequality and higher spending on health care than other countries. They present a clear argument for the effective impact of the welfare state on the degree of inequality despite the comparatively lower level of spending. Happy people are those with good health, stable jobs, a good income, marital status and high level of education. There seems not to be a relation between religious affiliation, age or gender. The lack of impact of age is especially surprising given the relative dramatic changes in the country over the last 25–30 years. The analysis shows that the welfare state can have a positive impact on happiness by delivering a high quality in health care services, reducing inequalities and ensuring a high level of education.

In the neighbouring country of Slovakia, analysed by Miroslav Beblavý, the transition process has been dramatic, and Slovakia has a lower average level of happiness compared to other European countries, which is mainly explained by the lower level of income in Slovakia. There seems to be no gender difference, and religious affiliation does not seem to play a role in explaining the level of happiness. The feeling of safety has on the other hand a clear impact on the level of happiness in the country, and higher educational attainment has a positive impact. The historical factors also have an impact, which also might help to explain that there seems to be no connection between the development in trust and in happiness.

Carlo Klein looks into one of the small European countries, Luxembourg, which has both the highest income per capita and more migrant workers than any other country as more than 40 per cent of the residents are foreigners. Luxembourg's social policy is mainly based upon compulsory public insurance, that is, a Bismarckian type of welfare system. In Luxembourg, in contrast to several other countries, neither gender nor partner seems to have an impact on happiness, although men seem to be more materialistic than women. Income as well as social contacts have an impact on the level of happiness. In Luxembourg one of the surprising results is that having a job and participating in the labour market have to a lesser extent than in other countries a positive impact. This contrasts with the fact that income has an impact. Still, there is a role for the welfare state especially in relation to health care and also to ensuring a continuously high standard of living.

Heinz-Herbert Noll and Stefan Weick, in their analysis of Germany, begin by presenting a short description of welfare policies Germany before going on to analyse happiness in relation to age, household income, gender, level of education and marital status. They also include a regional variable between East and West Germany, which given the German history of reunification is highly relevant. They show a clear divide between East and West with a substantially lower level of happiness in East Germany. The in general lower level of happiness in Germany compared to other European countries can thus to a high degree be explained by this factor, but also the fall in relative living standards, thus confirming that it is not only a country's own position, but also the relative position vis à vis other countries that is important.

Bill Jordan examines the situation in the UK and starts with the fact that the average level of life satisfaction in 2006 was more or less on par with the level in 1946. He points out that collective action increasing equality, not only in the economic sense but also in terms of democratic involvement, could increase happiness in countries like the UK and the US. The chapter also includes a useful discussion on libertarian paternalism, including nudging. He concludes that the crisis in the collective societal institutions gives rise to problems in relation to happiness, and by this implicitly that it can have a role in increasing happiness.

Moving from Western Europe to a large country in Eastern Europe which has experienced rapid transformation, Russia, Alfio Cerami starts out by

describing the transition experience and analyses whether dramatic transformations such as those which have taken place in Russia have an impact on happiness and also whether the Russian welfare state can play a role in the reduction of unhappiness. Winners in the transformation include those with higher incomes, and losers those with lower incomes and lower living standards. In the Russian case welfare policies can by improving access to the labour market and better macroeconomic positions advance the level of happiness. Furthermore, increasing democracy and social inclusion increases happiness.

A Nordic universal welfare state such as in Sweden is expected to have a high level of happiness. Filip Fors makes an analysis of happiness and Sweden, and to what extent demographic and socioeconomic factors have an impact on people's happiness compared to other European countries. The analysis shows, as just one important example, that being unemployed or an immigrant in Sweden has a stronger negative impact on life satisfaction than in other European countries. This is explained by the impact on self-esteem and other psychological effects which the relatively generous unemployment benefit system does not affect. The analysis concludes that happiness is higher in Sweden, but that the factors specifically influencing this might be difficult to detect, although both cultural and institutional factors might play a role.

Bent Greve analyses another Nordic welfare state, Denmark, which is often portrayed as one of the happiest nations in the world. The analysis clearly indicates a positive support of the welfare state in Denmark. This includes a sustained focus on policies aimed at full employment and integration in the labour market. Employment in the labour market helps in ensuring both income and a feeling of social inclusion. Employed people are in general happier, although, for example, those who have left the labour market, such as pensioners, also seem to be happy. Further, a policy that ensures a continued focus on a high degree of equality is also important. Equality between men and women and not only a focus on income inequalities is important, as is a focus on equality in access to welfare services

Italy belongs to the Southern European welfare state type. The analysis presented here is by Marco Zupi. In Italy, compared to several of the other countries in the analysis, men and religious people are in general happier than others. This shows that a different set of factors can be important when trying to depict the degree of happiness in different countries. Trust, feeling of safety and educational attainment levels play an important role in relation to the degree of happiness in Italy. Policy conclusions deriving from the analysis suggest that social policy should focus on the labour market, for example, reducing unemployment, but also a better education system and a continuation of the universal health care coverage in Italy.

Maarten Berg and Ruut Veenhoven analyse income inequality and happiness in 119 nations. Happiness is understood as the individual's

subjective evaluation of life as a whole, and the independent variable, the degree of inequality, is measured by the Gini-coefficient. The analysis describes earlier attempts to estimate and compare happiness and inequality across countries. Their conclusion for all countries is that there is only a slight correlation between the average level of happiness and income inequality in a nation. The result might be different in different regions around the world, although it is argued that grouping results in a chaotic pattern.

1.4. CONCLUSIONS

It can be difficult to reach definitive conclusions based upon the information from such varied and very different countries in Europe. Therefore, below are only a few indications of how to understand the relation between happiness and social policy. However, there are some reasonably clear tendencies.

Gender has only a marginal impact, as is the case for marital status and religious affiliation, although there are exceptions. Income is central, and especially the relative level of income, as in most countries the degree of equality also has a positive impact on the level of happiness. This leaves a role for welfare states in order to ensure or continue to ensure a high degree of equality. The level of educational attainment also seems to have an impact. Therefore policies to ensure a high level of education are important in most countries. Welfare policies ensuring jobs for most people will also have a positive impact as unemployed people are often less happy than employed persons. Healthy lives also imply a positive impact on well-being. Therefore there is still a clear and substantial role for welfare states to help make a better and happier life possible for its citizens.