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## (Un)happy transition? Subjective Well-being in European Countries in 1991-2008 and Beyond

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## Abstract

This paper contributes to the debate about the impact of the transition to subjective well-being. After reviewing the relevant literature the authors draw on the surveys of the European Values Study between 1991 and 2008 to describe the trends in life satisfaction in 13 "Western" and 11 "Eastern" countries. The analysis finds that life satisfaction levels in transition countries have come to approach those in the West: the "rather unhappy" 1990s were followed by the "rather happy" 2000s. The correlation between life satisfaction and GDP reflects this process of convergence: the two separate lines in 1991 merge to become a single continuum later on. The characteristics of respondents are however more important than GDP, and a regression of life satisfactions with basic demographic and stratification variables shows their reinforcing effect in both Eastern and Western countries. As a result, the explained variance of life satisfaction was increasing. The findings of other surveys reporting on developments of attitudes since 2008 vary but are far from proving a uniform negative impact of economic recession on life satisfaction. The paper concludes by suggesting that various surveys have to be compared in order to obtain more reliable information on the development and factors of subjective well-being.

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# **(Un)happy transition? Subjective well-being in European countries in 1991-2008 and beyond**

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## **Abstract**

This article contributes to the debate about the impact of the transition to subjective well-being. After reviewing the relevant literature the authors draw on the surveys of the European Values Study between 1991 and 2008 to describe the trends in life satisfaction in 13 ‘Western’ and 11 ‘Eastern’ countries. The analysis finds that life satisfaction levels in transition countries have come to approach those in the West: the ‘rather unhappy’ 1990s were followed by the ‘rather happy’ 2000s. The correlation between life satisfaction and GDP reflects this process of convergence: the two separate lines in 1991 merge to become a single continuum later on. The characteristics of respondents are however more important than GDP, and a regression of life satisfactions with basic demographic and stratification variables shows their reinforcing effect in both Eastern and Western countries. As a result, the explained variance of life satisfaction was increasing. The findings of other surveys reporting on developments of attitudes since 2008 vary but are far from proving a uniform negative impact of economic recession on life satisfaction. The article concludes by suggesting that various surveys have to be compared in order to obtain more reliable information on the development and factors of subjective well-being.

**Keywords:** subjective well-being, life satisfaction, transition, economic recession, East-West comparison

**JEL Codes:** D10, D31, I31, R20

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## **1. Introduction**

Subjective indicators of human well-being are increasingly attracting the interest of researchers across the social and behavioural sciences. Within the growing body of literature on life satisfaction or happiness, there is a portion that deals with the transition of former communist countries and the overall impact of transformation on life conditions and citizens' perceptions. Since the first years after 1989, the transformation of the political and economic regimes has been an attractive topic for Western researchers eager to conquer new research fields and to analyse new data with innovative methodology. Subjective well-being (SWB thereafter) has emerged as one of the many indicators used to test the success of the transition in economic and social areas.<sup>1</sup>

More than twenty years have now passed since the communist regimes collapsed in Central and Eastern Europe. This gives us the opportunity to look back on this period using the various sources of data that have been collected globally or regionally. The questions are challenging. Is economic prosperity really the major factor of life satisfaction, as the frequency with which GDP figures in the relevant literature would suggest? Was the decline of economic growth during the first years of the transition paralleled by decreasing satisfaction or did the new liberties people acquired compensate for this decline? Are post-communist countries heading towards the 'Western standard' with respect to the relationship between economic growth and satisfaction and the structure of its determination?

These questions are not new and much information has been gathered so far. Here we shall first review the existing literature on the topic and then we shall analyse the datasets of the European Values Study (EVS) collected in 1991, 1999 and 2008. The EVS is the only source that provides the necessary time coverage for comparing changes since the early period of the transition up to the last pre-crisis year. Other surveys are used to follow the development after 2008. In the analysis, we distinguish between the 'old', continuously capitalist, countries and the 'new', re-emergent capitalist countries, which currently correspond to the division between old and new member states of the European Union.

This paper is structured as follows. The next section presents various empirical surveys that have included indicators of SWB in post-communist countries since the beginning of the transition and overviews the research done so far on the impact of the transition on SWB. The third section presents analyses of life satisfaction based on EVS data. After describing basic trends, we combine national and individual characteristics in order to identify the factors of life satisfaction across regions and periods. The fourth section examines developments since 2008 and explores the impact of the economic recession on SWB indicators.

## **2. Surveys since 1990 and previous research**

Initially SWB was surveyed in former communist countries by outside scholars and international networks. The World Values Survey (WVS) was conducted in 1990 and the European Values Study (EVS) in 1991. In 1991, a question about happiness was also posed in the first wave of the New Europe Barometer (NEB) surveys launched by Richard Rose and Christian Haerpfer, which included countries of the former Soviet Union. Unfortunately, this question was not repeated in subsequent waves of those surveys – only the question on the economic situation of the household remained (Rose et al. 1998).

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<sup>1</sup> In the text, we use 'subjective well-being' (SWB) as a general term for various indicators of life satisfaction and happiness, while we reserve the two latter terms for variables based on the explicit relevant questions.

Unlike the early 1990s, similar information is largely missing for the mid-1990s. The third wave of the World Values Survey, which was to have been implemented by the mid-1990s, was not actually conducted until 1997-1998, so it coincides with the European Values Study done in 1999 on bigger samples. Another problem is that several West European countries are missing from the third wave of the WVS.

After 2000, by contrast, the relevant surveys become quite frequent. In addition to the WVS and the EVS, two European institutions started to collect data on SWB in transition countries: Eurobarometer, in Standard Surveys since 2001, and Eurofound, in the Quality of Life Survey (EQLS) fielded in 2003, 2007 and 2011-2012. In 2002 the European Science Foundation launched the biannual European Social Survey (ESS), which includes the largest set of SWB variables. Finally, the EBRD carried out its Life in Transition (LIT) survey in 30 transition (and several advanced) countries in 2006 and 2010.

All of the sources referred to here have been used to describe SWB trends and to analyse its factors in dozens of articles and studies. Analyses of the impact of transition on SWB started only after 2000. Here we review some of the articles and studies in which direct questions on SWB happiness or life satisfaction are analysed for transition countries.

Using the NEB surveys of 1991-1995, Bernd Hayo and Wolfgang Seifert (2003) found that economic well-being explains a significant part of the variation in overall life satisfaction, but that there is still a considerable difference between the development of macroeconomic indicators and the declared level of satisfaction. The same data source for this period was also analysed by Lena Malešević Perović (2008), who found, in contrast, that the key macroeconomic variables matter significantly for the public's sense of economic well-being in transition countries. GDP growth and the rate of unemployment were identified as more important factors of economic well-being than inflation.

John Helliwell (2003) compared WVS data from the early and mid-1990s, adding societal level variables to personal data, with the aim of determining the factors behind the differences between SWB in broad regions such as Scandinavia, Eastern Europe, countries of the former Soviet Union (FSU) and Asia. With respect to post-communist countries he found that SWB was extremely low in both Eastern European and post-Soviet countries, but that by the mid-1990s things had become even worse in the FSU, even taking into account the deteriorating conditions. Unlike the FSU, no significant negative impact of transition was found in Eastern Europe.

Important contributions to the body of knowledge on SWB in an enlarged Europe have been made by the Foundation for the Improvement of Living and Working Conditions, based on the EQLS. The results of this research were presented first in a special series of studies on quality of life in Europe and later in scholarly articles. Here we recall two of them: Jan Delhey's (2004) study based on the Eurobarometer surveys, which included candidate countries, and Petra Böhnke's (2005) study based on EQLS 2003. Böhnke used the same data sources again in a later paper (Böhnke 2008). The most recent studies are based on the latest survey conducted in 2011-2012 (Eurofound 2012, 2013).

In Delhey's (2004) study, the comparison indicated that most of the population of the 13 countries acceding to the EU are more 'materialistic' than EU-15 citizens, since satisfaction with material living conditions has a stronger impact on how people think about their lives (Delhey 2004, p. 44). The results exhibited considerable heterogeneity among the accession

countries. Reported satisfaction differed substantially between the Czech Republic and Slovenia as egalitarian societies, on the one hand, and the remaining countries as more inegalitarian, with Poland and Bulgaria at the top. In general, however, personal characteristics were found to be much more important than country characteristics.

By expanding Delhey's study, Böhnke confirmed lower life satisfaction levels in the new member and candidate countries compared to the EU-15. East Europeans were found to be most satisfied with their private life, but least satisfied with domains beyond their control, such as income, employment or healthcare. While no significant correlation was found between life satisfaction and economic indicators in the EU-15, it was strong in the new member countries. 'Differences between the EU15 and NMS, according to level of happiness, relate to the value of family versus social life. People in the NMS put less importance on social contacts and value family life higher, whereas social life in the EU15 is considered to be as important as family life.' (Böhnke 2005, p. 29)

Carola Grün and Stephan Klasen (2005, 2012) analysed various data on well-being between 1988 and 2002, including WVS and EVS surveys, and concluded that, after 15 years of transition, most of these countries had not reached the level of well-being that existed before the transition, whether this was measured by income or subjective indicators. This poor achievement in material well-being contrasted with the improvement in political freedoms, which was substantial. Grün and Klasen expect that the negative effect of the transformation will only be overcome in the distant future. However, from a careful reading of the data those authors used we can see a parallel decrease in the level of declared happiness in both transition and non-transition countries.

Peter Sanfey and Utku Teksoz (2007) interpreted WVS data from the 1990-2002 period for 12-19 transition countries (depending on the wave of data collection). While the transition was a difficult experience for many people, the data indicate that 'life satisfaction has returned close to pre-transition levels in most cases' (p. 707). Sanfey and Teksoz argue that the positive aspects of the transformation since it began and GDP growth brought about an improvement in personal life satisfaction at a later period, the level of which is highest in those countries where the standards of economic governance are most advanced and where inequality is low.

Richard A. Easterlin (2009) used joint WVS-EVS data to analyse the change in SWB between 1990-1991 and 1998-1999 and confirmed the V-shaped pattern of life satisfaction documented by Sanfey and Teksoz. He observed that the decline in economic output and the employment rate in European transition countries precipitated a sharp drop in life satisfaction. With economic improvement, satisfaction also recovered, but not commensurately. The evidence suggests that economic circumstances trumped political ones in their impact on SWB. The asymmetric response of life satisfaction to decreases in GDP in transition countries and increases in GDP in non-transition countries is arguably due to the psychological phenomenon of loss aversion (Tversky and Kahneman 1991).

Stefano Bartolini, Małgorzata Mikucka and Francesco Saraccino (2012) used ESS data to compare the capacity of GDP and social capital trends to predict changes in SWB in transition countries. They found that GDP is a very important but not the main factor. Over the medium term, the relationship between social trust and SWB is comparable to that of GDP. Even in countries considered as an extreme case of relevance of material concerns for well-being, social trust is a powerful predictor of the evolution of SWB over time. However, in the short

run the relationship between social trust and SWB does not hold and GDP remains the only significant correlate of SWB.

Pamela Abbott and Claire Wallace (2012) applied EQLS 2003 and 2007 data to examine whether rising economic prosperity in the NMS since joining the EU is also reflected in a better quality of life. They constructed the Social Quality model from indicators of economic security, social cohesion, social inclusion and social empowerment and found that the model explains a great deal of the variance in life satisfaction and helps us to show that, as well as economic factors, other aspects of the quality of society are also important. In an OLS regression, economic and social variables, together with gender and age, explained 44 % of the variance of life satisfaction in 2003 and 40 % in 2007. Dummy variables for individual NMS displayed weak statistical significance.

Elena Selezneva (2011) reviewed 70 SWB studies on income, work and family life with particular attention to transition countries (including Latin America). The main specific features of transition countries appear to be the result of insecurity and rapidly changing conditions. However, as the author stresses in the conclusion, '(p)henomena which were often seen as characteristic for the transition nowadays even appear in developed economies as a consequence of the economic crisis and shocks. The experience of transition countries becomes valuable for both developed and transition countries, making it possible to point out the "winners" and "losers" of the uncertainty periods' (pp. 147-148).

Sergei Guriev and Ekaterina Zhuravskaya (2009, pp. 166-167) found a 'happiness gap' between transition and non-transition countries in their comparison of WVS waves 3 and 4. They state that 'the transition from communism to a more market-oriented economy did make people unhappy', which was caused by the depreciation of human capital stock accumulated under central planning, deteriorating public goods, and rising income inequality. However, the rise in life satisfaction in transition countries is dependent on continued economic growth and the reflection of this growth in higher income and the eventual improvement of the provision of public goods. The number of people raised under the former regime, which is suffering because of a depreciation of human capital, will also gradually decrease. Nevertheless, the increase in life satisfaction will take longer than the economic recovery.

In the research on SWB, Germany has attracted special interest as a unique living experiment of the successes and failures of many aspects of transition. The main data source is the German Socio-Economic Panel Study (SOEP), which started in 1984 and was first conducted in former communist Germany in June 1990. Richard A. Easterlin and Anke C. Plagnol (2008) found that while immediately after joining West Germany the effect of rising household income mattered, but employment problems later offset the improvement in material conditions. They argue that it is relative income that matters here, contrary to the claims of Paul Frijters et al. (2004a, 2004b), who consider absolute income to be the main determinant. Stefano Bartolini, Ennio Bilancini and Francesco Sarracino (2011) explained that absolute income, income comparisons and income adaptation predict substantial changes in SWB, only if taken separately. If considered together, about three-fourths of the positive change predicted by income growth is offset by the combined negative predictions due to income comparison and income adaptation.

For the Czech Republic, research is rather scarce. Dana Hamplová (2004) investigated the effect of family on life satisfaction using the 2002 ISSP module and found that living in a couple is more important than having higher education, and that satisfaction with family is



more important than job satisfaction. She similarly used ESS 2002 data to compare 21 European countries (Hamplová 2006). Tomáš Sirovátka and Steven Saxonberg (2011) used ESS 2004 data to analyse the relationships between satisfaction and the welfare state in the Czech Republic. The decent level of SWB in the Czech Republic is attributed to the good performance of the welfare state (accessible public goods) and informal social networks. Jiří Večerník (2014) compared the trend in SWB in four Central European countries identifying education, economic status and family situation as its main determinants. Using ESS data, Martina Mysíková and Jiří Večerník (2013) investigated SWB and job satisfaction across Europe and applied the concept of work-role inputs and outputs.

In reference to studies quoted here and elsewhere, Andrew Dabalen and Saumik Paul (2011) sum up that on average the transition made people unhappy. However, in our view, it depends on the given time period: if we consider only the early period of the transition at the start of the 1990s, this is largely, although not entirely, true. The transition period should probably be viewed as a longer process and when it is the trend in SWB is V-shaped. Once political liberties and freedom to travel abroad became normal, the pace of economic recovery and the degree of improvement in material life conditions became the crucial factors.

### **3. Analysis of the EVS surveys of 1991-2008**

#### ***3.1 Change across time***

The source of our analysis is the European Values Study (EVS) which is a large-scale, cross-national European survey managed by Tilburg University. Here we use the EVS Longitudinal Data File 1981-2008 to compare changes in 13 old member states (OMS) and 11 new member states (NMS), with time observations for 1990/1991, 1999 (Sweden and Finland in 2000) and 2008/2009. In the OMS, Luxembourg and Greece are omitted because they did not participate in the 1991 wave. In the NMS, only post-communist continental European countries were included. In view of our purpose, we distinguish between former West and East Germany where possible. For the sake of brevity, the two groups of countries are here referred to as regions.

The EVS poses two separate questions on happiness and satisfaction. The question on happiness is posed at the beginning of the questionnaire and is worded as follows: ‘Taking all things together, would you say you are: very happy, quite happy, not very happy, not at all happy’, with the two additional response options of ‘don’t know’ and ‘no answer’. Slightly further along in the survey, the question about life satisfaction is posed in the following wording: ‘All things considered, how satisfied are you with your life as a whole these days?’ The respondent is asked to locate himself/herself on a 10-point scale from complete dissatisfaction to complete satisfaction. Here we use only the question on life satisfaction (LS hereinafter, but only if referring to the EVS question) assuming that the concept expresses living conditions rather than personality characteristics.<sup>2</sup>

The relatively small sample sizes in surveys (in the average, it was 1330 per country in 1991, 1204 in 1999 and 1418 in 2008) might mean that the models applied do not fit as well at the national level as they do at the ‘all-country’ level (e.g. Sousa-Poza and Sousa-Poza 2000). Therefore, we maintain only the transition divide, including the division of Germany into East

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<sup>2</sup> The relationship between happiness and life satisfaction indicators is an important research topic that frequently figures in the relevant literature. We shall avoid it here completely owing to the lack of space. Let us just mention that Pearson correlation coefficient of life satisfaction and happiness variables in the EVS surveys was increasing from 0.49 to 0.54 in the OMS and from 0.43 to 0.51 in the NMS between 1991 and 2008.

and West. The distributions of answers on the LS question are left-skewed in both regions and in all three time observations, with the peak at step 8 of the scale. Across time, the distributions in the two regions become closer and the peak at step 8 is more crowded. While the percentage of respondents who locate themselves at the very top of the scale decreases over time in the OMS, it increases slightly in the NMS.

**Table 1 Life satisfaction in 1991-2008 (country averages and the index of change)**

Country	Life satisfaction			Change in the period:		
	1991	1999	2008	1999/ 1991	2008/ 1999	2008/ 1991
<b>OMS</b>						
Austria	7.8	8.0	7.6	1.03	0.94	1.09
Belgium	7.7	7.6	7.7	0.99	1.01	0.96
Denmark	8.2	8.2	8.4	1.01	1.01	0.82
Finland	7.7	7.9	7.7	1.02	0.98	1.31
France	6.8	6.9	7.1	1.02	1.02	1.10
Ireland	7.9	8.2	7.8	1.04	0.95	0.91
Italy	7.3	7.2	7.1	0.98	1.00	1.14
Germany West	7.2	7.7	7.3	1.07	0.95	1.17
Netherlands	7.8	7.9	8.0	1.02	1.02	1.01
Portugal	7.1	7.0	6.8	0.99	0.98	0.93
Spain	7.1	7.1	7.3	1.00	1.03	1.31
Sweden	8.0	7.7	7.6	0.96	1.00	1.22
UK	7.5	7.4	7.5	0.99	1.01	1.33
<i>Average</i>	<b>7.5</b>	<b>7.6</b>	<b>7.6</b>	<b>1.01</b>	<b>0.99</b>	<b>1.10</b>
<i>Standard deviation</i>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.03</b>	<b>0.03</b>	<b>0.17</b>
<b>NMS</b>						
Bulgaria	5.0	5.3	5.8	1.06	1.09	1.21
Czech Republic	6.8	7.1	7.2	1.03	1.02	1.29
Estonia	6.0	5.9	6.7	0.98	1.13	1.08
Germany East	6.7	7.2	6.2	1.08	0.87	1.38
Hungary	6.0	5.7	6.3	0.94	1.10	1.02
Latvia	5.7	5.3	6.4	0.92	1.21	1.17
Lithuania	6.0	5.1	6.4	0.85	1.27	1.66
Poland	6.5	6.4	7.2	0.98	1.13	1.44
Romania	5.9	5.2	6.8	0.89	1.30	0.94
Slovakia	6.8	6.0	7.3	0.89	1.21	1.19
Slovenia	6.3	7.2	7.5	1.15	1.04	1.02
<i>Average</i>	<b>6.2</b>	<b>6.0</b>	<b>6.7</b>	<b>0.98</b>	<b>1.12</b>	<b>1.22</b>
<i>Standard deviation</i>	<b>0.5</b>	<b>0.8</b>	<b>0.5</b>	<b>0.09</b>	<b>0.12</b>	<b>0.21</b>
<i>NMS/OMS</i>	<b>82.7</b>	<b>78.9</b>	<b>88.2</b>	<b>97.0</b>	<b>111.0</b>	<b>110.0</b>

Source: EVS 1991-2008. Authors' computations.

Looking at the LS averages in individual countries (Table 1), we see only small ups and downs in the OMS, so their overall average across time is stable. In contrast, substantial changes occurred in the NMS and they were different in each of the two periods. The 1990s saw improvement in Bulgaria, the Czech Republic, East Germany and Slovenia and deterioration in all other NMS. By 1999, LS in the Czech Republic had reached about the same level as in France, Italy and Spain. The results thus do not confirm Easterlin's (2009) finding that the decline in SWB in 1990-1991 is of such a magnitude that the increase that ensues through to 1997 is not enough to make up for the initial collapse.

With the sole exception of East Germany, development between 1999 and 2008 was perceived positively in all the NMS. Therefore, the picture of LS in 2008 substantially differs from the situation in 1991. Due to the stagnation of LS in the OMS and its improvement in the NMS, both regions are much more alike: the NMS reached 88 % of the level of the OMS average compared to 83 % in 1991 (in the happiness indicator, they even reached 91 % of the level compared to 81 % in 1991).

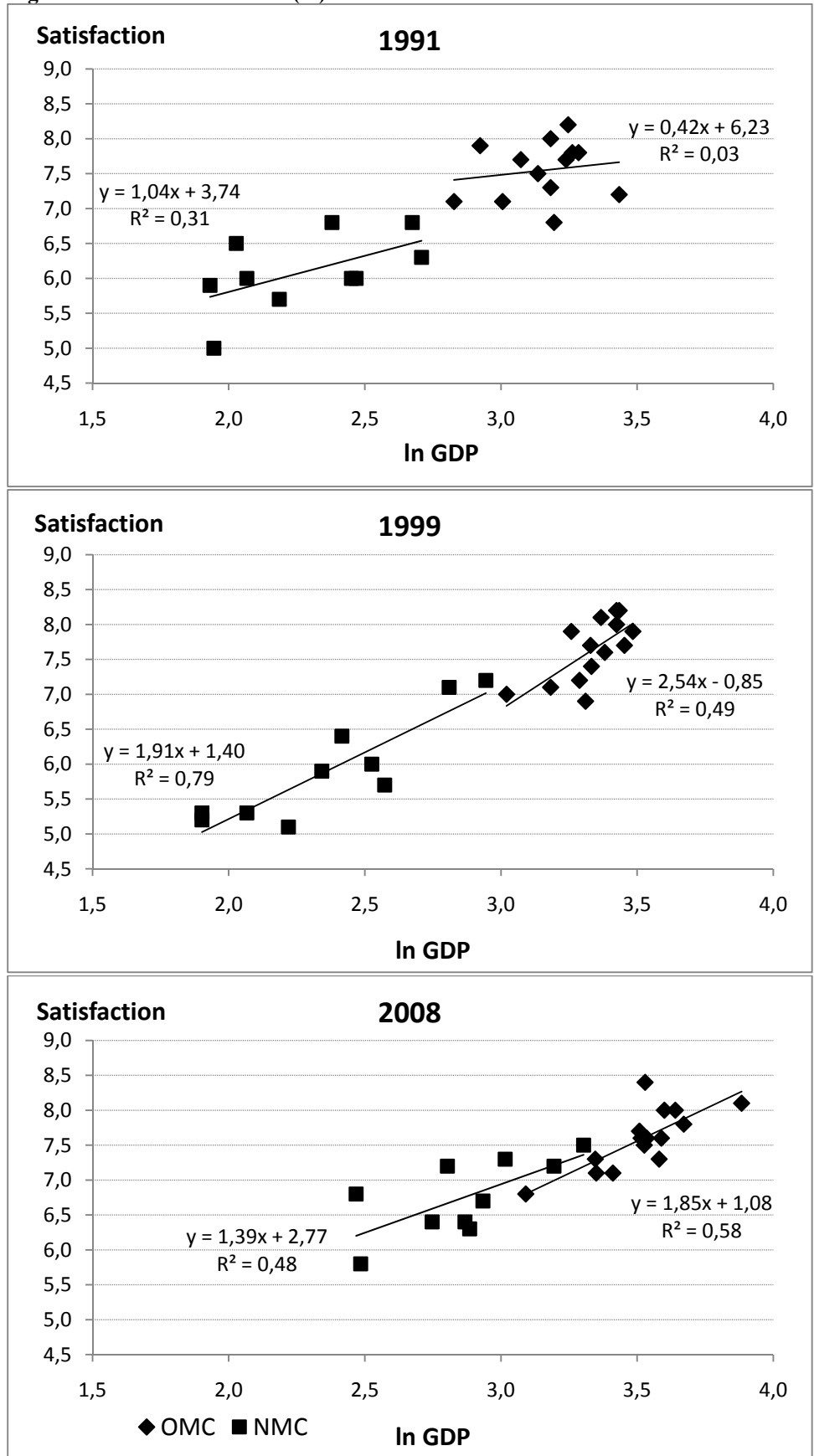
### ***3.2 The effect of GDP***

On the macroeconomic level, the obvious question is how SWB indicators have developed in connection with economic performance, conventionally measured by GDP. Since this concept was not applied in communist statistics, the real change in GDP since the beginning of the transition can only be estimated, using its retrospective calculations for the early 1990s. Several bodies have done this (UN Economic Commission for Europe, EBRD, IMF, OECD, PlanEcon and the Institute of International Finance). Nauro F. Campos and Fabrizio Coricelli (2002, p. 802) summarised the vast literature on this topic and highlighted the remaining inaccuracies and lacunae in our knowledge. The only clear thing is that in the first ten years of the transition 'output fell in every single country, with no exceptions and it took longer than initially expected to recover'.

In Figure 1, we correlate the logarithm of GDP per capita adjusted to purchasing power parity (see data source and definition in the Appendix for more information) with the LS averages in individual countries, which reveals considerable differences between individual time observations. In 1991, most of the OMS were located in a rather compact cluster of both high GDP and LS. The outliers were Portugal and Ireland, where GDP was low at that time but LS was high anyway. In contrast, LS was quite low in France, in spite of the relatively high GDP. Unlike in the OMS, LS was much lower in all the NMS, ranging from averages of 5.0 in Bulgaria to 6.8 in the Czech Republic and Slovakia. While no correlation was observed between LS and GDP in the OMS, it was relevant in the NMS, where LS was dispersed on a long line very distant from the short line for the OMS.

By 1999, LS in both regions was more closely located around a single GDP line with a similar slope. The two lines nonetheless were quite separate for each region, depending on the distance between LS and GDP indicator in the two regions. They are in fact further apart than they were in 1991 owing to a slight increase in satisfaction in several of the OMS and a decrease in several of the NMS. However, the reliability of this line is much higher in the NMS and it is in fact the highest of the three time observations in both regions.

**Figure 1 Life satisfaction and (ln) GDP**



Source: EVS, GDP – World Bank database.

By 2008, the ‘convergence process’ of the two regions had developed much further. The two lines of satisfaction dependency overlap and have similar slopes and degrees of reliability. The NMS shifted to the right with respect to GDP growth and upwards with respect to the LS level. Although the two regions still differ considerably in both indicators, the gap is not as striking.

If we put all the countries together and link LS with log GDP across all of them, ignoring the OMS/NMS divide, the picture develops as follows (not displayed in the figures). The correlation of GDP with LS was the strongest in 1991 (slope 1.6,  $R^2$  0.66) and had weakened by 1999 (slope 1.47,  $R^2$  0.88). The last EVS results from 2008 shows the steepness of the slope as the lowest of all three time observations, while the reliability is between the values of 1991 and 1999 (slope 1.29,  $R^2$  0.72).

However, a much more interesting question is how much GDP explains LS in specific terms, i.e. compared to the characteristics of individuals and households or after controlling for them. To examine this, instead of using only LS averages for individual countries, we made individuals the unit of observation in the next part of our analysis. Before analysing it with a multilevel regression, we shall use an OLS regression to examine how much LS is determined by the characteristics of individuals and households.

### ***3.3 The effect of individual and household characteristics***

On the micro level, we apply an OLS regression analysis of LS with the objective characteristics of respondents and their households.<sup>3</sup> After limiting the samples to respondents aged 20-69 and excluding observations with missing values, the sample size ranges in individual years from 9,300 to 10,700 respondents in the NMS and from 10,800 to 12,700 respondents in the OMS.

While most of the explanatory variables we use are clear, there are some problems with indicators of education and income. For education, the EVS dataset of 1991 does not give the respondent’s completed level of education, it only asked ‘at what age did you (or will you) complete your full time education’. To make up for this we constructed three categories using the comparison of educational levels and the most common ages at which these levels were attained in the other two EVS waves. The correlation of reported and constructed levels was only about 0.65 in the later waves, which means that the effect of the attained education level in 1991 might be somewhat biased.

For the income variable, the respondent’s personal income is not available at all. For household income the datasets give only income brackets of relative income, ranging from 1 to 10 in 1991 and 1999, and from 1 to 12 in 2008. The absence of a metric variable makes it impossible to adjust income to the size and composition of the household. Moreover, for the 1991 wave, even the variable for household size is missing. In the analysis we used the comparative variable included in the Longitudinal Data File where household income categories were collapsed into four categories.

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<sup>3</sup> Like Stanca (2010), we also compared OLS regression and ordered probit analysis and, like her, found a basic similarity of results. The correlation of coefficients obtained by OLS and the ordered probit ranged between 0.991 and 0.999 for individual regions and years. Therefore, we limit the presented data to OLS regression results only.

**Table 2 OLS regression of life satisfaction, the impact of individual characteristics**

Variable	NMS			OMS		
	1991	1999	2008	1991	1999	2008
Intercept	6.210***	6.783***	6.724***	6.853***	7.230***	6.903***
Female	0.053	0.102**	0.215***	0.003	0.053	0.119***
Age 30-39	-0.292***	-0.422***	-0.376***	-0.117**	-0.317***	-0.343***
Age 40-49	-0.400***	-0.795***	-0.653***	-0.190***	-0.588***	-0.495***
Age 50-59	-0.356***	-0.729***	-0.763***	-0.233***	-0.480***	-0.453***
Age 60-69	0.177*	-0.287***	-0.596***	0.114*	-0.076	-0.006
Secondary education	0.117**	0.274***	0.313***	0.040	0.084*	0.105**
Tertiary education	0.157**	0.650***	0.560***	-0.017	0.113**	0.219***
Employee	0.045	0.077	0.069	0.068	0.071	0.138***
Self-employed	0.167	0.134	0.426***	0.195***	0.126	0.166**
Unemployed	-0.690***	-1.059***	-0.975***	-0.943***	-0.934***	-0.784***
Married	0.222**	0.180*	0.152**	0.232***	0.489***	0.282***
Widowed	-0.157	-0.332**	-0.35***	-0.478***	-0.52***	-0.381***
Divorced	-0.353***	-0.375***	-0.347***	-0.648***	-0.121	-0.222***
Income – middle	0.478***	0.355***	0.464***	0.309***	0.303***	0.385***
Income – high	0.837***	0.856***	0.754***	0.412***	0.511***	0.654***
1 child	-0.005	-0.077	0.091	0.017	0.086	0.192***
2 children	0.030	-0.020	0.17**	0.077	0.113*	0.222***
3+ children	0.002	-0.054	0.083	0.114*	0.125*	0.297***
R <sup>2</sup>	0.085	0.189	0.150	0.081	0.119	0.122

*Source: EVS 1991, 1999, 2008; GDP – World Bank database. Authors' computations. The models include country dummies, not presented here.*

The regression analysis (Table 2) shows that the level of LS determination increased in parallel in both regions and in 2008 was twice what it was in 1991. At the same time, the structure of LS determination has changed, presumably as the situation in the two regions has progressed from dissimilar to similar. In 1991, there were striking differences between the regions in terms of the effects of age, education, marital status, and household income. In comparison with OMS, the relative decrease of LS in mid-age categories was much deeper. The impact of education was insignificant in the OMS but important in the NMS. The specific LS scores for widowed and divorced persons were highly significant in both regions, but more important in the OMS. While the effect of household income was highly significant in both regions, it was more important in the NMS.

When we compared the three time observations, we found a marked difference in development in the two regions. Compared to 1991, LS in the NMS in 1999 saw a slight decrease in the average and became more dispersed across countries of the region, and it became determined more by such standard features as age, education and employment, by marital status and by household income. This suggests that the early transition hit people unevenly and that its impact was intensely socially stratified in the broad sense of the term. The trend in the NMS thus contrasted with the trend in the OMS, where there was also an increase in the effect of many characteristics but that increase was weaker.

Consequently, there was indeed a convergence between the two regions. However, this process was by no means a matter of the East adopting a ‘Western pattern’. It was more of convergence from both sides. In the OMS, age disparities have considerably increased, but they are still less important than in the NMS. The same is also true of the impact of education, which in the OMS became statistically significant in 1999 and saw its effect strengthen further in 2008, though it remained much weaker than in the NMS. Considerable differences remain in marital status (married persons are more satisfied and divorced persons less dissatisfied in the OMS than in the NMS) and presence of children (children seem to increase the LS of people in the OMS but have almost no effect on it in the NMS).

Analyses of happiness and life satisfaction have frequently also included subjective perceptions of various aspects of life. We consider this a somewhat tricky procedure because ‘partial’ satisfactions are not exogenous factors of ‘total’ life satisfaction. If applying satisfaction with job, family and health (or, even some other evaluations), what else is the ‘sum’ of subjective well-being than all of this?

Nevertheless, we also examined effects of subjective variables, despite the limitations of the available data. There are only a few subjective variables in the EVS, unlike, for instance, the ESS. We can use the question asking on respondents’ evaluations of personal health (given on a 5-point scale ranging from ‘very good’ to ‘very poor’) which is available in 1991 and 2008, and a job satisfaction variable (evaluations on a 10-point scale ranging from ‘satisfied’ to ‘dissatisfied’) which is available for all three years but applicable only to economically active respondents. It is a pity that the question about satisfaction with financial situation, included in 1991, was abandoned in the other waves.

In view of the limited scope of the job satisfaction variable, we used both subjective variables on the economically active population alone. Job satisfaction has a significant and stable effect on LS in both regions in all periods. Good health is also a strong predictor of LS, which the data indicate to be roughly equal to the level of job satisfaction, except in the NMS in 2008, when it is much stronger. The strong effect of job satisfaction seems to be stable, although this variable was not available in 1999. Good health understandably has much greater explanatory power for LS among the post-active population. The role of individual subjective variables is quantified in the next section.

### ***3.4 Effects of macro and micro variables***

The question now is how much country-level and individual indicators determine LS. What percentage of LS variance can be explained by GDP and individual characteristics and what percentage remains, statistically speaking, unexplained by the variables at our disposal? To bring GDP and individual characteristics together, we apply a multilevel regression with random intercepts and fixed slopes for individual years and regions.<sup>4</sup>

As the first step, we estimated a simple ANOVA, an empty model without any predictors (Table 3). The results confirmed the existence of cross-country variation in LS. In 1991, the percentage of LS variance due to differences across all countries was 14.1 %, which jumped to 18.8 % in 1999, but by 2008 had fallen even to below its initial level. The findings for 1999 are basically in accordance with those of Astra F. Bonini (2008), who found out that 19 % of SWB variance is due to cross-country differences (her coverage of countries was much

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<sup>4</sup> Originally, we included also other variables, such as the unemployment rate, life expectancy, and income inequality (measured by Gini coefficient), but abandoned them because of their statistical insignificance in majority of cases.

broader). In our case, this figure mainly derives from cross-country variance in the NMS, since it is stable over time in the OMS (at about 5 %).

**Table 3 Multilevel regression of life satisfaction, the impact of GDP and individual objective characteristics**

	NMS			OMS			Total		
	1991	1999	2008	1991	1999	2008	1991	1999	2008
ANOVA:									
Between-country variance	5.4	10.6	6.5	4.4	5.5	4.9	14.1	18.8	8.8
Within-country variance	94.6	89.4	93.5	95.6	94.5	95.1	85.9	81.2	91.2
<b>Model 1 – GDP</b>									
Intercept	5.045***	4.184***	5.753***	7.177***	4.874***	5.650***	5.270***	4.689***	5.714***
GDP	0.106*	0.150***	0.053	0.014	0.096***	0.057**	0.092***	0.104***	0.055***
Explained variance:									
between-country	28.6	82.4	13.2	-8.3	47.1	34.1	67.6	87.6	55.0
within-country	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
total	1.5	8.7	0.9	-0.4	2.6	1.7	9.5	16.4	4.8
<b>Model 2 – GDP plus objective individual characteristics</b>									
Explained variance:									
between-country	29.1	80.0	29.7	-2.2	48.9	41.0	69.1	86.2	61.8
within-country	3.5	9.8	9.6	4.5	7.3	7.6	3.8	8.0	8.2
total	4.9	17.2	10.9	4.2	9.5	9.2	13.0	22.7	12.9

Source: EVS 1991, 1999, 2008; GDP – World Bank database. Authors' computations.

Model 1 in Table 3 shows the LS variance explained by GDP. In the NMS, GDP explained 28.6 % of the between-country variance in 1991, 82.4 % in 1999 and a mere 13.2 % in 2008. In the OMS, GDP gained in importance in 1999 and its effect slightly decreased in 2008. In the NMS, it completely lost its statistical significance in 2008. Over the two decades, GDP's contribution to the explained between-country variance and its impact on LS both assumed an inverted-V shape, with a sharp decrease in the NMS. At its peak in 1999, the between-country variance in the NMS accounted for 10.6 %, of which over 80 % was explained by GDP. This means that GDP alone explained 8.7 % of the total variance in LS in the NMS, which is an extraordinarily strong result.

The purpose of the analysis is to compare the GDP effect with individual characteristics. As we can see, most of the LS variance is attributable to individual differences. Model 2 in Table 3 shows the explained variance after individual objective characteristics are added. In terms of the explained within-country variance, the importance of individual characteristics rose during the 1990s and remained stable in 2008. Moreover, in 2008, the individual characteristics also contributed considerably to the explained between-country variance in both regions, as the comparison of Model 1 and Model 2 shows.



**Table 4 Multilevel regression of life satisfaction, the impact of GDP, and individual objective and subjective characteristics (only economically active persons)**

	NMS		OMS		Total	
	1991	2008	1991	2008	1991	2008
ANOVA:						
Between-country variance	6.2	5.8	5.3	5.0	15.8	7.7
Within-country variance	93.8	94.2	94.7	95.0	84.2	92.3
<b>Model 1 – GDP</b>						
Intercept	5.056***	6.060***	7.352***	5.682***	5.322***	6.100***
GDP	0.110*	0.051	0.010	0.059***	0.093***	0.047***
Explained variance:						
between-country	28.9	18.8	-9.5	44.5	66.1	55.6
within-country	0.0	0.0	0.0	0.0	0.0	0.0
total	1.8	1.1	-0.5	2.2	10.5	4.3
<b>Model 2 – GDP plus objective individual characteristics</b>						
Explained variance:						
between-country	30.6	24.2	-1.8	47.6	69.0	58.0
within-country	2.7	5.0	2.1	4.7	2.3	4.6
total	4.4	6.1	1.9	6.8	12.8	8.7
<b>Model 3 – GDP, objective individual characteristics plus subjective variables</b>						
Explained variance:						
between-country	43.7	42.5	65.5	65.0	82.7	68.4
within-country	15.2	23.3	21.4	22.4	17.6	22.8
total	17.0	24.4	23.7	24.5	27.9	26.3

Source: EVS 1991, 1999, 2008; GDP – World Bank database. Authors' computations.

Finally, we added the two subjective variables – job satisfaction and evaluation of personal health – to the analysis, but only for economically active respondents and omitting the observation of 1999, when the question about respondent's health perception was not asked (Table 4). Model 3 shows that the explained within-country variance increased substantially in comparison with Model 2. These two subjective variables contributed much more to the explained within-country variance than all included objective individual characteristics. While the effect on explained within-country variance was stronger in OMS than in NMS in 1991, it was balanced in 2008. The subjective variables also contributed considerably to the explained between-country variance and had an extremely strong effect in the OMS in 1999.

#### **4. Beyond 2008: from transition to crisis**

By coincidence, the last EVS survey was conducted when the financial crisis and subsequent economic recession started to set in. Therefore, the question is what development SWB has undergone since then. A comparison of SWB indicators with macroeconomic indicators should tell us about how citizens of individual countries view recent developments. Has the recession affected people's perceptions more in transition or in non-transition countries or has this divide already lost its explanatory value? Did the convergence of SWB in the two regions continue after 2008, in the conditions of a unified Europe sharing the impact of the global economic recession?

Before turning to SWB indicators, let's first check whether, after 2008, the NMS differ substantially from the OMS in such crucial economic terms as GDP growth and the unemployment rate (see the Table in the Appendix). Basic macro-economic statistics show that between 2008 and 2012 GDP fell in the OMS on average by three percentage points (much more in Ireland, Italy and Spain), but maintained its average level in the NMS (with a remarkable increase in Poland compared to the deepest decline in Slovenia). As regards the unemployment rate, the averages in the two regions were the same in 2008 (6.4 %), but then increased considerably to 10 % in the OMS and 11 % in the NMS. In both regions, the disparities between individual countries grew dramatically, the extreme being the 25 % unemployment rate in Spain.

Another set of context indicators is provided by the European Union Statistics on Income and Living Conditions (EU-SILC), collected from surveys conducted on large samples of households since 2005 in all EU countries. With these surveys it is possible to observe various indicators across time and countries. They include, among other indicators, measures of income inequality, the income-derived poverty risk and the respondent's assessment of the household's difficulty in making ends meet. The ability to make ends meet is measured on a six-item scale ranging from 'with great difficulty' to 'very easily'. Only the first category is displayed in the Table in the Appendix.

These indicators show that there was no increase in average income inequality in the two regions. By contrast, the income-derived poverty risk does differ: a not insignificant increase occurred in the OMS, but a little decrease in the NMS. In particular, the two regions differ with respect to the trend of the poverty risk and the declared difficulties of households in making ends meet. While in the OMS, both indicators indicate a nearly parallel increase, in the NMS, the poverty risk decreased slightly (together with income inequality) while declared financial difficulties – already on a much higher level than in the OMS – rose considerably. Such a divergence suggests that the explanatory value of the risk-of-poverty indicator in low-income countries may be somewhat limited.

However, even with each region the trends in these indicators vary widely. Income inequality, and subsequently also the income-derived poverty risk, rose most in Denmark, France and Sweden among the OMS, and in Hungary and Slovakia among the NMS. Although the diversity of the poverty risk within the NMS diminished in recent years, there is still a huge difference between the Czech Republic (10 %) and the Balkan countries (21-23 %). The biggest disparities within the regions are observed in the ability to make ends meet: among the OMS, households in Portugal, Italy and Spain declare the most problems, and in the NMS households in the Balkan countries and Hungary have even greater difficulty managing the family budget.

To describe the recent development of SWB indicators several sources that were mentioned in the first part of the article can be used. There are the biannual European Social Surveys, the semi-annual Eurobarometer Standard Surveys, and the two European Quality of Life Surveys conducted in 2007 and 2011/12. To assess the quality of those surveys (plus the EVS and the ISSP), Ulrich Kohler (2007) compared the documentation and sampling process they used and their compatibility with external and internal criteria of representativeness. In terms of these criteria, he ranked the ESS as the best, the EVS as second best, the ISSP and the EQLS as third and fourth, and the Eurobarometer as last on the author's quality ladder.

**Table 5 Life satisfaction in 2007-2012**

Country	Eurobarometer (1-4)			ESS (0-10)			EQLS (1-10)	
	2008	2010	2012	2008	2010	2012	2007	2011/12
<b>OMS</b>								
Austria	3.0	3.0	3.0	7.4	.	.	6.9	7.7
Belgium	3.1	3.2	3.2	7.3	7.5	7.4	7.5	7.4
Denmark	3.6	3.7	3.7	8.5	8.3	8.6	8.5	8.4
Finland	3.3	3.3	3.2	7.9	7.9	8.1	8.2	8.1
France	2.9	3.0	3.0	6.3	6.3		7.3	7.2
Ireland	3.2	3.2	3.1	7.1	6.6	6.8	7.6	7.4
Italy	2.6	2.7	2.5	.	.	.	6.6	6.9
Germany West*	3.0	3.1	3.1	7.4	7.1	7.7	7.2	7.2
Netherlands	3.5	3.5	3.4	7.7	7.8	7.9	7.9	7.7
Portugal	2.4	2.3	2.1	5.7	5.9	6.0	6.2	6.8
Spain	3.0	2.9	2.8	7.3	7.3	6.9	7.3	7.5
Sweden	3.4	3.4	3.5	7.9	7.9	7.9	8.3	8.0
UK	3.2	3.3	3.3	7.1	7.2	7.3	7.3	7.3
<i>Average</i>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>6.7</b>	<b>6.1</b>	<b>6.2</b>	<b>7.4</b>	<b>7.5</b>
<i>Standard deviation</i>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>2.1</b>	<b>2.8</b>	<b>3.0</b>	<b>0.7</b>	<b>0.5</b>
<b>NMS</b>								
Bulgaria	2.2	2.2	2.2	4.4	4.9	4.4	5.0	5.5
Czech Republic	2.9	2.9	2.8	6.7	6.4	6.7	6.6	6.4
Estonia	2.8	2.8	2.8	6.2	6.5	6.2	6.7	6.3
Germany East	.	.	.	6.6	6.4	7.0	.	.
Hungary	2.3	2.4	2.3	5.3	5.8	5.6	6.0	6.2
Latvia	2.6	2.6	2.7	5.9	.	.	6.3	6.7
Lithuania	2.6	2.5	2.7	5.0	5.1	.	5.6	5.8
Poland	2.8	2.9	2.9	6.9	7.0	7.3	6.9	7.1
Romania	2.5	2.2	2.4	6.1	.	.	6.5	6.7
Slovakia	2.8	2.9	2.7	6.5	6.6	6.8	6.7	6.4
Slovenia	3.1	3.0	3.0	6.9	7.0	7.0	7.2	7.0
<i>Average</i>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>6.0</b>	<b>5.1</b>	<b>4.6</b>	<b>5.8</b>	<b>5.8</b>
<i>Standard deviation</i>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.4</b>	<b>2.6</b>	<b>3.0</b>	<b>2.4</b>	<b>2.4</b>
<b>NMS/OMS</b>	<b>87.1</b>	<b>83.9</b>	<b>87.1</b>	<b>82.2</b>	<b>84.9</b>	<b>85.3</b>	<b>86.5</b>	<b>85.3</b>

Source: Eurobarometer, ESS, EQLS – see Databases. Authors' computations.

\* In Eurobarometer and EQLS surveys, available figures are only for the whole Germany.

We examined the three data sources in detail to check not only the resulting trend but also data consistency (Table 5). Contrary to possible expectations, we found that no dramatic

change – if any – occurred in levels of satisfaction after 2008.<sup>5</sup> Stability prevails, and instead of deterioration we see an improvement, which, according to ESS data, occurred between 2008 and 2010 in the NMS and between 2008 and 2012 in the OMS. In spite of a slight convergence of the two regions, a considerable gap between them remains. Disparities between countries remained on about the same level also according to the Eurobarometer and ESS surveys (where the increase in 2012 is also due to the absence of data for several countries at that time).

Significant inconsistencies appear when different surveys are compared by individual countries. The main ‘troublemaker’ seems to be the EQLS, which in the OMS indicates deterioration in Sweden, but improvement in three South European countries which the other surveys report as experiencing a decline in life satisfaction. A similar problem, again according to the EQLS, is the rather surprising rise of satisfaction levels in Hungary, Bulgaria and Romania, which also contradicts the findings of the other surveys. It should also be remembered that the life satisfaction question asked about short-term feelings (All things considered, how satisfied would you say you are with your life these days?), unlike the happiness question having a broader meaning (Taking all things together, how happy would you say you are?).

The ‘anomalies with the macroeconomic story’ were discussed in the most recent EQLS report and a possible source of the unexpected results found in the comparison was identified as the different locations of the life satisfaction question in the questionnaires. In 2007, ‘the question directly followed the social exclusion index items, which are all negatively worded. In 2011, however, a question on feeling close to people in one’s local area was inserted between the social exclusion index question and the life satisfaction question. This positively worded question might have reset people’s responses, meaning that they responded more positively to the life satisfaction question.’ (Eurofound 2013, p. 86)

It seems that the impact of the economic recession on the general population is not as great as might have been assumed and expected. It is hard to explain why households did not register much or at all the effects of the economic recession. Despite the absence of any big changes, a decline of satisfaction is stated anyway, stressing even very small changes as important. The OECD’s latest report *How’s Life?*, in its analysis of data from the Gallup World Poll, notes:

*‘Subjective well-being has also deteriorated during the crisis. In the OECD area as a whole, life satisfaction decreased in 2009, increased in 2010 as economic activity picked up and fell again in 2011. The decline in life satisfaction has been especially visible in the euro area, especially in countries most affected by the crisis. For instance, over the four years to 2012, average life satisfaction declined by more than 20 % in Greece and by around 12 % in Italy and 10 % in Spain. Life satisfaction also declined in Hungary (6 %), the United States (7 %), Turkey (5 %), New Zealand (5 %), Belgium (4 %) and Denmark (4 %). On the other hand, life satisfaction increased by more than 4 % in Germany and Israel and by more than 5 % in Mexico, the Russian Federation and Sweden.’ (OECD 2013, p. 88)*

We can compare the Gallup data on life satisfaction with the – probably more reliable – ESS data only for Spain between 2008 and 2012 (against Gallup’s 10 % only a 5 % decrease) and

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<sup>5</sup> For 15 advanced countries, a missing decline in happiness during years of financial crisis was already stated by Bent Greve (2012) on the base of 2006-2010 ESS data. The same concluded also Steven Saxonberg (manuscript) who analysed 2006-2010 ESS data of 27 countries.

for Greece between 2008 and 2010 (only a 7 % decrease). The data for Italy are not available in the ESS at all and the data for Greece (otherwise not included in our comparison given its absence from the EVS 1991 wave) are not yet available for ESS 2012. Nevertheless, it seems that, even in the countries most exposed to the effects of the crisis, the indicator of life satisfaction did not react dramatically.

While the OECD is rightly able to note a decrease in SWB, even if just a small one, the authors of the Eurofound report were challenged by the overall stability or even improvement in SWB. They commented the comparison of EQLS 2007 and 2011/12 this way:

*'It had been established previously that subjective well-being remained stable over the four years between 2003 and 2007, which led to the suggestion that subjective well-being is perhaps not as sensitive to cyclical economic conditions as some other EQLS indicators (Eurofound 2009). However, a comparison of the EQLS data and Eurobarometer data from 2009 suggested that the crisis may have had some effect on life satisfaction in the short term (Eurofound 2010) – even if the living conditions of most people do not immediately change very much in the event of an economic crisis. When looking at the overall change in life satisfaction in the EU, at first it seems that it has been impervious to the economic turmoil experienced in Europe over the four past years.'* (Eurofound 2012, p. 30)

The argument that 'the living conditions of most people do not immediately change very much in the event of an economic crisis' is basically true – only some parts of the population are hit more or less severely by it. However, some doubts surround the conclusion that there has been a 'levelling' between countries with high and low levels of satisfaction: '(i)n many of the countries with the highest satisfaction in 2007 there is a noticeable drop, while in countries already at lower levels of well-being there has been continuing increase in life satisfaction' (ibidem). In particular, it is not easy to explain the increase in life satisfaction in Spain or in Bulgaria and Romania which presumably 'may be attributed to continuing improvement of certain aspects of living conditions in transitional economies' (ibidem).

Other sources show the opposite trend in SWB in those countries; primarily the ESS which reports quite a considerable drop (10 %) in SWB in Spain and Bulgaria between 2010 and 2012. In sum, instead of a levelling, disparities between countries appear to be stagnating or slightly increasing. Also, according to the LIT surveys, 'the three Baltic states, Belarus, Romania and Slovenia experienced the biggest falls in life satisfaction between 2006 and 2010. With the exception of Belarus, these countries endured severe contractions during the economic crisis' (EBRD 2011, p. 20).

Despite the not insignificant differences between the various surveys, the overall message of the surveys is that the crisis did not have much of an effect on life satisfaction for the general population. The question then is whether this finding is a good reflection of reality or whether it is caused by survey bias. The samples are small and the response rates are generally low in these surveys – the highest response rate is in the ESS but the target rate of 70 % is met only in a few countries. In the EQLS, only a few countries manage to attain even a 50 % response rate. Considerable attention has been devoted to this issue (e.g. Stoop et al. 2010), but it has not been directed at 'our' problem, that is, whether people suddenly struck with material difficulties might be less represented in surveys or more unwilling to report about sudden drops in their well-being.

Unlike the general population, specific sections of the population did feel the impact of the recession, first and foremost households hit by unemployment and ensuing financial strain. Like in our analyses of the EVS, the significance of unemployment was demonstrated in regression analyses of the ESS between 2004 and 2010, which concluded that ‘(t)he results nevertheless underline that the economic crisis influences subjective well-being primarily through the more concrete channels of unemployment and financial hardship. While we do not see an overall fall in average life satisfaction in Europe associated with economic crisis, for those who are exposed to unemployment and financial hardship, the detrimental effect on well-being is clear.’ (Russell et al. 2013, p. 250)<sup>6</sup>

Provided that the main negative outcome of the economic recession is unemployment, a guideline for detecting possible survey bias is to compare the survey sample with official labour statistics on the percentage of unemployed. Taking the ESS samples as an example, we find an underestimation of the share of unemployed in several countries. Another underestimation may concern the representation of low-income groups. However, unlike the evidence of the speedy rise of unemployment, in this case the aggregate data based on the EU-SILC do not report any big decrease in the size of low-income categories as the income inequality and poverty risk measures witness (see the Table in the Appendix). There is no other comparative evidence about these issues.

## 5. Conclusion

In the early phase of transition, two unrelated trends have developed. On the one hand, rising price levels and the sudden appearance of unemployment made living conditions harder for large sections of the population. On the other hand, open borders, civic freedoms, free entrepreneurship and new chances for job promotion – all of which appeared almost overnight – raised public enthusiasm. Since GDP was not a concept included in the statistics of communist countries and no serious survey about perceived living conditions could be made there before 1990, we miss any empirical basis for distinguishing the two impacts of regime change on LS. All that is certain is that the initial enthusiasm evaporated and material conditions again came to dominate subjective evaluations.

When looking back on SWB development in transition countries, various data sources confirm its V-shape trend. According to EVS data, the decrease in LS during the 1990s was only small on NMS average. The biggest divergence between the OMS and the NMS was observed around 1999, but by 2008 the two regions were at their closest. While the inter-country differences in the OMS region remained stable, in the NMS region they grew during the 1990s, but decreased again during the 2000s. By 2008, the LS level was much higher than in 1991 in all the NMS with the exception of East Germany. Regarding this, the figures of a much larger Socio-Economic Panel provide better relation: while in the beginning of unifications, LS in German ‘new countries’ was on 82 % level in the ‘old countries’, it was on 92 % in mid-1990s and on 94 % since 2008 (SOEP 2013, p. 105).

In any case, the period between 1991 and 2008 culminated in the substantial convergence of the LS averages of the two regions – the ‘rather unhappy’ 1990s were followed by the ‘rather happy’ 2000s. The structure of LS determination also converged, but did so on both sides and

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<sup>6</sup> Regarding this, a useful approach is to include interaction terms into analysis to focus on the categories of population particularly exposed to financial hardship. It was applied by Steven Saxonberg (manuscript) who included cross-level interaction terms for the interaction of welfare-regime type and being retired, unemployed or divorced.

not unilaterally (from the West to the East). In this area, there was no V-shape trend but a continuous strengthening of basic demographic and stratification variables, which resulted in a doubling of the percentage of LS variance explained by individual characteristics in the NMS. Subjective variables also came to have a stronger impact on LS over the 1991-2008 period.

Evidence on developments since 2008 varies. The gap between the NMS and the OMS regions in 2012, according to Eurobarometer data, is equal to that found by the EVS 2008 (12-13 percentage points), while the gap revealed by ESS and EQLS data sources is slightly larger than (15 percentage points). Despite the significant convergence between the two regions and the decline of LS scores in several OMS since 2008, a considerable gap between the two regions still remains, although it is much less important than the gap in GDP. In the NMS, GDP accounted for 41 % of the one in the OMS in 1991, 40 % in 1999, 53 % in 2008 and 55 % in 2012. This shows that GDP is not a factor very crucial to SWB.

To go back to our original question, we can say that economic prosperity is not the major factor of life satisfaction, but it is quite important nonetheless. More precisely however, prosperity is more than just a product – it is also a process, involving the development of skills and the job satisfaction of those producing a product. Furthermore, prosperity is also the distribution of this product, which is roughly indicated by the degree of inequality and the provision of public goods. As Abbott and Wallace (2012) stated: ‘A general improvement in GDP per capita does not necessarily translate directly into better well-being for households as we need to take into account the social and economic structure of the society. So it is insufficient to concentrate on these economic factors alone’.

Regarding the other question raised in the introduction of this paper, we can only vaguely guess about the trade-off between liberty and material conditions in LS formation. The benefits of political and economic freedoms had the greatest impact in the first years of the transition. However, in the first decade the adverse effects of ‘wild capitalism’ were also apparent when many new honest entrepreneurs failed, and masses of people were cheated by the pirates of privatization. People who were able to use new liberties indeed productively were rarely the same as those who were hit by higher costs of living and tighter conditions on the labour market. A meticulous social-stratification approach should be applied then to get a realistic answer on LS factors across the population.

Finally, let us note that, in view of the small samples of the surveys on attitudes, we must be cautious about comparing them over time, even if all the requirements of sampling are met. The results are sensitive to any change in the wording or location of SWB questions in the questionnaire and thus might be quite volatile. Another important source of the bias of results is the structure of nonresponse – which is quite high in most of the surveys. In any case, we need to compare different surveys where possible and search for a robust answer at the points where their results interact and intersect. The results of the 2013 well-being module of the EU-SILC will also be available soon, responding finally to an appeal in the Sarkozy Report that ‘the types of question that have proved their value within small-scale and unofficial surveys should be included in larger-scale surveys undertaken by official statistical offices’ (CMEPSP 2009, p. 16).

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## Appendix

### Databases:

*The World Bank*

<http://data.worldbank.org/indicator>

*World Database of Happiness*

<http://worlddatabaseofhappiness.eur.nl/>

*Eurobarometer - interactive search system*

[http://ec.europa.eu/public\\_opinion/cf/](http://ec.europa.eu/public_opinion/cf/)

*World Values Survey (WVS)*

[http://www.worldvaluessurvey.org/index\\_surveys](http://www.worldvaluessurvey.org/index_surveys)

*European Values Study (EVS)*

<http://www.europeanvaluesstudy.eu/>

*European Social Survey (ESS)*

<http://www.europeansocialsurvey.org/>

*The European Quality of Life Survey (EQLS)*

<http://www.eurofound.europa.eu/surveys/eqls/2011/>

### GDP per capita:

We apply the World Bank database where GDP is converted to constant 2005 international dollars using purchasing power parity rates.

[http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD?order=wbapi\\_data\\_value\\_2011+wbapi\\_data\\_value+wbapi\\_data\\_value-last&sort=asc](http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.KD?order=wbapi_data_value_2011+wbapi_data_value+wbapi_data_value-last&sort=asc)

For the East-West divide in Germany (which is not included in the usual databases) we use the database of the Volkswirtschaftliche Gesamtrechnungen (VGR) der Länder

[http://www.vgrdl.de/Arbeitskreis\\_VGR/info.asp Tabelle R1B1](http://www.vgrdl.de/Arbeitskreis_VGR/info.asp Tabelle R1B1)

### Abbreviations:

EBRD	European Bank for Reconstruction and Development
ESS	European Social Survey
EU-SILC	European Union Statistics on Income and Living Conditions
Eurofound	European Foundation for the Improvement of Living and Working Conditions
EVS	European Values Study
EQLS	European Quality of Life Survey
FSU	Former Soviet Union
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISSP	International Social Survey Programme
LIT	Life in Transition
LS	Life satisfaction
NEB	New Europe Barometer
SOEP	(German) Socio-Economic Panel
SWB	Subjective Well-being
NMS	New EU Member States (EU-12, here only 10)
OMS	Old EU Member States (EU-15, here only 13)
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing Power Parity
WVS	World Values Survey

**Appendix table: Economic and social indicators in 2008-2012**

	2008	2009	2010	2011	2012*	2012/ 2008
<b>OMS</b>						
<i>GDP</i>	33.9	32.3	32.7	33.0	32.9	97.1
<i>Standard deviation</i>	6.1	5.9	5.8	5.9	6.2	101.6
<i>Unemployment</i>	6.4	8.6	9.3	9.2	10.0	156.3
<i>Standard deviation</i>	2.2	3.6	4.1	4.8	5.6	254.5
<i>Income inequality</i>	28.7	28.6	28.8	29.0	28.7	100.0
<i>Standard deviation</i>	3.5	3.0	3.5	3.5	3.6	102.9
<i>Poverty risk</i>	15.0	15.0	15.0	15.4	15.6	104.0
<i>Standard deviation</i>	3.2	2.7	3.0	3.0	3.8	118.8
<i>Making ends meet</i>	7.7	8.1	8.2	8.0	8.2	106.5
<i>Standard deviation</i>	6.8	6.5	6.2	5.7	7.6	111.8
<b>NMS</b>						
<i>GDP</i>	18.2	16.7	17.1	17.9	18.2	100.0
<i>Standard deviation</i>	4.9	4.6	4.8	4.6	4.3	87.8
<i>Unemployment</i>	6.4	10.2	12.2	11.2	10.9	170.3
<i>Standard deviation</i>	1.7	4.1	4.7	3.3	2.8	164.7
<i>Income inequality</i>	30.4	30.1	30.1	30.1	29.9	98.4
<i>Standard deviation</i>	5.6	5.3	5.0	4.3	4.3	76.8
<i>Poverty risk</i>	17.1	17.1	16.3	16.8	16.7	97.7
<i>Standard deviation</i>	5.7	5.9	4.5	4.1	4.0	70.2
<i>Making ends meet</i>	13.1	14.8	16.2	16.0	16.8	128.2
<i>Standard deviation</i>	8.0	7.2	7.7	7.9	8.5	106.3
<b>Relation NMS/OMS</b>						
<i>GDP</i>	53.7	51.7	52.3	54.2	55.3	103.0
<i>Unemployment</i>	100.0	118.6	131.2	121.7	109.0	109.0
<i>Income inequality</i>	105.9	105.2	104.5	103.8	104.2	98.4
<i>Poverty risk</i>	114.0	114.0	108.7	109.1	107.1	93.9
<i>Making ends meet</i>	170.1	182.7	197.6	200.0	204.9	120.4

Sources:

- GDP – see above the section on databases.
- Unemployment – Eurostat statistics, Table tsdec450.
- Income inequality – Gini coefficient based on EU-SILC. Eurostat statistics, Table tessi190.
- Poverty risk – percent of households below 60% median of equivalent income, based on EU-SILC. Eurostat statistics, Table ilc\_li02.
- Making ends meet - Households making ends meet with great difficulty, based on EU-SILC. Eurostat statistics, Table ilc\_mdcs09.

The selection of countries is the same as in the entire document, given the availability of EVS datasets. Germany is not divided in the figures. For 2012, several countries are missing at the date (will be revised later), thus the change in the last column is calculated for the period 2008-2011.

\*) Last check of Eurostat tables was made on 27.12. 2013. Data for Ireland were still missing.