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**Working Paper**

## Poverty and happiness: An examination of the factors influencing happiness among the extreme poor in rural Ghana

WIDER Working Paper, No. 2015/034

**Provided in Cooperation with:**

United Nations University (UNU), World Institute for Development Economics Research (WIDER)

*Suggested Citation:* Ayerakwa, Hayford M.; Osei, Robert D.; Osei-Akoto, Isaac (2015) : Poverty and happiness: An examination of the factors influencing happiness among the extreme poor in rural Ghana, WIDER Working Paper, No. 2015/034, ISBN 978-92-9230-919-0, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki, <https://doi.org/10.35188/UNU-WIDER/2015/919-0>

This Version is available at:

<https://hdl.handle.net/10419/126331>

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WIDER Working Paper 2015/034

## **Poverty and happiness**

An examination of the factors influencing happiness among the extreme poor in rural Ghana

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March 2015

**Abstract:** Every person desires some level of inner fulfilment at different stages of life and this could come from a combination of several factors including material and resource acquisition and social prestige. The challenge, however, is whether happiness levels across the different social strata are the same, especially among the poor and the neglected. Using data from the Livelihood Empowerment against Poverty survey in Ghana, we analyse the factors that influence happiness among the extreme poor. The positive and negative factors are discussed in the paper.

**Keywords:** happiness, poor households, rural Ghana

**JEL classification:** D04, I38

**Acknowledgements:** The authors would like to acknowledge the useful comments from participants at the UNU-WIDER Conference on Inequality—Measurements, Trends, Impacts, and Policies; the Ministry of Gender and Social Protection of Ghana and UNICEF for whom the original data was collected; and the Population Centre at North Carolina University (UNC) that partnered the Institute of Statistical, Social, and Economic Research (ISSER) in the implementation of the survey. We are also grateful to ISSER and the International Growth Centre (IGC) at Yale for making the control group available for the evaluation.

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This paper has been presented at the UNU-WIDER Conference on ‘Inequality - Measurement, Trends, Impacts, and Policies’, held 5-6 September 2014 in Helsinki, Finland.

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ISSN 1798-7237 ISBN 978-92-9230-919-0

Typescript prepared by Minna Tokkari at UNU-WIDER.

UNU-WIDER gratefully acknowledges the financial contributions to the research programme from the governments of Denmark, Finland, Sweden, and the United Kingdom.

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## 1 Introduction

The concept of happiness has become a subject of interest to many social science researchers. Every person in life desires some level of inner fulfillment and this could come as a result of many factors including socio-economic factors. These factors have been the subject of contention among economists and psychologists for some time now about what truly influences happiness in life.

Many scholars have argued that the search for happiness is the ultimate goal of human action. In other words, man exists in order to be happy in life. For instance, in his first book, *Ethics*, Aristotle identified happiness as the chief and final good and inquired more about the nature of human happiness. There is therefore a general agreement among thoughtful people that happiness is the final end of human activity. This consensus has resulted in considerable research and writing on life about happiness which is one measure of the quality of life of an individual and of societies.

It is a well-documented fact that one single factor may not be able to influence happiness in its entirety (Ebrahim et al. 2013; Diener and Seligman 2006; Møller and Radloff 2010; Tella and MacCulloch 2008; Van Boven 2005; Buchanan and Csikszentmihalyi 1991; Lynn and Steel 2006). Many scholars have examined the individual relationships between various demographic, sociological, psychological, and behavioural characteristics and self-assessments of happiness (Borrero et al. 2013). Different authors have established that income, education, marriage, health, employment, social participation, and positive feelings all have a direct correlation with happiness (Borrero et al. 2013; Clark 2003; Frey and Stutzer 2002; Di Tella et al. 1999; Ravallion and Lokshin 2001; Shin and Johnson 1978; Blanchflower and Oswald 2000; Easterlin 1974, 1995, 2001). More frequent interactions with other people in the community and other social settings have also been identified to increase the extent to which individuals think that others can be trusted and thereby enhancing their happiness (Ellison 1993). For example church attendance creates a form of relatedness while belief in God provides alternative types of support for an individual's well-being. This has been corroborated by the increasing appreciation within psychology of the fundamental importance of warm, trusting, and supportive interpersonal relationships for well-being. Social relationships are arguably the greatest single cause of happiness and are important for health too among certain groups of people (Argyle 1997, Argyle and Lu 1990; Veroff et al. 1981; Argyle and Furnham 1983; Stroebe and Stroebe 1987; Argyle and Henderson 1985). In their study of Britain, Clark and Oswald (1994) conclude that joblessness depresses well-being more than any other single characteristic, including important negative ones such as divorce and separation. This obviously has a great tendency on the happiness of people.

The concept of happiness is sometimes used interchangeably with the term subjective well-being. The concept of subjective well-being or happiness comprises the scientific analysis of how people evaluate their lives—both at the moment and for longer periods such as for the past year. These evaluations include people's emotional reactions to events, their moods, and judgments they form about their life satisfaction, fulfillment, and satisfaction with domains such as marriage and work (Diener et al. 1993).

In recent years, there has been a substantial increase in empirical research into self-assessment of happiness. There are a number of theoretical traditions that have contributed to our understanding of happiness or subjective well-being. Early subjective well-being researchers focused on identifying the external conditions that lead to satisfying lives. For example, in his influential article *Correlates of avowed happiness*, Wilson (1967) catalogued the various demographic

factors that were related to subjective well-being measures. Yet, after decades of research, psychologists came to realize that external factors often have only a modest impact on well-being reports (Diener and Diener 1996). Demographic factors such as health, income, educational background, and marital status account for only a small amount of the variance in well-being measures. They rather argue that happiness or subjective well-being is fairly stable over time, that it rebounds after major life events, and that it is often strongly correlated with stable personality traits. Thus, many researchers have turned their attention towards understanding the relations between personality and happiness (Diener et al. 1995).

An early review of the literature nearly four decades ago profiled the happy person as ‘young, healthy, well-educated, well-paid, extroverted, optimistic, worry-free, religious, married person with high self-esteem, job morale and modest aspirations, of either sex and of a wide range of intelligence’ (Wilson 1967: 294). A more recent review of many subsequent studies in the USA and Europe concluded that people who are married, white, better educated, employed, but not middle-aged, and have higher incomes are happier (Oswald 1997).

The field of happiness or subjective well-being has witnessed the formation of two relatively distinct, yet overlapping, perspectives and paradigms for empirical inquiry into well-being that revolve around two distinct philosophies. The first of these can be broadly labelled hedonism and reflects the view that well-being consists of pleasure or happiness. The second view is known as the hedonic view and it states that well-being consists of more than just happiness. It lies instead in the actualization of human potentials. This view has been called eudaimonism (Waterman 1993), conveying the belief that well-being consists of fulfilling or realizing one’s daemon or true nature. The two traditions—hedonism and eudaimonism—are founded on distinct views of human nature and of what constitutes a good society. Accordingly, they ask different questions concerning how developmental and social processes relate to well-being, and they implicitly or explicitly prescribe different approaches to the enterprise of living.

The Hedonism view taught that the goal of life is to experience the maximum amount of pleasure, and that happiness is the totality of one’s hedonic moments. They argue that happiness lies in the successful pursuit of our human appetites, and believed that the pursuit of sensation and pleasure is the ultimate goal of life. Indeed, the predominant view among hedonic psychologists is that well-being consists of subjective happiness and concerns the experience of pleasure versus displeasure broadly construed to include all judgments about the good/bad elements of life (Ryan and Deci 2001).

The Eudaimonism view on the other hand argues that true happiness is found in the expression of virtue—that is, in doing what is worth doing. They argue that optimal well-being requires distinguishing between those needs (desires) that are only subjectively felt and whose satisfaction leads to momentary pleasure, and those needs that are rooted in human nature and whose realization is conducive to human growth and produces well-being mood (Ryan and Deci 2001). Eudaimonic theories maintain that not all desires—not all outcomes that a person might value—would yield well-being when achieved. Even though they are pleasure producing, some outcomes are not good for people and would not promote wellness. Thus, from the eudaimonic perspective, subjective happiness cannot necessarily be equated with a well-being mood.

A large part of philosophy has been concerned with defining what a good and happy life is. Similar efforts have been made by psychologists and economists, who have dealt with what particular ingredients and circumstances, make people happy or unhappy. But there has certainly not been any consensus as to what happiness is or what influence happiness in life. What are the factors that make people happier or unhappier than others? This is a crucial question because it helps us to understand how and to what extent the situation can be improved. Even when the

factors have been identified, does this general consensus apply to both the rich and the poor? This paper seeks to explore the influencing factors that make poor people happy in life.

## 2 Data and methodology

Data for this work was sourced from the second wave of the impact evaluation survey of the Livelihood Empowerment against Poverty (LEAP) collected by the Institute of Statistical, Social, and Economic Research (ISSER) in selected districts across the country in 2012. The sample consists of households in the bottom 20 per cent of the extreme poor population according to the Ghana Living Standard Surveys Five (GLSS 5).

The data was collected at the household level in rural Ghana. These households have been profiled as vulnerable households and generally consist of persons with severe disability, the aged with no production capacity, households with Orphans and Vulnerable Children (OVCs) among several other indicators. A well-structured questionnaire was administered on several indicators based on the evaluation expectations to the head of each household which turned out to be a caregiver in most instances.

Although we acknowledge that there might be instances that an individual may be happy and unhappy in other instances in life, each person was asked to evaluate their level of happiness and conclude whether in their own opinion, they were happy or otherwise. For the purposes of our analysis, we assign the value of one if the individual admits that they are happy in life and zero otherwise. We then introduce the household level covariates that could potentially influence the happiness level of an individual.

The linear probability model (LPM) is thus employed in our analysis of the factors that could influence happiness among such marginalized groups of people in society. The linear probability model is used because the response probability is linear in parameter  $\beta_j$ . In the LPM,  $\beta_j$  measures the change in the probability of success when  $x_j$  changes, holding other factors constant.

The analytical model used in this paper representing the relationship between a household's happiness and their respective characteristics is shown as:

$$\text{Prob}(Y = 1) = \ln (P1/(1 - P1)) = Xi\beta \quad (1)$$

Where  $P1$  is the probability of being happy,  $X_i$  is a vector of explanatory variables and  $\beta$  is the parameter estimates.

The variables used for the logistic regression are described in Table 1.

Table 1: Description of variables

Variable	Variable description
Happy	Happy in life (yes=1)
Payrent	Household pay rent for their dwelling
Borehole	Household uses bore as source of drinking water
Electricity	Household has electricity as its main source of light
KVIP in HH	Household uses KVIP as its toilet facility
Share_hh	Household shares dwelling with other households (yes=1)
Employee	A member of the household was employed (yes=1)
Livestock	Household owns livestock (yes=1)
Debt	Household has a debt to service (yes=1)
Paid_loan	Household was able to pay all or part of their debt in the last 12 months (yes=1)
Credit to hh	A member in the household is owed money or goods (yes=1)
Remittance	Household received remittances (remittance=1)
Inst_transfer	Household received institutional transfer in the past 12 months (yes=1)
Savings	Household has savings at home or with an institution (yes=1)
Operated_plot	Household operated a plot in the past 12 months (yes=1)
Non_farm	Household operated a non-farm business in the past 12 months before the survey (yes=1)
Child_under7	Household has a child under 7 years (yes=1)

Notes: KVIP=Kumasi Ventilated Improved Pit.

Source: Authors' own construction based on literature review and LEAP data (ISSER 2012).

### 3 Results

The descriptions of selected variables of interest are presented in Table 2. On average, 75 per cent of respondents admitted they were generally happy in life; 56 per cent raised different livestock including poultry, goat, and sheep. A good proportion also indicated they own or cultivated a piece of land for crop production in the past season (63 per cent) while more than a third of the respondents had savings either at home or with an institution outside of their homes (45 per cent).

The type of housing an individual lives in may be a function of several factors including income levels. Housing for poor people is often a major challenge as they are often found in dilapidated structures with little or no repairs at all. It is a common practice to see poor people in rural areas living in mud houses with parts of the same structure collapsed. We generally observe that about 78 per cent of the poor live in rooms that share a compound with other households. This is a common phenomenon in rural Ghana where the poor is allocated a room in the family house and shares other facilities in the house with different households. In the event that the dwelling is a family house, it is possible to have the entire membership of the house belonging to the same household.

Table 2: Description of variables

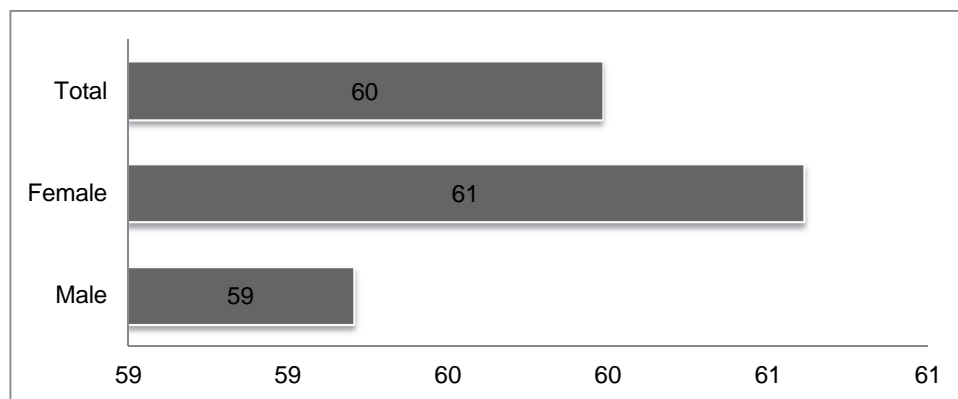
Description	Proportion/Average number
Proportion of households who are happy in life	75.4
Proportion of households sharing dwellings	25.7
Average number of rooms available to households	3.0
Proportion of households who worked outside of self-employed	10.1
Proportion of households raising livestock	56.1
Proportion owing money or goods to other people	25.7
Average number of debts per household	1.0
Proportion of households who paid debts in the past 12 months	5.8
Proportion of household members who are owed money or goods	10.4
Average number of monies owned by household members	2.0
Proportion of households receiving institutional transfers	38.6
Average number of institutional transfers	1.0
Proportion of households having savings at home or elsewhere	44.9
Average number of savings households have	1.0
Proportion of households operating a plot of land	63.4
Proportion of households with children under 7 years	31.4
Type of dwelling	%
Separate house (bungalow)	6.4
Semi-detached house	4.8
Flat (apartment)	1.6
Rooms (compound)	77.8
(Rooms) Several huts/buildings (same compound)	8.5
(Rooms) Several huts/buildings (different compound)	0.9
Other	0.1

Source: Authors' calculations based on LEAP data (ISSER 2012).

One may expect a priori that as individuals' age they become less active and the tendency of battling with different age-related illnesses increases. If an individual finds fulfillment as they age, there is a high likelihood that, they would be happy in life and the reverse is also true. The age distribution of household heads by gender is presented in Figure 1. On average, the average household head is found to be 60 years old. The females were observed to be slightly older (61 years) than their male counterparts (59 years). The majority of women who are found to be heading their households are either widowed or divorced, or separated from their partners.



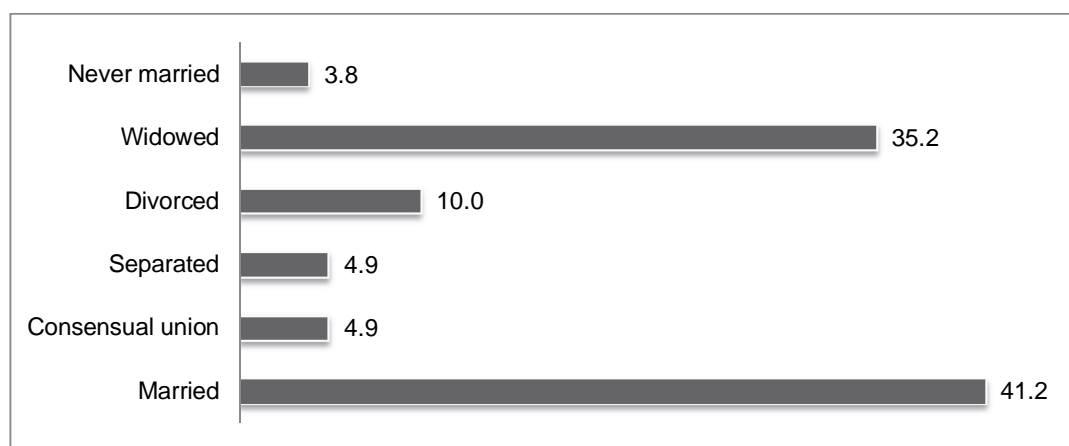
Figure 1: Age distribution of household heads



Source: Authors' calculations based on LEAP data (ISSER 2012).

The marital statuses of heads of households are also examined (Figure 2). For most of the people who head their respective households, the majority were found to be married (41 per cent). It is, however, important to note that, the combined marital statuses for household heads who are widowed, divorced, or separated constitute about 50 per cent of the entire sample, a situation which possibly could be linked to single parent households. The addition of heads that have never been married to the single parent/guardian category increases the proportion of household heads in our sample with no partners to about 54 per cent. This we can also link to the nature of people in our sample who are in a vulnerable group and in most instances require an adult to volunteer to provide care. Most care givers, as noted earlier, are widows and older women.

Figure 2: Marital status of household heads

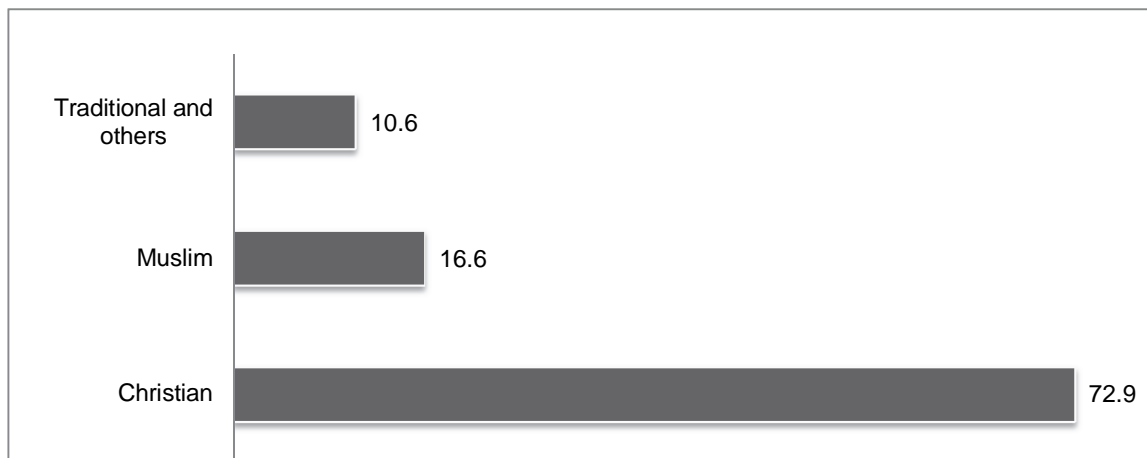


Source: Authors' calculations based on LEAP data (ISSER (2012)).

It is well established in the literature that social and religious affiliations influence the level of happiness among different groups of people. This is on the basis that these groups provide a sense of social belongingness as well as provide individuals some amount of spiritual fulfillment based on their faith and encouragement received from the group. We present the distribution of religious affiliations in Figure 3. We find that more than two-thirds of our sample (72.9 per cent) profess Christian faith. That is Catholics, Protestants, Spiritual, Charismatic, and other Christian bodies followed by Muslims (16.6 per cent); the traditional and other religions (10.6 per cent).

This result mimics the national religious distributions where more than 70 per cent of the population are Christians (Ghana Statistical Services 2013).

Figure 3: Religious affiliations of household heads



Source: Authors' calculations based on LEAP data (ISSER 2012).

Other housing characteristics of these vulnerable groups are presented in Table 3. More than half of the sample uses the borehole as their main drinking water source. Firewood remains the main fuel used for cooking with more than two-thirds of our sample relying on it. Another 23 per cent of the households also use charcoal as the main source of fuel for cooking. The usage of firewood or charcoal all require felling down of trees which could potentially have adverse effects on the environment. About half of households in our sample are connected to the national grid with a little above a third of the sample resorting to the use of torchlights and candles as sources of light for their dwelling.

Table 3: Other housing characteristics

Variable	Freq	%	Variable	Freq	%
<i>Main source of drinking water</i>			<i>Material of the wall of the main dwelling</i>		
Water truck/tanker service	30	2.00	Mud/mud bricks	901	60.15
Public standpipe	345	23.03	Wood/bamboo	21	1.40
Borehole	805	53.74	Metal sheet/slate/asbestos	1	0.07
River/stream	318	21.23	Stone	4	0.27
<i>Source of fuel for cooking</i>			Burned bricks	12	0.80
None, no cooking	51	3.41	Cement/sandcrete blocks	478	31.91
Wood	1,074	71.74	Landcrete	2	0.13
Charcoal	347	23.18	Thatch	2	0.13
Gas	18	1.20	Other	1	0.07
Electricity	2	0.13	Mudbricks with cement plastering	75	5.01
Kerosene	3	0.20	Homeless	1	0.07
Animal waste	2	0.13	<i>Material of the floor</i>		
<i>Source of light for the dwelling</i>			Earth/mud/mud bricks	353	23.56
Electricity (mains)	745	49.53	Wood	17	1.13
Kerosene	155	10.31	Stone	7	0.47
Candles/torches (flashlights)	548	36.44	Cement/concrete	1,108	73.97
Solar energy	4	0.27	Burnt bricks	2	0.13
No light	48	3.19	Vinyl tiles	7	0.47
Other	4	0.27	Ceramic/marble/tiles	3	0.20
<i>Type of toilet</i>			Other	1	0.07
Flush toilet	35	2.34	<i>Material of the roof</i>		
Pit latrine	453	30.34	Palm leaves/raffia/thatch	309	20.63
KVIP	198	13.26	Wood	6	0.40
Pan/bucket	9	0.60	Corrugate iron sheets	1,079	72.03
Public toilet (flush bucket/KVIP)	282	18.89	Cement/concrete	43	2.87
Toilet in another house	50	3.35	Asbestos/slate	52	3.47
No toilet facility (bush, beach)	464	31.08	Bamboo	9	0.60
Other	2	0.13			

Notes: KVIP=Kumasi Ventilated Improved Pit.

Source: Authors' calculations based on LEAP data (ISSER 2012).

Almost a third of the households do not have access to toilet facilities and so they use the bush as their places of convenience. Another 30.34 per cent and 18.89 per cent respectively have access to pit latrines and Kumasi Ventilated Improved Pit (KVIP). The main materials for the walls of most households are made of mud or mud brick (60.15 per cent) and cement (31.91 per cent). The floor and roofs are generally made up of cement and corrugate iron sheets, respectively.

We employ the logistic distribution analysis in our attempt to examine the factors that influence happiness among the poor. We measure the output variable as a dummy with a respondent taking a value of one when she/he indicates she/he is happy and the value of zero otherwise. The overall model is found to be significant at the 1 per cent—an indication that the explanatory variables jointly explain the factors that explain happiness among the poor. The analysis shows that happiness is enhanced among households that operate a non-farm enterprise; households that operated an agricultural plot and among households who have people owing them either

money or goods. Factors such as indebtedness of the household to persons outside of the household and households receiving different forms of institutional transfers were found to be the main factors influencing decline in happiness among the poor.

The expectation of the household to have money or goods due them being paid gives them hope of a better future. Generally, it is perceived that people who lend to others have a voice in making decisions than those without such privileges. The consciousness of the household that others are indebted to them gives them a voice and the ability to easily participate in the different social gatherings they belong. The reverse is true if the household is indebted to others outside of the household. Debt is certainly not pleasant especially when one does not have the means to repay the loan. The thought of the embarrassment that could come to the household in the event that they are called to service the loan contributes to making them unhappy in life. The situation is further compounded if people refuse to sell or advance credit to these households because they are considered not be credit worthy. To some extent, indebtedness prevents households from actively taking part in several activities including public meetings and discussions.

Access to agricultural farm lands remains an important livelihood indicator in rural Ghana. We sought to examine the proportion of households who have control of farm plots either as managers or people using the plots to cultivate crops. It also meant the household was responsible for the production decisions on the plot. The results suggest that households are likely to be happy if they operated an agricultural plot. Operating an agricultural plot would ex-ante guarantee certain minimum supply of essential food crops into the household which potentially keeps the family from going hungry and thus making them happier relative to those who do not have access to agricultural land.

For households who operated some form of a non-farm enterprise, they were found to be happy relative to those without one. The non-farm activity ranged from petty trading to some form of processing of raw materials into finished products that is sold to the public. A key characteristic of these enterprises is the minimal capital requirement that is needed to commence operations.

Operating a non-farm enterprise guaranteed some degree of flow of income into the household and that to a large extent gives them some purchasing power from the profits they make. This brings about some form of social prestige and acceptance and thus increases the tendency of the household to be happy.

Table 4: Factors influencing happiness among the rural poor in Ghana

	dy/dx	Std. Err.	P>z
Happy			
Payrent	0.06	0.040	0.1550
Borehole	0.01	0.023	0.5880
Electricity	0.01	0.023	0.7400
KVIP in household	-0.05	0.035	0.1550
Share_hh	-0.02	0.026	0.3550
Employee	0.04	0.033	0.2430
Livestock	0.02	0.024	0.3830
Debt	-0.09***	0.028	0.0020
Paid_loan	0.00	0.049	0.9950
Credit to hh	0.08**	0.034	0.0190
Remittance	0.02	0.025	0.4060
Inst_transfer	-0.06**	0.024	0.0130
Savings	0.02	0.024	0.3730
Operated_plot	0.06**	0.027	0.0400
Non_farm	0.08***	0.024	0.0010
Child_under7	0.02	0.025	0.4070

Notes: Obs=1487; LR chi2 (16)=60.25; Prob>chi2=0.000; Pseudo R2 =0.0312; Log likelihood=-801.71689

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Source: Authors' calculations based on LEAP data (ISSER 2012).

Our explanations to the negative effects of institutional transfers to happiness are varied: it is worth noting that, most of the institutional transfers that were observed in the dataset were related to the government cash transfers to poor households. The poverty profiling and selection onto the government intervention is done at the community level. In this manner disbursement of funds is done at specific time intervals in the community by the Department of Social Welfare. In the Ghanaian culture however, most communities have a social orientation to take care of the needy. People by default will, out of their own will extend support to the less privileged in society from time to time. However, knowledge of a person being enrolled onto a social safety net may push potential community members to retreat with their help. Unfortunately though, the flow of funds to beneficiary households from the Social Welfare Department has not been forthcoming as it ought to (the scheme is always in areas sometimes in excess of six months). As a result, the plight of these beneficiaries is worsened and that potentially has a huge effect on their happiness levels.

#### 4 Conclusion

Analysis of happiness has often concentrated on the general population and often in the blind side of the poor. This paper has demonstrated that, factors associated with happiness as we move along the different social strata may differ. It is therefore imperative that future analysis of happiness need to focus on a unique group of people for proper interpretation of results. It is also important to take into account the needs of the poor in the design of programmes and the fact that they all have meaningful contributions to make to society provided we create an environment that encourages participation. Factors that enhance happiness must be promoted while minimizing the negative factors that add up to their worries. It is important to state that,

using subjective approach to understand the factors influencing happiness does not in any way seek to replace the conventional approaches to measuring happiness—the income based methods. This approach should be seen as complementary to each other instead.

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