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## Surveying transitional experience and subjective well-being: Income, work, family

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Arbeiten aus dem



# OSTEUROPA-INSTITUT REGENSBURG

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## **Surveying transitional experience and subjective well-being: Income, work, family**

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## **Abstract**

Subjective well-being patterns found for developed economies do not always valid for the economies in transition. This paper overviews happiness and satisfaction studies on income, work and family life domains with a particular attention to those on transitional countries. While there is a range of similarities in conclusions for two types of economies, the main differences seems to be a result of uncertainty and fast changing conditions in transitional settings. The terms 'happiness' and 'life satisfaction' should be distinguished, when evaluating the successfulness of transformational period and socio-economic policies. A short summary for 76 studies involving subjective indicators on data from the economies in transition is included.

*JEL* classification: P29, J12, J28

Keywords: life satisfaction, happiness, transition economies



## 1. Introduction

A branch of research working with subjective well-being indicators flourishes on the edge of economics, sociology and psychology and gives some important insights for explanation of human behaviour. Apparently, most of results are based on developed countries data, while the research for the countries in transition<sup>1</sup> is still rather scarce due to a limited (but growing) number of datasets including set of questions on satisfaction with life and its dimensions. Testing the stability of subjective well-being determinants in different economic and political environment, and in particular, in fast changing circumstances is appealing for several reasons. Conclusions driven from such an analysis would be useful for identification of deprived groups, for evaluation of the successfulness and applicability of a range of socio-economic policies, and for an assessment of the perceived at the individual level welfare effect of transformation period. Such research becomes particularly important in view of the further reforms needed for a harmonization processes within the enlarged European Union, and at the face of economic crisis which augmented an economic uncertainty over the world.

In the beginning of the 1990s, the reforms aimed at the change of the social and economic systems, were introduced in the Eastern economies, which has led to the destruction of the communist social norms and ideals towards a creation of the West-like economies and social structures. Countries in transition differ by the level of income, cultural values and social norms, degree of the social support towards the changes and in the speed of transition. According to empirical studies, the populations of these countries paid with their happiness for the transition from communism to capitalism. But the trends of subjective well-being aggregate measures over the last 20 years differ among the countries. Even the presence of similar phenomena, such as a higher significance of subjective indicators and opinions over the objective conditions for the subjective well-being evaluation, unclear patterns of further expectations formation, and extremely important role of social comparisons, does not mean, apparently, that the well-being patterns and satisfaction determinants found for developed countries can be transferred neither on the whole group of the countries in transition, nor on its single members.

In this paper I do not aim at providing an exhaustive review of happiness studies, but rather at summarising shortly the main findings on the three most important domains of subjective well-being – that underwent possibly the most dramatic changes over the period of transition – income, work and family life. These three life domains are showed to give, together with health, a rather complete description of subjective well-being in developed countries. At the same time, economic conditions became particularly important during the transition start, and unsurprisingly the ‘income’ dimension is among the most studied when the countries in transition are addressed. The work and family dimensions are much less often addressed. The main point of interest is then whether the influence of the factors found as contributing to the individual well-being in developed countries is similar for the

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<sup>1</sup>Further in this paper I use the term “countries in transition” to identify the countries that have been implementing - and possibly, even have already concluded - a range of economic liberalization, privatization and stabilization policies and reforms on the way of transformation from central-planned economies to the free-market. There are the countries of Central and Eastern Europe (CEE), Baltic, Commonwealth of Independent States (CIS), and occasionally, China. Moreover, countries of the Latin America are considered further as relevant to this group, as they share some behaviour patterns characteristic for transitional countries, but not for developed ones.



transitional countries, and whether the evidence differs within the latter group. Another focus of attention is placed on the slightly different ‘content’ of the modelled subjective measures, such as ‘happiness’ and ‘life satisfaction’. They play the role of synonymous or two distinct components of well-being depending on a study. It seems, that the possibility to receive even a contradictory conclusions using different measures, increases when the transitional countries are studied. Nevertheless, conclusions received from econometric modelling of subjective satisfaction measures could still serve as guidelines for socio-economic policies, as the perception of the policies results by population might contribute to the successfulness (or not) of the present and further policies and reforms.

I start with a short description of happiness studies development and in particular, with a terminology discussion. Section 3 summarises main findings for transitional countries in three life domains: income, work, family life. A short summary of these studies is given in Appendix. Concluding remarks follow.

## **2. Development of the happiness studies and terminology**

Representing the different phenomena, the terms satisfaction, subjective well-being, happiness and utility, and sometimes even welfare are widely used as synonymous in happiness studies as Easterlin (2001) noted. These concepts together with the applied social indicators research were mainly a topic of interest of sociologists and psychologists (e.g. Strack et al., 1991; Diener et al., 1999), although, the very possibility to measure utility and happiness has been a topic of discussion in economic literature too. Nowadays the economic of happiness operate with a range of multidisciplinary tools, but the very discussion on the content of the subjective well-being variables investigated is still on-going. These two points are discussed further in this section.

### **2.1. Studies development**

The question of measurability and inter-personal comparability of utility arose in the economic literature already about 250 years ago. Bentham argued that experience is quantifiable on the “pain-pleasure scale” and summable over people. Pleasure as the ultimate goal was supposed to push a rational individual with exogenously given preferences to make choices providing him or her with a maximum of utility (or ‘pleasure’). Edgeworth, in the second half of the *XIX<sup>th</sup>* century, considered an individual total utility as a function of the entire basket of goods and opportunities faced by the consumer. ‘Happiness’ became a cardinal concept, equal to sum of momentary utilities. Later the voice of criticism arose, for example, by Pareto, who doubted a possibility to estimate ‘happiness functions’. Also in the 1930s such economists as Robbins, Hicks and Samuelson supported the idea of utility immeasurability, although Robbins (1932) recognized that psychology can help in explanation of economic behaviour. Samuelson (1947) assured that only ordinal utility functions are possible (axiom of immeasurability of utility).

In the 1960s such indicators as ‘global satisfaction’ and ‘global happiness’ – understood mainly in a sense of ‘economic welfare’ – were started to be included into the national surveys (Galinha and Pais-Ribeiro, 2008). But the real interest to such measures arose in the 1970s with the works of so-called Leyden School, including such scientists as Van Praag, Kapteyn, Hagenars. Van Praag (1968, 1971) formulated the Income Evaluation Question enabling an assessment of the individual well-being with income as its main source. In the same period, Easterlin (1974) considered a link between aggregate well-being and income on a country level. Further, as income-related issues were recognized to play an important but by far not exhaustive role in a process of satisfaction evaluation (e.g. family relationships, financial situation, work, community and friends, health, personal freedom and personal values, the ‘big seven’ listed by Layard, 2005). Search for the factors enhancing the individual (and thus a society) utility/well-being constitutes now one of the most flourishing directions of happiness research. Recently, for example, more and more attention is paid to the role of the social capital, economic environment, and inter-personal comparisons (e.g. review of Dolan et al., 2008; and a review of psychological studies by Diener and Seligman, 2004).

Growing research in the field became possible due to an increasing number of surveys providing empirical data on subjective measures ranging from the opinion and atti-

tude questions to the measures of subjective well-being. To assess the latter, the following kinds of questions with different response scales are posed: ‘Satisfaction With Life Scale’, ‘Cantril scale’, ‘General Health Questionnaire’, ‘Positive and Negative Affective Scale’<sup>2</sup>. Every individual is supposed to be the best judge of the own preferences and of the satisfaction received from each life situation<sup>3</sup>. Then an assumption of the respondents understanding the questions in the same (or at least, in a similar) manner, and giving similar responses, namely the same level of happiness achieved, in similar circumstances, is crucial when such subjective measures are modelled as only in this case the answers are interpersonally comparable at least in the ordinal sense (e.g. Van Praag et al., 2003). While modelling it is implied that the satisfaction level observed is a discretisation of an underlying latent utility function (see Appendix for more details). When possible, the heterogeneity of individuals and their personality should be taken into account (Dolan et al., 2008; Helliwell, 2006; Diener, 1984).

Conclusions received from econometric modelling of subjective satisfaction measures contribute to economics research and can even serve as guidelines for socio-economic policies (e.g., reviews in Frey and Stutzer, 2002, 2005; Van Praag, 2007). When policy makers concentrate only on the economic factors but not on how policy results would be perceived by people, the impact can be “misguided in the short run and unsustainable in the long run” (Dolan and White, 2007; Layard, 2005). Even when increase in the population’s happiness is not a goal of a socio-economic policy, subjective satisfaction measures still serve as an additional tool for the policies evaluation. Life satisfaction reported in surveys, could be used, for example, for testing “the social desirability of specific measures of the quality of life.”(Lelkes, 2006a) A range of the factors should be taken into account in such a policy effect analysis, such as the ability to adapt to the circumstances, changing individual aspirations and possible discrepancies among the objective and subjective assessment of well-being and income (Graham, 2005; Dolan and White, 2007), and also differences in cultural norms while giving satisfaction judgements (e.g. Tucker et al., 2006).

## 2.2. Terminology

Apart from the methodological discussions related to the modelling itself, there is still an ongoing discussion in the literature about what exactly is modelled, and whether a link between the underlying utility and reported well-being measures really exist. This relationship can be rather tricky as it is emphasised by the *new utilitarianism*. Based on the theory of experienced utility by Kahneman, it distinguishes between the “decisional” and “experienced” utility (e.g. Kahneman and Krueger, 2006). The former is the perceived ex ante satisfaction associated with the choice among several alternatives and revealed in a choice done by an individual. The latter is the satisfaction realized (ex post) from the outcome actually chosen (Kahneman et al., 1997). “Subjective well-being measures features of individuals’ perceptions of their experiences, not their utility as economists typically conceive of it” (Kahneman and Krueger, 2006, p. 4). The experienced utility

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<sup>2</sup>For more details on the scales and their use in surveys see Appendix A

<sup>3</sup>As states, for example, the “ethical individualism” (e.g. Acocella, 1998).

can be measured as an index, where the durations of the mood spells serve as weights for the momentary conditions. And it is the kind of utility that can be measured and used for the interpersonal comparisons.

Such subjective well-being comparisons can be also done from a different perspective – as a somehow competitive capability approach assumes (see the works of Amartya Sen, e.g. Sen, 1985) – using not the underlying (commodity basis) utility, but an aggregate measure across different interrelated 'functionings' (real conditions of life). The attention then shifted to the individual-specific 'capabilities', all the possible well-being stated representing what person could do and who could be. It is important that "being happy" is included by Sen in a list of functionings along with other life aspects like "being adequately nourished" and the others.

Leaving apart the capability approach and concentrating on the subjective well-being as a final goal of the individual choices and actions, one should note that the terms often used as synonyms in the happiness research can have a contextually different 'content', which, in its turn, can lead to different results depending on the measure used (e.g. Tomes, 1986; Haller and Hadler, 2006).

'Subjective well-being' then, as a more general term, is more likely to represent the 'experienced utility' (Lelkes, 2006b), and hence, a retrospective judgement through the prism of personality, an opinion about the utility received. And three well-being components there are 'happiness', 'life satisfaction' and 'affect' (e.g. Diener et al., 1999).

While 'affect' comprises feelings and moods, 'Happiness' is often referred to as a degree to which an individual judges the overall quality of his own life as-a-whole favourably (similar to Bentham, in Veenhoven, 1994, 2000) and so it is likely to describe the emotional state of individual. In psychological literature such a momentary mood of 'prevailing positive perception' is often called 'well-being', which cannot be experienced at the same moment with 'ill-being' (Headey and Wooden, 2004).

'Life satisfaction' appears to depend mostly on economic factors and on life dimensions implying a judgement on the objective conditions (Peiró, 2006). It coincides then with an economic point of view on 'well-being' as 'happiness as owning something desirable', as a possibility to satisfy own preferences (Diener, 1984). A subjective component of well-being is then reflected in the individual life standards (Diener and Biswas-Diener, 2002).

Nevertheless, there exists a research evidence of the fact that the different measures of well-being are correlated among them (Peiró, 2006; Galinha and Pais-Ribeiro, 2008) and a number of studies proved the validity of such subjective measures across countries and with respect to the biological foundations (e.g. reviews in Smith, 1979; Ng, 1997; Konow and Earley, 2008; Di Tella and MacCulloch, 2006; Blanchflower and Oswald, 2008).

It should be noted that in some studies terms 'well-being' and 'utility' are used interchangeably as a notion of interest, together with 'happiness' and 'life satisfaction' being the respective subjective indicator from a dataset questionnaire (Lelkes, 2006a; Veenhoven, 2008). In a similar manner, further in this paper I use term 'subjective well-being' as representing the whole set of indicators in general and distinguish between 'happiness' and 'satisfaction'.

To conclude the terminological discussion, a technical note on the causality direction between subjective well-being in general and satisfaction with different domains should

be added. In fact, subjective well-being reflects an individual opinion about the respondent's life, with job (daily activities), family, health, and income dimensions playing the most important role in the evaluation reported (Kapteyn et al., 2009). No clear pattern of causality is rarely assumed between the subjective well-being and satisfaction levels for different domains (e.g. Schyns, 2001). Most often, satisfaction with single domains is seen as influencing general level of well-being reported, and the separability of the underlying utility function into different dimensions of well-being is implied within the limits of the so-called "bottom-up" approach. The causality is reversed in the "top-down" approach, when satisfaction with life as a whole – and in particular, personality – influences the satisfaction reached in life domains (Diener, 1984; Diener et al., 2002). The direction of causality (and validity of one of the three approaches) can differ from one domain to another (Saris, 2001b), even is level of satisfaction does not differ a lot between the domains (for Western Europe see Saris and Andreenkova, 2001).

### **3. Main findings on three domains of subjective well-being**

In the countries of Central and Eastern Europe, and the former Soviet Union, a range of socio-economic reform started at the edge of the 1980s and the 1990s and proceeded with the different speed and successfulness. The reforms have introduced changes in all life dimensions, forcing populations of the countries in transition to face the unusual for the soviet-style economies phenomena, such as existence of unemployment, high fluctuation of incomes and inequality growth (Andren and Martinsson, 2006). While the indices of the political rights and civil liberties have been improving steadily during the 20 years of transformation (Grün and Klasen, 2005), this cannot be said about all the other economic and social performance measures.

Most of the authors dealing with the topic give a verdict: populations of transition countries have paid for the socio-economic transformation with their happiness. Unlike in the rather stable developed economies, (average) subjective well-being levels varied drastically over the 20 years of transition (Saris and Andreenkova, 2001). At the beginning of transformation they were lower than in Western countries (Smith (2003) for the Soviet Union) and then they decreased even more, and a proportion of people in the least happy categories soared (e.g. Balatsky and Diener (1993) for Russia; Spéder et al. (2002); Blanchflower and Freeman (1997) for Hungary and Slovenia; Lelkes (2006a,b) for Hungary, Angelescu (2008) for Poland and so on). Nowadays, even if subjective well-being gap between transitional and non-transitional countries diminished, they seem to be still divided by "an iron curtain of unhappiness" (e.g. Guriev and Zhuravskaya, 2009; Lelkes, 2006b; Delhey, 2004).

Behind "the curtain" a variety of the transformation scenarios is reflected in inter-country subjective well-being scores differences, with the ex-Soviet Union block being at the bottom of the happiness ranking (Veenhoven, 2001; Peiró, 2006). It is not a high concern of, for example, Russians "with sharing of misfortune" (Tucker et al., 2006), or tendency to idealise the pre-reform period (Saris and Andreenkova, 2001) that is responsible for such happiness gap. Given the low levels of social security and poor political institutions, a range of subjective factors, such as a way how the society itself and changes in it are perceived, played the crucial role in explanation of the relative unhappiness of population (CESSI, 2007; Böhnke, 2008). Those who suffered less, in particular, economically, "the winners of transition", demonstrate higher levels of subjective well-being. They are positive about the transformation path and often enter a group of the further reforms supporters, which has been constantly growing in transitional countries (Hayo and Seifert, 2003; EBRD, 2007; Easterlin, 2009). They are men, younger, more skilled, employed people, namely, those who managed to adapt their skills to the changing economic conditions and were able to tolerate an increased inequality and uncertainty (Rovelli and Zaiceva, 2008; Blanchflower, 2001).

Uncertainty manifested itself, in particular, through an increasing role of the external conditions with respect to the own decisions of individual. Moreover, often the real size of changes in own past and future financial position was underestimated (Molnár and Kapitány, 2006a). It pushed people to count on the macro-level economic indicators when withdrawing conclusions on their own further economic prospects. Unsurprisingly, in the economies that were successful in keeping low levels of inflation, population demon-

strated trust in the institutions and the supportive attitude towards the reforms (Hayo, 1999). Hence, trust in politicians and institutions was among the most important factors of the reforms support, and hence, of the reforms' successfulness. Increasing share of population trusting to their government and supporting the reforms still stays one of the prerequisites for the further economic integration, for example, within the enlarged European Union (Migheli, 2009).

Achieved a greater level of integration, unhappiness gap between the countries in transition and those with developed economies, is likely to shrink further, due to the narrowing of the gap between the living standards and conditions (Alesina and Fuchs-Schundeln (2007): in the reunified Germany, comparison group for the Eastern Germans is the Western Germany; or Graham and Felton (2006) for Latin America who suggest that individuals compare themselves with societies external to their country). Unless this happen, the "keeping up with the Joneses" attitude will be manifested in transitional countries in a deeper form than in developed countries, and the successes of the reference groups will be seen as an another important source of information about the own prospects (Molnár and Kapitány, 2006a).

Further in this section, let us look closer to the evidence on three life dimensions: income, work, family. If it is not specified the contrary, the discussion covers the result based on the data from transitional countries. Short information about more than 70 related studies that use subjective satisfaction indicators can be found in the table 1 of Appendix. The studies are sorted in the chronological order of publishing (or of the version cited, for the working papers).

### 3.1. Income

The answer to the question of whether 'money can buy happiness' in developed economies seems to depend significantly on the problem settings (e.g. reviews in Diener and Biswas-Diener, 2002; Clark et al., 2008a). While there an impact of income on individual subjective well-being is showed to be significant but not exhaustive, importance of the financial indicators (individual, family, regional and country-related) in the transitional settings should not be neglected. Partially, it happened due to the destruction of the universal welfare systems and disappearance of a number of non-monetized benefits (Rose and McAllister, 1996; Cerami, 2010). Both absolute levels and relative indicators of economic situation have a sound effect on well-being, but with the patterns different from those for developed economies. High levels of uncertainty and economic mobility, with respect to the developed economies, are seen as the main reason for that. Moreover, a positive association of the higher income levels with levels of subjective well-being was found not only in the cross-sectional studies (as in developed economies), but even in case of panel and time series data. One should keep in mind, although, that the conclusions are not transferable directly from one to all the other transitional countries. I start with findings related to the impact of income levels on subjective well-being and then proceed with the role of social income comparisons.

A number of *cross-sectional studies* demonstrate the validity of 'non-satiation axiom' for individual and country level income both, in developed economies and in those in

transition. The grounds of capitalism and free market context suggest exactly this result implying that economic progress would create more economic wealth and, in its turn, higher personal well-being. The income-happiness relationship is stronger for low-income groups (e.g. Diener and Biswas-Diener, 2002; Dolan et al., 2008) while non-economic factors come into the fore when income grows (Diener et al., 1993). Unsurprisingly, income-well-being correlations are rather small in their size in most of developed countries (e.g. Frey and Stutzer, 2000; Caporale et al., 2009), while absolute level of (household) income, or total expenditure category as its proxy<sup>4</sup>, showed to be an important determinant of the subjective well-being not only with the assumption of decreasing but also of a constant utility of money, especially in the period of reforms when incomes of all these levels were extremely low (see Saris (2001a); Senik (2004) for Russia in 1994 - 2000; Namazie and Sanfey (2001) for Kyrgyzstan (weakly); Andren and Martinsson (2006) for Romania; Hayo (2007) for a pooled sample of East European countries).

On micro level, when *longitudinal data* are used, there is no clear evidence of life satisfaction dynamic sign caused by income changes in developed countries (e.g. Diener and Biswas-Diener, 2002). While in the latter studies indicate a rather flat relationship between life satisfaction and income, studies revealed an unexpectedly big magnitude of the real household income growth contribution to individual satisfaction on the data for Eastern Germany (Frijters et al. (2004) for 1991 – 2001) and Russia (Ravallion and Lokshin (2001) for 1994-1996, Schyns (2001), for 1993-1995). It was responsible, for example, for around 35-40% of the increase in life satisfaction level in Eastern Germany during 1991 – 2001. The same data demonstrate a 0.5 point (on the scale from 1 to 10) increase in life satisfaction scores due to a one-unit increase in log income. Moreover, longitudinal studies reveal a positive effect on satisfaction of an income increase over a one year period, which is not evident in developed economies. In the latter, it is the income change that seen as a more important factor for subjective satisfaction than the absolute income itself (e.g. Davis, 1984).

It is widely known that in most of the transitional countries the period of reform was accompanied by an unfavourable behaviour of macro-economic indicators until the mid-1990s with the following period of recovering and growth. Positive *time-series* relationship between GDP per capita and average subjective well-being should be found, as Diener and Diener (1995) predicted, for the countries with an extremely low absolute income. But was such 'V-shaped' behaviour of the main macro-economic indicators mirrored by the dynamic of aggregate well-being measures in all the transitional countries? Such evidence contradicting to the 'Easterlin paradox' – flat or even decreasing happiness trends in spite of economic growth in developed countries (Easterlin, 1974, 1995; Oswald, 1997; Blanchflower and Oswald, 2004) – indeed, does not seem to be a peculiar feature of all the economies in transition. For example, in China, even if market reforms provoked an improvement of living conditions, the subjective well-being trend was declining (Brockmann et al., 2009). In fact, GDP per capita and well-being trends resemblance was found only for 11 of 23 countries<sup>5</sup>, for example, by Guriev and Zhuravskaya (2009), or for some post-communist countries joined the EU, by Bălțătescu (2007). Perhaps, the

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<sup>4</sup>See World Bank recommendations, in particularity, Deaton (1997).

<sup>5</sup>Albania, Armenia, Belarus, Estonia, Latvia, Lithuania, Moldova, Russia, Slovakia, Slovenia, and Ukraine



most known evidence of such kind is the Russian case, where life satisfaction roughly followed the pattern of Russia's GDP per capita, even if the household income is controlled for (Frijters et al., 2006; Guriev and Zhuravskaya, 2009; Cerami, 2010). One should also note, that the discussion on the paradox validity even in developed countries is still ongoing. So Veenhoven and Hagerty (2006) argue that since the 1950s in both, rich and poor nations, it is not only the average happiness that increased, but also an average number of happy life years. Frank and Enkawa (2009), on the example of Germany, show that the economic growth is not translated directly into an increase of the life satisfaction, but mainly through a range of mediating factors, such as income satisfaction, job satisfaction, consumer confidence and so on. Easterlin in his later work (2005) emphasises that data in his pioneer work were few and unreliable, and hence, the result could be disputable. His suggestion for the further research would be in a developing of a model including not only material goods as a source of life satisfaction, but other life dimensions also.

One more confirmation of the economic factors' essential role in the transition comes from the presence of both, 'top-down' and 'bottom-up' directions of causality between the subjective well-being and income satisfaction (Saris (2001b) on the Russian data in the 1st half of the 1990s, and later Russian studies by Graham et al. (2004) and Schyns (2001)). The 'top-down' direction is a feature of stable economies that overcame a certain threshold of income, which allows to the domains other than income (e.g. marriage, social contacts) to be dominant in a list of individual needs. Reverse causality – happier people are wealthier – appears in the unstable economic conditions.

### 3.1.1. Reference groups, income comparisons, and expectations

Neither of the differences in conclusions on the income's impact on well-being can be explained by the *need theory* and *personality theory*, while both describe a relationship between income and happiness. The former emphasises the role of the absolute income and considers it as an instrument for reaching a higher well-being through satisfaction of hierarchically structured human needs; and the latter gives the main explanatory power for the level of life-satisfaction enjoyed to the personality. The *comparison theory* allows the interpersonal comparisons to play the main role and to assume just a moderate effect of the objective living conditions on satisfaction. Together with expectations and such phenomena as adaptation, there are the interpersonal comparisons which are often seen in the literature as a reconciliation of the different conclusions withdrawn from the data (in particular, for developed countries).

The ideas of the importance of *social comparisons* are usually attributed to the works of Veblen<sup>6</sup> and Duesenberry<sup>7</sup>. While a choice of a reference point in the prospect theory by Kahneman and Tversky (1979) is often cited as an assumption of non additive utility functions due to intra-individual comparisons. The reference group includes some 'relative others' as neighbours, all people within an economy, people of the same age and sex as respondent, professional reference group and so on. Empirical results for devel-

<sup>6</sup>"The theory of the leisure class", 1899

<sup>7</sup>"Income, Saving, and the Theory of Consumer Behaviour", 1949

oped countries affirmed, that reference group income and individual welfare/well-being are significantly negatively linked under the "relative income hypothesis" by Duesenberry (1949) (e.g. rather new studies of McBride, 2001; Stutzer, 2004; Ferrer-i Carbonell, 2005; Luttmer, 2005; Johnson and Krueger, 2006; Caporale et al., 2009).

Absolute level of income may still be important together with the relative one (Oswald, 1997; Blanchflower and Oswald, 2004), even if its impact on individual satisfaction decreases (e.g. Caporale et al., 2009), evidence for developed countries demonstrates. Income comparisons impact on the individual well-being was demonstrated even in one of the poorest transitional countries, Kyrgyzstan, and in case of the poor rural areas of China. Like in developed economies, achievement of a high living standard comparing to the income norm of the reference group lead to a subjective improvement of the own status and in the position in income distribution (Namazie and Sanfey, 2001; Knight et al., 2009). This importance of relative income consideration was suggested already by Easterlin (1974) even for the countries with income levels close to poverty line, and recently demonstrated by Guriev and Zhuravskaya (2009) for 26 transition countries with different levels of GDP. Analogously, Easterlin and Plagnol (2008) attributed the main role to the relative income variables (over the absolute ones) for both native population and immigrants, while explaining the changes in satisfaction in two parts of Germany over 15 years of transition.

In transitional settings, comparisons seems to be especially important in the least satisfied sub-groups (Andren and Martinsson (2006) for Romania in 2001). As in the developed economies, the way to translate the changes in own relative position was coherent with the theory of decision making under uncertainty and risk (as in Kahneman and Tversky, 1979), and so a negative contribution of unfavourable comparisons to the well-being had a greater extent than a positive impact of favourable conditions (Senik, 2009 for 28 transitional countries; Molnár and Kapitány, 2006a). Particularly in the transitional settings, people were not always able to perceive in a precise way all the tendencies in a society and their own dynamics relatively to other people. Information for comparisons, unsurprisingly, was often received from the closest social group as parents, former colleagues, former class-mates (Senik, 2009). The most important was to do better than those people that worked or grew up in the same environment as an individual him/her-self and had similar life perspectives/chances at the beginning.

One of the main problems is a deliberate decision of a researcher on whom to include into the reference group, while the comparisons are modelled. A direct question about the reference group income, and the reference group itself is, in fact, nearly never asked. One of the exceptions is Mayraz et al. (2009) who basing on the directly reported by German respondents reference groups, concluded that the most important comparisons are generic (all men) or work-related, with men's satisfaction being more affected by relative income comparisons than the women's one. Study by Clark and Senik (2008) confirmed that income comparisons are important for majority of Europeans (European Social Survey). Seemingly, the groups influencing the comparisons most change with the cultural norms of a territory. So in the North (and especially in the Great Britain) the most frequent reference group is composed of the colleagues, while in the South, the intra-family comparisons are more sound.

In developed economies, the relative income effect on individual well-being is mostly

negative, with the rare exceptions of the United States by Senik (2008) and that of England (some evidence) by Kalbarczyk (2006), Clark et al. (2008b). Authors note that the unusual findings appear due to the individual level economic uncertainty. In the transitional settings, uncertainty was penetrating all the levels of economy. When not a lot of information about further prospects is available, it is not a current level of welfare, but a reference group progresses that seems to serve as a base for the own expectations and aspirations formation. The latter finding is attributed to the Hirschman and Rothschild (1973) “tunnel effect” presence. Hopes for further positive income shift after joining a “lucky” reference group, became an additional source of satisfaction of individual. Senik (2008) uses the terms ‘ambitions’/‘information effect’ and ‘envy’ when dealing with the problem, and oppose the experience of the Old Europe to that of the New Europe (and the USA). Other pieces of evidence are also driven by the professional group comparisons and related to the early years of transition in Poland (Kalbarczyk (2006), ‘satisfaction with income’), in Czech Republic, Poland, Hungary, Slovenia in 2002 and 2004 (Caporale et al., 2009), and in Russia – one of the most unequal societies nowadays (UNDP, 2008) – in 1994 – 2000 (Senik, 2004), and both, in the periods of recession until 1998 and economic growth, 2000 – 2004, with the effect being stronger for men (Selezneva, 2009).

While most people in transitional countries perceived their relative household wealth to decrease (in the period from 1989 to 2006, EBRD, 2007) positive future expectations were pushing the individual subjective well-being up (Hayo and Seifert, 2003), as it happens in developed countries. At the same time, income inequality was growing in the transitional countries. In a seemingly paradoxical way, regardless of the presence of more ‘egalitarian’ than in the West, attitudes among the population of the Central and Eastern Europe (Redmond et al., 2002), a relatively high (with respect to developed countries) tolerance towards inequality, especially on the early stages of the transition was found. For example, even in Poland – a country with the lowest rise in inequality (Angelescu, 2008) – the aversion to inequality is returned back only in the second half of the 1990s but not in the first, when transition was just starting (Grosfeld and Senik, 2008). The solution to such a phenomenon lies in the perceived close connection with the successful reference group, beliefs in a strong role of luck for the ascending income mobility, and hence a high degree of certainty in further amelioration of the own financial position. Thus while in developed countries, the greater the gap between desired position (aspirations) and the actual situation, the less happy an individual is (e.g. Stutzer, 2004), in transitional setting the result can be opposite. In such conditions even a growing inequality was contributing to an increase in a number of the reforms’ supporters.

One of the features, noted as endorsing the possibility of the “tunnel effect” presence is the fact that individuals who were poor might oppose redistribution because they hope to become rich in the future (e.g. Ravallion and Lokshin (2000) for Russia). This effect, coherent with the Prospect of Upward Mobility (POUM) hypothesis of Benabou and Ok (2001a), formulated for a developed economy settings, may be much stronger in the case of transition (Molnár and Kapitány, 2006a, 2006b). One of the reasons can be found in the perceiving the changes of the role of money, when such features of the communist economies, as for example, a political loyalty as a fundamental factor of success is abandoned.

Although, discrepancies could be induced by the mix of socialist-like and market econ-

omy views, where from one side, personal incomes (wages/salaries) are supposed to reflect the human capital of a person and his/her ability to perform a job, but on the other hand, no strong belief has yet developed towards such a way of the economy functioning. Such attitudes were noted especially in the first 10 years of the transition (Redmond et al., 2002), although Guriev and Zhuravskaya (2009) note that in Russia, the hopes to reach the life standards of developed countries could contribute to the 'tunnel effect' manifestation even in 2007 and after, regardless an increased aversion towards inequality.

The existence of the tunnel effect and validity of the POUM hypothesis is possible due to a dynamic character of/continuous changes happening in the transitional economies. Dynamic factors are more important than the static ones in the transitional settings (Senik, 2009). More social mobility can lead to an increase of income (via redistribution of resources) and to improve the labour market status, and hence individual well-being (Alesina and Angeletos, 2005; Molnár and Kapitány, 2006a).

Decrease of social mobility together with a drastically increased income volatility provokes a situation when regardless the augmenting absolute incomes, many people feel their relative income position deteriorating (Sanfey et al., 2007), which leads to appearance of the so-called "frustrated achievers" (e.g. Graham and Pettinato (2002b) for Latin America and Russia). Opposite to the standard economic theory assumptions, money has non-positive marginal utility for the 'frustrated achievers'. Such evidence is extremely rare for developed economies, and seems to appear only on the high levels of income (Becchetti and Rossetti (2009) for Germany). In case of countries in transition the situation is opposite, and there are poorer who risk to become the frustrated achievers (Becchetti and Savastano, 2009 for Albania). As one of the explanations, Brockmann et al. (2009) list a shift of a big proportion of the population below the national mean income. For these groups satisfaction with income goes down, additionally being aggravated by an increasing role of money in all the spheres of life. Then financial satisfaction level pushes down the general subjective well-being. Other factors increasing a probability to become a frustrated achiever are perception of the own affluence status, the way income was gained (such as earned or received as social assistance) (Becchetti and Savastano, 2009), change of the reference group after an actual income rise (Benabou and Ok, 2001b; Guriev and Zhuravskaya, 2009).

Russian experience seems to be rather particular in this case. So Schyns (2000), addressing only the period of recession (1993-1995), showed an absence of (income) comparison effect for Russia. Schyns' note that the comparison effect was decreasing over time (which possibly happened due to the aggravation of the economic situation and decrease of incomes beyond the basic needs threshold by 1995). The author has also tested one more satisfaction equation specification, which included an income satisfaction variable among the explanatory variables. Then both absolute and relative effects appeared for Russia. Unlike in the developed countries, financial satisfaction does not absorb all the effect of income on life satisfaction. And life circumstances do not make money less attractive. Upward movers in income distribution may appear to be 'frustrated' and manifest lower levels of satisfaction than downward movers (see Graham and Pettinato, 2002b), and become happier only over a period of two years (Schyns, 2002a). Possible explanation of the phenomenon is partially found in a high macroeconomic volatility.

It is important to keep in mind that how people evaluate changes depends also on the

general economic conditions change (Kahneman et al., 2000), and on the general availability of information. When expectations about the further economic conditions are formed or own successes evaluated, the importance of the indicators of objective well-being is especially high in urban areas, whereas the subjective factors matter more in less populated areas (Hayo and Seifert, 2003; Dale, 1980). Thus a level of urbanization and availability of the mass-media tools should be also taken into account, while the role of the reference groups of further expectations on subjective well-being is addressed.

### **3.1.2. Happiness vs. life satisfaction**

A note about the terminology used should be done. Important that used as synonyms, the notion of ‘happiness’ and ‘life satisfaction’ concepts are likely to provide a researcher with different information, as it was noted in the Section 2. It is the ‘life satisfaction’, that is related to economic situation of individual and his/her household, and so, more connected to the socio-economic changes in the society (Saris and Andreenkova, 2001 for Russia.) This finding is also confirmed for Russia (and China) by Peiró (2006), who found positive significant correlations between life satisfaction, happiness and financial satisfaction indicators, with the lowest one for the pair ‘happiness-financial satisfaction’. Additionally it was shown that financial satisfaction and life satisfaction significantly differ among the income quantiles, while it is not true for happiness indicator related more to the emotional state of individual.

Life satisfaction and satisfaction with standards of living, unsurprisingly, are significantly influenced by the level of household wealth, income and consumption (e.g. Headey et al. (2008) for Australia, The Great Britain, Germany, Hungary and The Netherlands). The latter paper also affirms that including wealth and consumption in a list of explanatory variables together with income surprisingly make the economic circumstances more important for the happiness level explanation that is was believed before.

## **3.2. Work**

I start this subsection with a discussion on the labour market status effect on subjective well-being, and then proceed with such a measure as job satisfaction for those working.

### **3.2.1. Employment vs. unemployment**

The economics textbook individuals prefer leisure to working, with the former being a “pleasure” and the latter considered as “unpleasant”. Nevertheless, the fact of employment itself seems to have a positive effect on life satisfaction, even overwhelming that one of improving position on the economic ladder (Headey and Wooden, 2004). The very fact of being employed (or being out of labour force) then can be considered as a manifestation of preferences – voluntary decision – of an individual, that is coherent with the text-book consumers choosing to work in order to receive a desired bundle of goods. Increasing trend in satisfaction is found usually only for employed subgroup of population (Alesina et al., 2004; Di Tella et al., 2003). Both, life and financial satisfaction

increase when working. The employed are more satisfied (report more positive feelings) even when performing daily activities than unemployed do (Knabe et al., 2009).

In transitional countries, labour market participants are also on average happier than those out of labour force (retired, housewife, students), those employed constitute the most satisfied category of the three (Molnár and Kapitány (2006a) and Lelkes (2006a) for Hungary; Frijters et al. (2004) for East Germany; Angelescu (2008) for Poland). The full-time employment effect is higher for women (Frijters et al. (2004) for East Germany). This coincided with the scarce possibilities for women's careers especially due to their dual-roles with an emphasis on the mother's function, while men were more likely to be, at least in the eyes of society, the main bread-winners. Employment was a main source of income before the transition start, and while it was proceeding wage arrears happened to be a wide-used practice. Thus being employed meant neither to receiving a salary, nor to working in the formal sector (Eggers et al., 2006; Beuran and Kalugina, 2006 for Russia), nor not being poor (Clark and Maurel, 2001; Kalugina and Najman, 2003). Although, the latter phenomenon ('working poor') could be experienced even in developed economies (Dockery, 2003).

As a particular group of employed, self-employed should be distinguished. While the effect of self-employment status on subjective well-being is unclear in both transitional and developed economies (e.g. Alesina et al., 2004; Molnár and Kapitány, 2006a), entrepreneurs seem to be among the main winners of transitional from an increased economic freedom (Lelkes, 2006b). A positive impact of the entrepreneur status increased over the period of transition (Lelkes, 2006a). Unlike in the developed countries, self-employed are found to be more satisfied than full-employed individuals (Sanfey et al., 2007). Unsurprisingly, self-employed are among the supporters of the reforms in countries of Eastern Europe (as Blanchflower (2001) on a sample of about 200,000 individuals from 21 transitional countries (1990 – 1997)). Thus, while the effect of employment on subjective life satisfaction seems, in general, to be positive, the issue is rather complex, especially when level of uncertainty increases.

The possible impact of unemployment on micro- and macro-level, at the same time, seems to have the negative sign (e.g. Di Tella et al., 2001; Alesina et al., 2004; Knabe et al., 2009). In both developed and transitional economies a permanent welfare loss even after a short period of unemployment is confirmed (e.g. Clark, 2003b; Lucas et al., 2004; Ravallion and Lokshin, 2001; Hayo and Seifert, 2003; Blanchflower and Oswald, 1997; Namazie and Sanfey, 2001). Although, in case of the transitional countries, the negative impact of unemployment can be reinforced by the unemployed stigmatization during the communist times. Eggers et al. (2006) note, for example, that in Russia, being unemployed in the period of 1995 – 2001 was four times worse, in terms of life satisfaction, than having experienced a divorce. In 2002–2003 63% of unemployed reported of being 'not happy' (Cerami, 2010). The unemployed are not only less happy themselves and do not support the changes happened during a period of reforms, but also see the own household situation as relatively bad (Blanchflower, 2001; Hayo and Seifert, 2003, Eastern Europe), and affect negatively well-being of the own family members (Molnár and Kapitány, 2006a). Joblessness hurts more men, especially in the 30-49 age group, than women (Gerlach and Stephan, 1996), consistently with the traditional gender family roles. So, East German men receive a greater boost in individual satisfaction when

employed than women. Polish men suffer from both, being unemployed or out of labour force, while women's satisfaction significantly decrease only in case of own unemployment which coincided with that of partner (Angelescu, 2008). Inertia of the social norms regarding unemployment could also explain why even if high unemployment benefits had existed in transitional countries, they still would not had attracted people out of work (Frijters et al. (2006) and Ravallion and Lokshin (2001) for Russia), and why such kind of income has lesser positive impact on individual subjective well-being than equal salary (Cerami, 2010).

Not only personal unemployment, but also a national unemployment rate pushes the individual satisfaction down (Dolan et al., 2008). It explains even more of the cross-country variation in happiness than income per capita (Hayo, 2004), and it seems to be "greater bad" than inflation (Di Tella et al., 2001). In Poland, indeed, a life satisfaction trend mirrored not the GDP track, but that of unemployment rate (Angelescu, 2008).

Unemployment as a macroeconomic phenomenon is detrimental to both, employed and unemployed, through the lowered life standards and increased economic and labour market uncertainty incarnated into a high unemployment rate:

1. High level of unemployment would push down well-being level of unemployed as they feel they have less chances to find a job, while satisfaction of employed is pushed up as even a 'bad' job can be considered as an acceptable one.
2. High level of unemployment makes unemployed and employed less certain to find a new job, but the former could feel happier as it is easier to justify their not working status, while latter would experience a drop in well-being as being concerned with losing their jobs.

But even in this case the answer can be tricky. A high degree of influence of social opinion, is possibly responsible for such the surprising results as a significantly positive effect of the regional unemployment rates on individual satisfaction of people (employed and unemployed) living in the area (Eggers et al., 2006 for Russia, Kalyuzhnova and Kambhampati, 2008 for Kazakhstan; recall also the "adherence to an employment norm" by Akerlof, 1980). But still, the finding cannot be generalised for all the transitional countries, and seems to depend on the econometric methodology exploited. When the personality traits are controlled (fixed effects ordered logit model by Frijters et al., 2006), the result could change to on the opposite one (characteristic for the developed economies). The higher a local unemployment rate is, the more detrimental is the fact of being unemployed. This signalise that the Soviet-style social opinion on unemployment is still unacceptable. Moreover, a positive feeling of not being marginalised does not compensate the worries concerning the impossibility to find a job and to maintain even a minimum living standard.

Similarly, difference in the conclusions could be due to the use of different well-being measures. Basing on the results on 15 countries with different level of economic development, Peiró (2006) found negative effect of unemployment on satisfaction, but not on happiness. This is in line with the findings of the previous section, as it exists often a strong link between unemployment and financial conditions. Being unemployed would decrease individual satisfaction directly, via "unpleasant" conditions (uncertainty of situation, lack of self-realization and other reasons), and indirectly, via lower income. Partially,

the drop in subjective well-being could be compensated by the benefits of the increased leisure time (e.g. ‘hedonic adaptation’ in Knabe et al., 2009). Social policies targeting unemployed (social benefits system) reduce the economic losses and in such a way also contribute to a higher national well-being (Di Tella et al., 2003), although such benefits do not really stimulate people to turn back to work (Clark, 2003b). In general, reducing a number of jobless people due to the implication of a socio-economic policy seems to be a better option than targeting economic growth (especially, in the case of the rich countries) when the subjective well-being is being focused on (Oswald, 1997).

### **3.2.2. Job satisfaction**

For those employed, the satisfaction with work itself (job satisfaction) is often studied on its own. Representing the satisfaction with one of the life domains, it is positively correlated with subjective well-being, and in its turn, can be disentangled in several components (satisfaction with pay, satisfaction with promotion, satisfaction with fringe benefits, satisfaction with contingent rewards, satisfaction with the nature of the work and satisfaction with communication, as Knight et al. (2009) notes). Unsurprisingly, job satisfaction is recognized to be a better predictor of mobility and quits than the traditionally used wages and working time (e.g. Sousa-Poza and Sousa-Poza, 2003b,a). Job satisfaction category does not provide researchers with a “number of utils” a respondent feels, but with the information of whether one would repeat the experience (work at the occupation) if needed to choose again (Lévy-Garboua and Montmarquette, 2004). Often job satisfaction helps not only in assessing the quality of work (occupational health care, suitable working time, appropriate salary), but also for the explanation of the difference in attitudes and possibilities of the different groups of population on the labour market (and in particular, of two genders).

In fact, a number of studies of job satisfaction determinants on data for developed economies addresses a ‘happier women paradox’, namely, the fact that regardless of their less favourable position on the labour markets in the world, women are found to be more satisfied with their jobs than men. Explanations for this gap often include the reasons mirroring a rather patriarchal-traditional views on the role of women in the labour markets (e.g. women unsatisfied with job sort out of the labour force, as they are exposed to lower social pressure than men, and can achieve high levels of general life satisfaction due to fulfilment of others than job activities (e.g. Clark, 1996); different taste for jobs for two genders, and women being less critical to their work environment (e.g. Sloane and Williams, 2000); lower expectations and reservation wages – lower (internal) salary standards – for women (Clark, 1997), and some others).

Given the tremendous changes on the labour markets during the period of transition, general instability and often mismatches between the qualifications required by jobs and qualification of employee, and wide-spread wage arrears, it is no surprise that satisfaction with job was stably the lowest among all the life dimensions in transitional countries for both genders (Clark and Maurel, 2001; Saris and Andreenkova, 2001; Cerami, 2010 for Russia). At the same time, women as having lower reference wages respective to men (e.g. Ogloblin and Brock, 2005, 2006 for Russia) were more probably working on the positions



with the qualification mismatches. Nevertheless, possibly due to the lower expectations of women, unlike in developed countries, no difference in job satisfaction between men and women was observed in Russia (Sousa-Poza and Sousa-Poza, 2000). Nowadays, education returns and wage curves, as well as the effect of personality on working performance are found to resemble those for developed countries (Linz and Semykina, 2008). The latter can be interpreted as a sign of the labour markets transformation success.

Job satisfaction can be disaggregated further into its components, and a rare study of such kind for an economy in transitional settings is based on two Chinese samples (Gao and Smyth, 2009) and capture its different dimensions. This multidimensional approach showed that there were neither status, nor informational/signal effects of average firm wage on the set of nine measures related to job satisfaction in Shanghai (job satisfaction depends on the own level of wage). While the second sample, representing the population of six cities is considered, and average income in the city is used as a reference income, it has a negative influence on some of nine components of the job satisfaction (satisfaction with pay, supervisors, operating procedures and co-workers), and hence, confirming the validity of a rather standard “relative income hypothesis”.

The relevance of reference group comparisons to job satisfaction is also noted in developed countries (e.g. Clark and Oswald, 1996). Kahneman and Tversky (1979) were among the first who noted the importance of the reference wages for the subjective evaluation of the own income. And by now a number of studies formalise in different ways the idea of earning’s relativity: for example, Baxter (1993) in the notion of “relative deprivation” or Hamermesh (1975) in the “labour market interdependence”. A number of papers demonstrating that growing wages of the co-workers could have a positive effect on individual job satisfaction (so called “tunnel effect”). Among the examples are Clark et al. (2009) (1994 – 2001, Danish employees 16 – 64), who used a matched employer-employee panel dataset. He also noted that co-workers’ earnings are particularly important for job satisfaction of men far away from retirement, and those in private sector. Another example is based on the similar time period, but on the British data (BHPS 1991 – 2001)(Theodossiou and Panos, 2007). Note the “tunnel effect” for job satisfaction appears even in a rather stable economic environment due to a volatility of individual financial circumstances. Employees with the predetermined wage paths, the authors emphasised, do not perceive as an additional information the colleagues’ wages growth.

Similar to the previous section, the studies that use the directly reported by respondents reference groups and wages, are rare even for developed countries. As an example, De La Garza et al. (2009) can be cited. The study contains the important insights on the role of reference groups on job satisfaction via a direct test of the relative income hypothesis using the self-reported reference wages. The authors have also tested the robustness of the results using several deliberately defined reference groups. They find that introduction of the proxies for the reference wages can create an estimation bias in unpredictable direction. This should warn other researchers from the premature conclusions on the role of the reference group.

### **3.3. Family**

Worldwide research shows a robust positive relationship between marriage and individual happiness even if selection of happy people in marriage is controlled for (e.g. review in Ribar and der Arbeit, 2004). A “bottom-up” causal direction from marriage satisfaction to general well-being is confirmed (e.g. Saris, 2001b; Lance et al., 1995), and positive spill-overs on other life-dimensions, as work and communication with friends, are also likely to exist (Glenn and Weaver, 1981). Living in partnership usually means, among others, obtaining the higher standards of living due to economy of scale, constant emotional support from the proper partner, and a sense of security. A marriage is estimated to be worth \$100,000 a year for those widowed (for the US, 1976 – 1996 in Blanchflower and Oswald, 2004).

Nevertheless its importance, family life and its attendant issues are still not in the centre of attention for the subjective well-being studies for transitional countries. Most often, researchers limit themselves to an inclusion of a dummy variable coding the marriage status in a list of explanatory factors in a subjective well-being equation. As happiness is more related to the affective state of individuals, it is not surprising, that happiness scores are more related to the family issues than life satisfaction indicator (Saris and Andreenkova, 2001; Peiró, 2006). People living in households (married officially or de facto) share emotions of each other (in an altruistic way (Powdthavee, 2005 for Russia)) and in general are happier than singles, as it was established earlier for developed countries (e.g. Molnár and Kapitány (2006a) for Hungary; Angelescu (2008) for Poland; Frijters et al. (2006) and Cerami (2010) for Russia). Moreover, the direction of causality from the life dimensions to the general well-being (‘bottom-up’ effect usual for the developed countries for the family sphere) could get reversed in the beginning of the reform’s process (Saris, 2001b for Russia). Hence general level of subjective well-being, possibly reduced by the unfavourable scores of well-being for other life issues like work and income, could detrimentally influence the satisfaction with family life<sup>8</sup>. Nevertheless, this life dimension is one of the rare to keep high satisfaction scores even during the first years of transition (Saris and Andreenkova, 2001 for Russia). In the later stages of the transformational process, a kind of positive spill-overs from satisfaction with family life to the other life dimensions (e.g. evaluation of the financial resources available) is found (Angelescu, 2008 for Poland).

It should be noted that the period of the transformation (from communism to capitalism) and reforms has not only lead to changes in economy structure but had an important influence on the family life. In the economies of the Soviet block, and especially in the Soviet Union, participation of women in labour market activities was widespread due to an extensive supply of child care facilities, maternity leaves, as well as the stigmatization of non-working citizens. Nevertheless, women were not only encouraged to find employment in “traditionally female” jobs (which were often low paid), but also had no access to some occupations which could be harmful for their ability to have children. The socially approved “dual roles” and inability to substitute between household work and the formal sector work, were forcing them to choose easier jobs with more convenient work

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<sup>8</sup>As an example, the following chain of events can be taken: negative labour market outcomes increase the probability of divorce, and in case of it, reduce significantly the individual satisfaction (suggested by the facts cited by Cerami, 2010)

schedules, and inducing less commitment to job among women. Families often shared traditional features, even if were based on two-earners scheme. Given the fact of being socially accepted and “fitting the norm” is found to be particularly important for women (e.g. Frisco and Williams, 2003), all above-mentioned should be keep in mind, while evaluating an individual well-being impact of the choices of partners.

Transition has led to a decline in marriage rates and only to slight changes in the gender family roles. As women are exposed to a lower social pressure than men when being out of labour force (or unemployed), and they still bare the main responsibility for the housework in both developing and developed countries, often at the expense of their leisure time (e.g. Fuchs, 1989; Hadfield, 1999). The process, however, moved into two different directions. In the first case, women in East Germany “reinvent gender” fighting for the careers while keeping the main roles as housekeepers. In the second case, as in Russia, explicit social propaganda leads to the confirmation of the traditional family roles (Cerami, 2010). This process also seems to coincide with a decreasing perception of male-partners as main bread-winners, by themselves, but not in the eyes of female-partners (Selezneva, 2009). The difference in the bargaining powers, and thus the unequal proportions of income provided by each spouse (and further unequal sharing of the household income) undoubtedly have an impact on the individual perception of the own household economic well-being (Kalugina et al., 2006 for Russia).

The latter studies are among the rare ones which addresses the topic of the bargaining powers balance and subjective well-being in transition, while an extensive number of papers on developed countries discuss the bargaining powers balance, and ‘equality’ and ‘fairness’ of total and housework division within a couple (e.g. Freudenthaler and Mikula, 1998; Greenstein, 1996; Himsel and Goldberg, 2003).

Given the main responsibility of women for the housekeeping regardless of their labour market status, it is unsurprising, that a happiness boost from marriage can be different for two genders, with men gaining in terms of satisfaction comparing to the ‘never married’ group (Peiró, 2006), but not women (Frijters et al., 2004 for East Germany). Like in developed countries, an overload with work of one of the spouses, usually wife, may provoke feeling of dissatisfaction or even health problems, decrease quality of marriage and increase the likelihood of divorce (e.g. Frisco and Williams, 2003). Given the traditional roles of women, it is unsurprisingly that divorce has a negative subjective satisfaction impact on men but not on women (Poland, 1990 – 1999, Angelescu, 2008), while the average satisfaction is damaged by widowhood for both genders. For East Germans, a negative satisfaction gap between “never married” and “separated/divorced” categories, rather surprisingly, was not found (Frijters et al., 2004). This evidence goes contrary to the patterns found for developed countries, where divorce showed to be a life event creating a huge negative gap in subjective well-being both before and after the event, adaptation to which is never complete (e.g. Lucas et al., 2003; Lucas, 2005).

The influence of children presence on subjective well-being is rather ambiguous as well as in developed countries. The fact itself of having children, provides East Germans with positive satisfaction, with men getting a higher increase in satisfaction than women. While the author, Frijters et al. (2004), notes the latter as an unusual phenomenon, it seems to be rather coherent with the desire of East German women to create a family but also to pursue a career. The latter is more difficult when children are present in

a family. Younger children are likely to suppress life satisfaction of their parents and older children to enhance it (Frijters et al., 2006). In countries in transition, those with the children often ended up in the category of the 'losers of transition' in terms of 'per capita income' (Angelescu, 2008). It is particularly true for the families with children under 3 years old. While happiness and life satisfaction of parents with a big number of children (3 or more) could be higher with respect to the other families, their financial satisfaction is likely to suffer (Peiró, 2006). Similarly, while women leave the labour market for staying at home (due to the shrinkage in availability of child care facilities, and their expensiveness) it often results in a lower level of happiness of the Russian parents, particularly, men. Given the fact, that in many cases the subsistence level can be reached only when both parents work, one working parent is often unable to provide the household with enough economic resources (Cerami, 2010). Re-establishment of the traditional patriarchal scheme in such a case hurts men's well-being due to their inability to match the main bread-winner role. Cerami (2010) also note (for Russia, 2006) the fact that more than a half of the respondents involved mainly in housekeeping and child care are happy. In its turn it could signalise not only the successes of the economic policies (and also some measures as partial sponsorship of the expenses for the new born children, intended to increase child birth rates), that induced an increase of household incomes, but also the successes of the social propaganda placing the women again mainly on the role of mothers.

## 4. Conclusions

The subjective satisfaction indicators now are quite often used not only for the investigation of the happiness covariates, but also as an additional tool to help with the economic and social policies formulation. For the developed countries, where it is a number of rather stable relationships found between life satisfaction and its different determinants and dimensions, it could be a reasonable strategy. But the conclusions could change drastically when the transitional settings are addressed. In the latter case the role of objective factors in subjective well-being formation is likely to be overwhelmed by subjective and relative considerations. Given a high level of uncertainty penetrating all levels of economy, individuals could react by non-standard patterns of economic expectations formation. An exaggerated negative reaction in their level of subjective well-being reported on the slight negative changes in macroeconomic situation and only a moderate one on the favourable socio-economic tendencies is also possible. In a situation of uncertainty, traditions and social norms would have an important impact on individual choices and further expectations formation and thus on subjective well-being. Thus, policies application should be done with caution, as the results might not be the same as for the developed countries. It is important to note also that the conclusions done for one of the transitional countries should not be blindly transferred to an other transitional country. Every single country characteristics and stability of the satisfaction pattern are to be investigated before the policy formulation. Nevertheless, the empirical research shows that observing changes in the relationships between satisfaction and its determinants in a transitional country, and tracking whether the characteristics resemble or not those of the developed economies, can give an important insight into the successfulness of the economic and social transformation undergone, and whether a further tendency to become more similar with the developed economies is possible.

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## A. Subjective indicators in surveys

### A.1. Questions phrasing and scales

Subjective well-being indicators in surveys can be broadly divided into the four following groups:

- “*Satisfaction With Life Scale (SWLS)*” by Diener et al. (1985). Respondents are asked about their life satisfaction “as a whole” without the specification of what life dimensions should be summed over. Answers are coded with the help of some discrete response scale. A 5-step Lickert-type scale could be an example: fully satisfied (5), rather satisfied (4), both yes and no (3), less than satisfied (2), not at all satisfied (1), as in the RLMS with the question phrased as “To what extent are you satisfied with your life in general at the present time?”
- *Cantril scale* (Cantril, 1965) gives an image of the “ladder of life” (for example, Dutch panel survey CERRA-I, see Groot and Maassen Van Den Brink, 2002): “Here is a picture of a ladder, representing the ladder of life. The bottom of this ladder, step 0, represents the worst possible life, while the top of this ladder, step 10, represents the best possible life. Where on this ladder do you feel you personally stand at present?”. One should remember that the ladder of life style questioning gives an opinion on the individual satisfaction in comparison with “the others”. As one of the consequence, distribution of the answers given using the Cantril scale is usually concentrated around the mean score.
- *General Health Questionnaire, and in particular, GHQ-12* (12 questions related to psychological/mental health of the person) (e.g. see Goldberg, 1972; Goldberg and Williams, 1988). Such methodology is more usual for the sociological and psychological studies. As an example, see Clark (2003a) (see the GHQ-12 questions in Appendix), who assumes that the scores coding “frequency” of experiencing each of the 12 issues as depression, lack of confidence etc, will be summed up to get a value reflecting a psychological health/status score of individual (higher is worsen).
- *Positive and Negative Affective Scale (PANAS)*, Watson et al., 1988): assessment of the current or recent moods and emotions, without reflecting on the reasons of it.

### A.2. Modeling strategies

The most used approaches include the following:

- *Linear (panel) models*. Satisfaction levels treated as cardinal (the distances between utility thresholds are implicitly assumed to be identical). The individual fixed or random effects are introduced to control for the individual unobserved heterogeneity. The coefficients’ estimates directly show the influence of a unit-change in the relevant explanatory variable on the happiness/satisfaction modeled.
- *Ordered probit or logit*. Satisfaction levels are treated as ordinal. The distances between latent utility thresholds are variable, but identical for all individuals. The utility thresholds establishing the rule of correspondence between the utility and

satisfaction levels are estimated together with the other parameters of the model, when needed. Marginal effects are to be estimated for evaluation of the effect of explanatory variables on the satisfaction levels.

- *Fixed effects logit* (conditional logit) by Chamberlain (1980). When panel data are available, non-linear estimation strategy is combined with the fixed individual effects in this case of binary dependent variable.
- *Fixed effects ordered logit*. Case of an ordered discrete satisfaction variable (Ferrer-i Carbonell and Frijters, 2004). “Personalized cut-points” allow to keep in the sample all individuals who changed their opinion at least once during the whole period.
- *Systems of equations*, linear and not.

### A.3. Datasets for transitional countries

Dolan et al. (2008) (in Appendix A) summarize the single-item measures for happiness/life satisfaction in the most used 19 databases from all over the world, but only six of them containing data on the countries in transition: European Social (Values) Survey (ESS), Hungarian Household Panel Survey (Run by Tárki) (HHPS), Latinobarometer, Russian Longitudinal Monitoring Survey (RLMS), World Values Survey (WVS). Further I overview several surveys containing blocks of subjective measures and opinion attitudes for the countries in transition.

Table 1: **Datasets containing subjective measures for transitional countries**

<b>1. Barometer surveys</b>	
Web-site	<a href="http://aberdeen.ac.uk/cspp/catalog13_0.shtml">http://aberdeen.ac.uk/cspp/catalog13_0.shtml</a>
Countries	<i>New Russia Barometer</i> (18 surveys since 1992) Russia, Belarus, Ukraine, Moldova <i>New Europe Barometer</i> (7 rounds since 1991): Czech Republic, Slovakia, Hungary, Poland, Slovenia, Bulgaria, Romania <i>New Baltic Barometer</i> (6 surveys since 1993): Estonia, Latvia, Lithuania <i>Yugoslav Successor States</i> (5 surveys since 1998): Croatia, Serbia, Bosnia-Herzegovina.
General information	These are representative – and comparable across countries – surveys of the populations in transition countries consistently collected over time by the Centre for the Study of Public Policy (CSPP) at the University of Aberdeen and the Paul Lazarsfeld Society, Vienna.
Subjective measures	Questions: <ul style="list-style-type: none"> <li>• On the whole, are you very satisfied, not very satisfied, or not at all satisfied with the life you lead?</li> </ul>
<b>2. European Commission – Public Opinion analysis, Eurobarometer</b>	
Web-site	<a href="http://ec.europa.eu/public_opinion/_en.htm">http://ec.europa.eu/public_opinion/_en.htm</a>
Countries	<i>Standard Eurobarometer</i> (since 1973) Member States of the EU <i>Special Eurobarometer reports</i> <i>Flash Eurobarometer</i> <i>Former Central and Eastern Eurobarometer</i> (1990-1998) <i>Candidate countries Eurobarometer</i> (since 2001)
Countries	(not in all the waves) Bulgaria, Hungary, Poland and Czechoslovakia, Albania, Estonia, Latvia, Lithuania, Romania and Russia west of the Urals, Armenia, Belarus, Georgia, the Former Yugoslav Republic of Macedonia, Moldova, Slovenia and Ukraine, while taking into account the split of Czechoslovakia, Georgia and Kazakhstan, Croatia

Table 1 – Continued

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General information	The Central and Eastern Eurobarometer (CEEB) was an annual general public survey carried out on behalf of the European Commission from 1990 to 1998. It is composed of the nationally-representative surveys, the exception being Georgia, where the region of Abkhazia was not included due to the state of war. Later replaced by the Candidate countries Eurobarometer (CCEB). Its methodology is almost identical to that of the Standard Eurobarometer.
Subjective measures	<p>Questions:</p> <ul style="list-style-type: none"> <li>• What are your expectations for the next twelve months: will the next twelve months be better, worse or the same?</li> <li>• Attitudes towards the EU enlargement, support of the EU social and economic policies</li> </ul>

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### 3. European Quality of Life Survey

Web-site	<a href="http://www.eurofound.europa.eu/areas/qualityoflife/eqls/index.htm">http://www.eurofound.europa.eu/areas/qualityoflife/eqls/index.htm</a>
Countries	(Denmark, Finland, Sweden), liberal cluster (Ireland, United Kingdom), continental-corporatist cluster (Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands), Mediterranean cluster (Cyprus, Greece, Malta, Portugal, Spain), post-communist cluster (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia).
General information	It is launched by the European Foundation for the Improvement of Living and Working Conditions in 2003 as a representative, questionnaire-based household survey series. It provides detailed information on how subjective well-being is distributed and what factors have an impact on subjective well-being in the different member states (the EU15, and later in EU27 and in Turkey).
Subjective measures	<p>Questions:</p> <ul style="list-style-type: none"> <li>• All things considered, how satisfied would you say you are with your life these days? Please tell me on a scale of 1 to 10, where 1 means very dissatisfied and 10 means very satisfied.</li> <li>• Could you please tell me on a scale of 1 to 10 how satisfied you are with each of the following items, where 1 means you are very dissatisfied and 10 means you are very satisfied? <ul style="list-style-type: none"> <li>– Your education, Your present job, Your present standard of living, Your accommodation, Your family life, Your health, Your social life</li> </ul> </li> <li>• Opinions about the aspects of quality of life, both objective and subjective, especially in the light of the recent EU enlargement.</li> </ul>

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### 4. European Social Survey (ESS)

Web-site	<a href="http://www.europeansocialsurvey.org/">http://www.europeansocialsurvey.org/</a>
Countries	(differs from wave to wave) Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, UK, Ukraine
General information	Repeated cross-section biannual study. The first round was fielded in 2002/2003, the fourth in 2008/2009.

Table 1 – Continued

Subjective measures	<p>Response scale: from 0 (extremely unhappy/unsatisfied) to 10 (extremely happy/satisfied)</p> <p>Questions:</p> <ul style="list-style-type: none"> <li>• All things considered, how satisfied are you with your life as a whole nowadays?</li> <li>• On the whole how satisfied are you with the present state of the economy in your country?</li> <li>• Now thinking about your country government, how satisfied are you with the way it is doing its job?</li> <li>• And on the whole, how satisfied are you with the way democracy works in your country?</li> <li>• Taking all things together, how happy would you say you are? Please use this card.</li> </ul> <ul style="list-style-type: none"> <li>• Information on opinions and views on the following topics: Trust in institutions, Political Engagement, Socio-political values, Moral and social values, Social capital, Social exclusion, National, ethnic, religious identity, health and security, Demographic composition, Education and occupation, Financial circumstances, Household circumstances</li> </ul>
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**5. European Values Study**

Web-site	<i>http://www.europeanvaluesstudy.eu/evs/about – evs/</i>
Countries	(not in all waves) Albania, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bulgaria, Bosnia-Herzegovina, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Germany (East), Great Britain, Greece, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Lithuania, Luxembourg, Republic of Macedonia, Malta, Moldova, Montenegro, The Netherlands, Northern Ireland, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine
General information	The European Values Study was initiated by the European Value Systems Study Group (EVSSG) in the late 1970s. Waves: 1981, 1990, 1999, 2008
Subjective measures	<p>Questions (2008):</p> <ul style="list-style-type: none"> <li>• Taking all things together, would you say you are: Response scale: from 1 (very happy) to 4 (not at all happy)</li> <li>• Some people feel they have completely free choice and control over their lives, and other people feel that what they do has no real effect on what happens to them. Response scale: from 1 (not at all) to 10 (A great deal)</li> <li>• All things considered, how satisfied are you with your life as a whole these days? Response scale: from 1 (Dissatisfied) to 10 (Satisfied)</li> <li>• Overall, how satisfied or dissatisfied are you with your job? Response scale: from 1 (Dissatisfied) to 10 (Satisfied)</li> <li>• On the whole are you very satisfied, rather satisfied, not very satisfied or not at all satisfied with the way democracy is developing in our country? Response scale: from 1 (Very satisfied) to 4 (not at all satisfied)</li> </ul>

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**6. International Social Survey Programme (ISSP)**

Web-site	<i>http://www.issp.org/</i>
Countries	(differs from round to round) Germany, the United States, Great Britain, and Australia, Austria, Ireland, Hungary, the Netherlands, Italy, Israel, Norway, the Philippines, New Zealand, Russia, Japan, Bulgaria, Canada, the Czech Republic, Slovenia, Poland, Sweden, Spain, Cyprus, France, Portugal, Slovakia, Latvia, Chile, Denmark, Brazil, South Africa, Switzerland, Venezuela, Belgium, Finland, Mexico, Taiwan, South Korea, Uruguay, Croatia, the Dominican Republic, Turkey, China.
General information	Annual program of cross-national collaboration (brings together pre-existing social science projects). Dataset covers a period of 1985 – 2005

Table 1 – Continued

Subjective measures	Questions (differ from year to year) cover the attitudes and opinions towards the role of government (e.g. satisfaction with government performance), social networks, social inequality, family and changing gender roles, work orientation, religion, environment, national identity, citizenship, leisure time and sports
<b>7. Latinobarometro</b>	
Web-site	<a href="http://www.latinobarometro.org/">http://www.latinobarometro.org/</a>
Countries	18 Latin American countries, with the exception of Cuba
General information	The Latinobarometro survey is produced by Latinobarometro Corporation, a non-profit organization based in Santiago, Chile. Time-period covered: 1995 – 2008 (all but the last three years are available for free).
Subjective measures	Questions cover: attitudes towards democracy, extent of freedoms, rights, life-chances and guarantees in the country, attitudes toward authoritarianism/military, civic culture and politics, social values, race and discrimination, values related to women and family, confidence in people, and trust in national institutions, evaluation of national institutions, public policies, poverty, economic conditions, communication media
<b>8. Life in transition survey</b>	
Web-site	
Countries	CEB (Hungary, Latvia, Slovak Rep., Estonia, Lithuania, Slovenia, Poland, Czech Rep.), SEE (Montenegro, Bosnia and Herzegovina, Serbia, FYR Macedonia, Croatia, Bulgaria, Romania, Albania), CIS+M (Georgia, Uzbekistan, Mongolia, Azerbaijan, Tajikistan, Moldova, Ukraine, Kyrgyz Rep., Russia, Kazakhstan, Armenia, Belarus)
General information	EBRD joint project with the World Bank, 29000 households surveyed in September 2006.
Subjective measures	Questions measure satisfaction and attitudes: <ul style="list-style-type: none"> <li>• life satisfaction, absolute and relative living conditions compared to 1989, attitude to democracy, attitude to markets, future aspirations, political, economic and social values, public spending priorities</li> </ul>
<b>9. Living Conditions, Lifestyles and Health Project</b>	
Web-site	<a href="http://www.llh.at/">http://www.llh.at/</a>
Countries	8 former Soviet countries: Russia, Belarus, Ukraine, Moldova, Kazakhstan, Kyrgystan, Armenia and Georgia
General information	The survey was carried out in the Autumn of 2001 using face-to-face interviews by organisations with experience in survey research and covered a representative sample of the adult population aged 18 and over (4000 respondents in Russia and 2500 in Ukraine).
Subjective measures	Questions: <ul style="list-style-type: none"> <li>• How satisfied are you all things considered with your life as a whole these days? Response scale: from 1 (definitely satisfied) to 4 (definitely dissatisfied)</li> <li>• Taking all things together, how would you say things are these days – would you say you are...? Response scale: from 1 (very happy) to 4 (very unhappy)</li> </ul>
<b>10. Russian Longitudinal Monitoring Survey (RLMS)</b>	
Web-site	<a href="http://www.cpc.unc.edu/projects/rlms/home.html">http://www.cpc.unc.edu/projects/rlms/home.html</a>
Countries	Russia
General information	Initiated by the Carolina Population Centre at the University of North Carolina at Chapel Hill and created in collaboration with the State Statistical Bureau (Goskomstat). National representative sample (not representative on a single region level). Cross-sectional repeating survey, although a panel sub-sample can be extracted. Data are available for payment. 16 rounds the time-span from 1992 to 2007.

Table 1 – Continued

Subjective measures	<p>Response scale: from 1 (Fully satisfied) to 5 (Not at all satisfied)</p> <p>Questions:</p> <ul style="list-style-type: none"> <li>• To what extent are you satisfied with your life in general at the present time?</li> <li>• Tell me, please: How satisfied are you with your economic conditions at the present time?</li> <li>• Tell me, please: How satisfied or unsatisfied are you with . . . ?             <ul style="list-style-type: none"> <li>– Your life in general at present, Your job generally, Your work conditions, Pay for your work, Opportunity for your professional growth</li> </ul> </li> <li>• (2002 only) And now some questions about how satisfied you are with different aspects of your life.             <ul style="list-style-type: none"> <li>– Living conditions of your family, Your education, Relationships in your family, Relationships with other people, Environmental conditions in the place you live, How you spend your free time, What your family eats</li> </ul> </li> <li>• (2002, 2003) Please read the expressions below and decide if you agree with them. In general, I'm satisfied with myself (1 to 4 scale)</li> <li>• (2004 only) How satisfied you are with the completeness and quality of information about pension reform?</li> <li>• (2004 only) (If court was visited last year and a legal services contract was signed with a lawyer or attorney) How satisfied were you with services rendered by this lawyer?</li> </ul>
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**11. Russian Socio-Economic Transition Panel(RUSSET)**

Web-site	<i>http://www.vanderveld.nl/russet.html</i>
Countries	Russia
General information	The RUSSET dataset was designed and collected by the Institute for Comparative Social Research (CESSI) in Moscow. Panel design, repeated seven times on the yearly basis since 1993 to 1999.
Subjective measures	<p>Response scale: from 1 (very dissatisfied) to 10 (very satisfied)</p> <p>Questions:</p> <ul style="list-style-type: none"> <li>• How satisfied are you with your ...?             <ul style="list-style-type: none"> <li>– Family life, Housing conditions, Employment, Household finances, Social contacts</li> </ul> </li> </ul>

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**12. Táarki Household Monitor**

Web-site	<i>http://www.tarki.hu/en/services/da/index.html</i>
Countries	Hungary
General information	TÁRKI Data Archive, the national social science archive is operated by TÁRKI Joint Research Center (TÁRKI JRC), which is a private not-for-profit association of academic and educational institutions. Data cover the period of 2000 – 2005.
Subjective measures	<p>Questions:</p> <ul style="list-style-type: none"> <li>• And where would you place yourself on a scale with ten degrees, in the face of financial success in comparison with the Hungarian Romas? The 10th degree means the richest Hungarian Romas; the 1st degree means the poorest ones.</li> <li>• If you should place yourself on a scale with ten degrees, in the face of happiness in private life, where would you rank yourself? The 10th degree means the happiest family situation that can be reached in Hungary; the 1st degree means total unhappiness.</li> <li>• Now we would like to know, how satisfied you are with different things of life. (Please classify from 1 to 3; 1 – it is good, as it is, 3 – it needs radical improvement)</li> <li>• Interest and diversity of your job, Schooling of your children, Your health, Your living conditions, Possibilities for travelling abroad, Your qualification, The safety of your existence, Your professional appreciation</li> </ul>

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Table 1 – Continued

**13. World Value Survey**


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Web-site	<i>http : //www.worldvaluessurvey.org/</i>
Countries	More than 90 countries (differs from wave to wave)
General information	The World Values Survey consist of data collected by the World Values Survey (WVS) and the European Values Study (EVS) All the Values Surveys were harmonized into a common framework to facilitate comparative analysis over countries and time. Up to the moment, there exist five waves of the Survey: 1981, 1990, 1995, 1999-2001, 2005 - 2008.
Subjective measures	<p>Questions:</p> <ul style="list-style-type: none"> <li>● Taking all things together, would you say you are ...? Response scale: from 1 (Very happy) to 4 (Not at all happy)</li> <li>● Overall, how satisfied or dissatisfied are you with your home life? Response scale: from 0 (Satisfied) to 10 (Satisfied)</li> <li>● Questions cover attitudes and opinions on the perceptions of life, environment, work, family and marriage, politics and society, religion and morality, and national identity.</li> </ul>

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## B. Subjective indicators studies: transitional countries

Table 2: Studies for countries in transition with the use of subjective measures

Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
1. Balatsky and Diener (1993)	Russia, sample of students (1991)	Life satisfaction, positive and negative affect, satisfaction with life domains (health, finances, family relations, paid employment, friendship, housing, living partner, recreation activity, religion, self-esteem, transportation, education, cultural life), self-esteem, emotional memory measures. Descriptive analysis, Pearson's correlations	Study of life satisfaction in general and in different domains. Assessment of the structural invariance of well-being across cultures.
2. Rose and McAllister (1996)	Russia, New Russian Barometer (1992, 1994)	Household welfare, opinion about future perspectives. Descriptive study, OLS regressions	Test of whether Russians are in a modern market economy. Influence of income and income distribution on household welfare.
3. Blanchflower and Oswald (1997)	East Germany, Hungary and Slovenia, cross-country survey data, early 1990s	Life satisfaction. Ordered probit regressions	Study of the labour markets of Eastern Europe, and particularly, problem of high levels of joblessness among young people. Exploration of whether adult and youth unemployment rate are correlated.
4. Hayo (1999)	21 country in Central and Eastern Europe, Euro-barometers surveys (1990-1996)	Support for the reforms. Ordered logit regressions	Public support for the creation of a market economy in Eastern Europe and its determinants.
5. Birdsall et al. (2000)	Three groups of countries: high income, transitional economies and economies of the Latin America. Population Survey and Living Standards Measurement Surveys of Inter-American Development Bank (1998, various years), Latinobarometro (1998), Luxembourg Income Study, RLMS, UNDP. Human Development Report (1998), World International Inequality Database (2000), World Bank - World Development Indicators (1999).	Perception of mobility, perception of stress, pro-market support. Descriptive study, regressions with fixed country effects	An assessment of how middle-income groups are faring with the global turn to the market. How middle class perceive their past progress and future prospects. Role of income shares of households and their income status for their level of stress.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
6.	Graham and Pettinato (2000)	17 Latino-American countries, Latinobarómetro survey (1995 – 1997), Peru pilot survey (1985-1997, 1998, 1999).	Subjective income mobility. Descriptive study	Exploration of the objective mobility trends, subjective assessments of those trends, and their interaction with economic and political behavior. Discussion of results of a pilot project in Peru, which compares respondents' subjective assessments with objective trends. Problem of the 'frustrated achievers'.
7.	Schyns (2000)	Germany, SOEP; Russia, RLMS (1993 – 1995)	Life satisfaction. Regressions	Test of the absolute and relative income impact on life satisfaction (test of the 'need' and 'comparison' theories.)
8.	Blanchflower (2001)	23 transition countries from Eastern and Central Europe, Central and East European Eurobarometer, (1990 – 1997), World Values survey (1996)	Happiness, life satisfaction, satisfaction with democracy. Ordered probit regressions	Study of the labor markets and, in particular, of wage curves. Impact of unemployment on the wages of the employed and on a variety of attitudinal measures (e.g. support for the market reforms).
9.	Clark and Maurel (2001)	Russia, RLMS (1992 – 1998)	Job satisfaction. Ordered probit regressions.	Estimation of the impact of wage arrears on subjective well-being.
10.	Ferrer-i Carbonell and Van Praag (2001)	Russia, RUSSET (1997 – 1998)	Leyden approach	Study of the welfare and well-being poverty concepts, objective and subjective measures. Discussion on the official poverty lines.
11.	Namazie and Sanfey (2001)	Kyrgyzstan, Kyrgyzstan Multipurpose Poverty Survey (1993)	Satisfaction with life in general. Ordered probit regressions	Examination of the link between happiness and income (absolute and relative); testing whether psychological variables, such as perceived position on the wealth ladder, or concern about providing necessities for the family, have an effect on happiness.
12.	Ravallion and Lokshin (2001)	Russia, RLMS (1994 and 1996)	Self-rated welfare (subjective economic rank). First-difference model	Robustness check for the subjective well-being determinants reported in previous literature.
13.	Saris (2001a)	Russia, RUSSET (1993 – 1995); Germany, GSOEP (1990, 1992, 1994)	Life satisfaction. Dynamic equilibrium model (quasi simplex model simultaneously with the estimation of the parameters of the structural model)	Explanation of life satisfaction by income using lagged variables as suppressor variables and correcting for measurement errors in the different variables.
14.	Saris (2001b)	Russia, RUSSET (1993 – 1995)	Life satisfaction, domain satisfaction (housing, marriage). System of equations	Study of the relationship between subjective well-being and domain satisfactions. 'Bottom-up' and 'top-down' models are tested. Personality influence.
15.	Saris and Andreenkova (2001)	Russia, RUSSET (1993 - 1999), retrospective data on satisfaction (1988)	Satisfaction with 5 life domains (family life, housing conditions, employment, household finances, social contacts). Correlation analysis for happiness and satisfaction indicators	Discussion of the design of the RUSSET panel study. Trends of SWB and financial satisfaction.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
16.	Schyns (2001)	Russia, RUSSET (1993 – 1995)	Life satisfaction, financial satisfaction. Structural equation modelling	Test of the hypotheses deduced from need, comparison and personality theories.
17.	Graham and Pettinato (2002a)	Peru, household panel survey (1997 – 2000), Russia, RLMS (1995 – 1998)	Economic satisfaction, perceived past economic mobility, Economic Ladder Question. Ordered logit regressions	Study of the effects of income and non-income determinants on economic behaviour and subjective well-being. Introduction of the mobility concept apart of the income levels.
18.	Graham and Pettinato (2002a)	Peru, household panel survey (1998 – 2000), Russia, RLMS (1995 – 1998)	Economic satisfaction, perceived past mobility, life satisfaction. Ordered logit regressions	Study of the effects of income versus non-income determinants of economic behaviour. Introduction of the concept of mobility (income change) into the literature. “Frustrated achievers”.
19.	Ravallion and Lokshin (2002)	Russia, RLMS (1994 – 1996)	Subjective economic welfare. Ordered probit, OLS regressions	Study of the determinants of peoples’ perceptions of their economic welfare.
20.	Redmond et al. (2002)	21 country, ISSP (1999)	Attitudinal statements. Descriptive and cluster analysis	Comparison of people’s attitudes to inequality at the end of the 1990s in Central and Eastern Europe and Western countries.
21.	Schyns (2002b)	42 country, World Values Survey (1995)	Life satisfaction. Multi-level modelling	Examination of the individual and contextual determinants of life satisfaction, and in particular, of the role of income at the individual level and wealth at the national level. Differences between poor and rich countries.
22.	Hayo and Seifert (2003)	Czech Republic, Bulgaria, Slovak Republic, Hungary, Poland, Romania, Croatia, Ukraine, New Barometer Surveys (1991 – 1995)	Subjective economic well-being. Ordered logit regressions	Study of the factors influencing the economic well-being.
23.	Kalugina and Najman (2003)	Russia, RLMS (1994 – 2000)	Income Evaluation Question, Minimum Income Question, Economic Ladder (Leyden approach), subjective poverty status. Fixed effects logit, bivariate logit (poverty and labour market participation equations).	Study of the poverty determinants, in absolute terms and the self-rated subjective measure. In particular, employment status and its impact on being poor and feeling poor.
24.	Smith (2003)	Regions of the Soviet Union, World Values Survey (1990)	Happiness. Ordered logit regressions	Exploration of the determinants of individual welfare. In particular, the role of household income and perceived health status in determining the happiness of an individual.
25.	Bălăţescu and Cummins (2004)	Romania, nationally representative survey on 368 individuals (2003)	Satisfaction with life dimensions, Personal and National Well-being Indices. Descriptive study, linear regressions, principal components analysis	Evaluation of the proprieties of International Well-being Index (IWI), developed by a team of researchers led by Prof. Cummins at the School of Psychology at Deakin University. Comparison of findings with previous studies for Romania.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
26.	Delhey (2004)	28 European countries, a harmonised Eurobarometer dataset: a special Candidate Countries Eurobarometer (2002) and six Standard Eurobarometer surveys (conducted between 1998 and 2001)	Life satisfaction, satisfaction with different dimensions of life. Descriptive study, linear regressions	Examination of the quality of life in both, Member States of the EU and the acceding and candidate countries. An analysis of the views and experiences in order to establish what makes for satisfaction with life from an individual point of view.
27.	Frijters et al. (2004)	Eastern Germany, GSOEP (1991 — 2001)	Life satisfaction. Conditional fixed-effect ordinal estimator (fixed effects ordered logit); decomposition of estimates using a new causal technique	Investigation of how life satisfaction in East Germany changed over the decade following reunification.
28.	Graham et al. (2004)	Russia, RLMS (1995, 2000)	Life satisfaction. Ordered logit regressions. First-differenced ordered logit model on balanced panel	Test of whether happiness itself affects income, health, and other factors.
29.	Senik (2004)	Russia, RLMS (1994 – 2000)	Life satisfaction. Ordered logit model with controls for individual-specific averages, linear fixed effects regressions	Impact of the income distribution and income comparisons on life satisfaction.
30.	Grün and Klasen (2005)	18 transition countries and 16 comparable middle income developing countries and poorer EU member countries, World Values Survey (2000), European Values Study (2003)	Happiness, life satisfaction. Inequality-adjusted well-being measures, subjective well-being measures, and non-income dimensions of well-being	Examination of trends in economic well-being in transition countries from 1988-2002. In particular, the role of income inequality. Closer look at welfare in transition countries before and after the transition period.
31.	Lokshin and Ravallion (2005)	Russia, RLMS (1998, 2000)	Wealth and Power Ladder Questions. Ordered probit regressions	Study of how much do perceptions of current power and economic welfare agree, and how much of this is accountable to the same covariates. Effect of the income inequality on perceived power and welfare. Importance of intra- and inter-household inequality. Gender differences.
32.	Powdthavee (2005), chapter 6	Russia, RLMS (1995 – 2001)	Life satisfaction. System of equations	Mental risk sharing between spouses (The Russian case is addressed as supplementary to the main discussion.)
33.	Abbott and Sapsford (2006)	Russia, Ukraine, Living Conditions, Lifestyles and Health Project (2001)	Happiness, life satisfaction. OLS regressions	Study of well-being determinants in the context of three shocks - economic, political and social - in particular, of people's subjective evaluation of their conditions. Study of whether happiness and life satisfaction constitute the same concept.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, econometric method	Questions studied
34.	Andren and Martinsson (2006)	Romania, Public Opinion Barometer (2001, May)	Life satisfaction. Ordered probit regressions	Study of the factors influencing people's life satisfaction. Transition's effect on different groups of the population. In particular, impact of income and unemployment.
35.	Beuran and Kalugina (2006)	Russia, RLMS (1994 – 2003)	Social exclusion (subjective poverty). Ordered probit regressions, ML estimation for 2 simultaneous equations (social exclusion and working in informal sector)	Study of a sample of people who had only one formal or informal job and of their welfare.
36.	Eggers et al. (2006)	Russia, RLMS (1995, 1996, 1998, 2000, 2001)	Life satisfaction. Ordered logit/probit regressions with lagged dependent variable, linear regression with fixed effects	Examination of the effect of regional unemployment rates on subjective well-being.
37.	Frijters et al. (2006)	Russia, RLMS (1994 – 2001)	Life satisfaction. Fixed-effect ordered logit	Importance of the personality traits as predictors of life satisfaction. Decomposition of the total changes in latent life satisfaction into changes in (family, health, job, income, area income), (year), (FE).
38.	Graham and Felton (2006)	Latinobarometro (1997–2004)	Subjective household socio-economic status, life satisfaction, perceived economic well being (Economic ladder question)	Exploration of the relationship (or relationships) between inequality and individual welfare in Latin America
39.	Haller and Hadler (2006)	41 country, World Value Survey (1995 – 1997)	Happiness, life satisfaction. Multilevel regression analysis	Investigation of subjective well being, as measured by survey questions on happiness and life satisfaction, from a sociological-comparative point of view.
40.	Kalbarczyk (2006)	Poland, Polish Panel Survey (1994 – 1996), England, British Panel Survey (1992 – 2000)	Satisfaction with income; panel logit with random effects	Study of the relation between subjective satisfaction from the income and income distribution in England (stable income distribution) and in Poland (very volatile environment). Test of the 'tunnel effect' hypothesis. Examination of the impact of the new political order on the role played by family in the Polish society (test of the individual and household level reference group income importance).
41.	Lelkes (2006a)	21 European country, European Social Survey (2002 – 2003), a particular example on Hungary, household surveys (1992, 1998)	Happiness (nowadays), satisfaction with life ("up till now")	Test of whether measures of well-being constitute part of individual utility functions (overlap of the "objective good" concept with people's preferences. Stability of the influence of the determinants of life satisfaction over the period of transition in Hungary.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
42.	Lelkes (2006b)	Hungary, household survey (1991 – 1992, 1997 – 1998)	Life satisfaction. Weighted least squares regressions, weighted ordered logit regressions	Investigation on the causes of a low subjective well-being ('experienced utility') in Eastern Europe. Analysis of how subjective well-being was affected by the economic change in the 1990s, in particular, two aspects: religion and self-employment. Study of how personal ideology influences people's utility.
43.	Molnár and Kapitány (2006a)	Hungary, Hungarian Household Budget Survey (2000 – 2002), subjective questions (2003)	Life satisfaction, subjective mobility. Ordered logit regressions	Role of the absolute and perceived income mobility as an explanatory variable for life satisfaction.
44.	Peiró (2006)	15 countries, World Values Survey (1995 – 1996)	Happiness, financial satisfaction, life satisfaction. Ordered logit regressions	Study of the relationship between socio-economic conditions of individuals from different countries and their degree of happiness and satisfaction, in particular, the role of income.
45.	Tóth (2006)	Hungary, CSO Income distribution survey (1987), ISSP inequality modules (1987 – 1999), Hungarian Household Panel (1992, 1996), Tárki Household Monitor (2000, 2003, 2005)	Opinion on the extent of inequality in the society, tolerance towards inequality, expected living standard changes in a 12 months perspective. Descriptive study	Study of changes in inequality and its perception in Hungary over a long time period. An attempt to relate actual income distribution shifts to perceptions and to the normative statements about inequalities.
46.	Tucker et al. (2006)	USA, Russia, samples of students and community members	Life satisfaction. Structural Equations Modelling	Examination of the comparability of Satisfaction With Life Scale scores across the U.S. and Russian students and community groups.
47.	Verbič and Stanovnik (2006)	Slovenia, household expenditure surveys (1988, 1993, 1997 – 1999)	Self-rating of the "sufficiency" of the actual household disposable income. Ordered probit regressions	Study of the determinants of the subjective economic well-being.
48.	Afandi and Habibov (2007)	Armenia, Azerbaijan and Georgia, cross-country comparable household survey (2006)	Subjective economic well-being. Bivariate and multivariate regressions	Study of well-being and its covariants for the region.
49.	Alesina and Fuchs-Schundeln (2007)	Germany, GSOEP (1997, 2002)	Attitudinal statements. Ordered probit regressions	Study of the effect of Communism on intrinsic preferences and attitudes about the role of the government in society in Western and Eastern Germany.
50.	Bălăţescu (2007)	11 post-communist countries, including former East Germany; Candidate Countries Eurobarometer (2001-2004), Eurobarometers 63 and 64	Life satisfaction.	Study of the effect of the EU-enlargement on life satisfaction of its citizens and countries-candidates for the EU inclusion. Investigation the life satisfaction levels close to the period of enlargement (2001 – 2005), evaluation of past trends and further changes.

Table 2– Continued

Authors	Country, dataset†, period	Subjective measure, econometric method	Questions studied
51. Bălătescu and Cummins (2007)	Romania, 3509 school adolescents, 14 – 18 y.o. (November 2006 – February 2007)	Satisfaction with different life domains. Principal component analysis, Varimax rotation with Kaiser Normalization. The Personal Well-being Index (PWI) created by the authors.	Evaluation of the Romanian adolescent subjective well-being. An assessment of the dimensionality of the PWI in the context of other domain satisfactions items.
52. Denisova et al. (2007)	Russia, RLMS (2006)	A range of attitudinal measures and opinion questions. Binomial logit regressions	Study of perception and support of transition by different groups of the Russian population.
53. Hayo (2007)	Austria, Czech Rep., Slovak Rep., Slovenia, Hungary, Poland, Romania, Bulgaria, New Democracy Barometer (1991)	Life satisfaction. Ordered logit regressions	Investigation of whether the economic and political transition in East European countries affects the impact of those variables on life satisfaction that have been found to be important in multi-country studies on Western countries.
54. Sanfey et al. (2007)	19 transitional countries, World Values Survey, wave IV (1999 – 2002)	Satisfaction with life. Ordered probit regressions.	Determinants of life satisfaction in transitional countries.
55. Angelescu (2008)	Poland. World Values Survey (1989-90, 1997, 1999)	Life satisfaction. Ordered logit regressions	Identification of who benefited and who lost in terms of the subjective life satisfaction in Poland. This paper focuses on two life circumstances: marital status and employment status.
56. Böhnke (2008)	The EU-15, 12 new member states, Turkey, European Quality of Life Survey (2003)	Life satisfaction. Multi-level analysis	Investigation whether it matters in which political and economic circumstances people live, as well as whether their particular perception of the quality of their societal environment plays a role.
57. Grosfeld and Senik (2008)	Poland, individual-level surveys carried out by CBOS (1992 – 2005)	Satisfaction with the economic situation, satisfaction with life and life of the own family, private expectations. Ordered logit regressions	Study of the inequality aversion and in particular, of the existence of a breakpoint in the relation between inequality and satisfaction.
58. Grün and Klasen (2008)	World Income Inequality Database (WIID, 2000), 151 countries, Deininger-Squire data (Deininger and Squire, 1996), the Luxembourg Income Study (2000), the Trans-Monee Project (1999), other research studies and information	Different welfare/well-being measures	Ranking of the countries in terms of well-being. Several well-being measures that combine average income with a measure of inequality are used.



Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
59.	Deaton (2008)	132 countries, World Poll by the Gallup Organization (2006)	Average life satisfaction. Graphics, correlations, OLS regressions	Analysis of the data on life satisfaction and on health satisfaction and look at their relationships with national income, age, and life-expectancy.
60.	Easterlin and Plagnol (2008)	East and West Germany, SOEP (1991 - 2004)	Life satisfaction, satisfaction with income. OLS time series regressions, time series and within-person trends in life satisfaction	Changes in the feelings of well-being in East and West Germany in from pre- to post-unification. Whether the trends differ for Germans and foreigners (in particular, for Turks). Association of the changes in well-being with economic conditions.
61.	Kalyuzhnova and Kambhampati (2008)	Kazakhstan, World Bank Living Standards Measurement Surveys (1996), Kazakh Living Standards Measurement Survey (2001), survey commissioned by the authors (2006)	Happiness. Binary and ordered probit regressions.	Evaluation of the transition as well as personal, household and regional factors' impact on individual happiness.
62.	Paul and Ranzani (2008)	28 transitional countries, Life in Transition Survey, (2006)	Life satisfaction. Multivariate regression	Study of happiness determinants in transitional countries. Gender differences. Role of the changes in social capital and in subjective ranking of household economic welfare.
63.	Bălățescu (2009)	Romania, World Values Survey (2005)	Happiness, pride of being Romanian.	Study of the relationship between national identity and happiness in post-communist Romania.
64.	Becchetti and Savastano (2009)	Albania, Living Standard Measurement Survey (2002 – 2003)	Level and the tares of change in life satisfaction. Binary and ordered probit regressions	Consideration of the dynamics of the income-life satisfaction relationship and testing of non-satiation hypothesis.
65.	Brockmann et al. (2009)	China, World Values Survey (1990, 2000)	Life satisfaction, happiness, satisfaction with financial situation of the household. OLS regressions	Explanation of why Easterlin's paradox is at odds in China based on anomie, political disaffection, and relative deprivation.
66.	Caporale et al. (2009)	19 countries, European Social Survey (2002, 2004)	Income satisfaction, life satisfaction. Ordered probit regressions	Examination of the relationship between income, relative income and happiness across European countries.
67.	Danzer and Weisshaar (2009)	Ukraine, ULMS (2003, 2004, 2007), UHBS (2003 – 2006)	Life satisfaction, happiness (binary, constructed by authors). Linear regressions, ordered probit regressions, random effects panel regressions, instrumental variables approach	Investigation of the long-run impact of the catastrophe of Chernobyl on current subjective well-being and mental health.

Table 2– Continued

	Authors	Country, dataset†, period	Subjective measure, econometric method	Questions studied
68.	Easterlin (2009)	World Values Survey (1981 – 2004), European and World Values Surveys Four-Wave Integrated Data (2006), Eurobarometer survey (2005), East Germany, GSOEP (1990 – 2005)	Life satisfaction. Descriptive study.	Study of the life satisfaction trends over the 1990s. Losers of transition.
69.	Gao and Smyth (2009)	China, matched employer-employee data (Shanghai, 2007), employees survey in six Chinese cities (2007)	Satisfaction with job, nine components of job satisfaction (satisfaction with pay, satisfaction with promotion, satisfaction with fringe benefits, satisfaction with contingent rewards, satisfaction with the nature of the work and satisfaction with communication). Ordered probit/logit regressions	Examination of the effects of changes in reference group income on different components of job satisfaction.
70.	Guriev and Zhuravskaya (2009)	26 transition countries, Life in Transition Survey (2006)	Life satisfaction. OLS regressions	Factors of (un)happiness in transition.
71.	Knight et al. (2009)	China, national household survey (2002)	Happiness. OLS and ordered probit regressions	Estimation of happiness functions in rural China. In particular, exploration of the impact of relative income (within the village) on individual happiness.
72.	Linz and Semykina (2009)	Russia, Armenia and Kazakhstan, survey of employees (2005)	Self-reported performance measures. OLS regressions	Exploration of the differences in worker performance in former socialist economies. Role of personality and preference for challenge versus affiliation. Comparative analysis among countries.
73.	Selezneva (2009)	Russia, RLMS (1994 – 2004)	Life satisfaction. Ordered logit, fixed effects linear regressions, fixed effects logit, fixed effects ordered logit, bivariate ordered probit.	Study of the individual and household level income comparisons impact on life satisfaction (test of the “tunnel effect” presence) in different macroeconomic settings. Impact of the socially imposed gender family roles on individual life satisfaction.
74.	Senik (2009)	28 post-transition countries and Turkey, Life in Transition survey (2006)	Life satisfaction and subjective comparisons; OLS and logit regressions	Direct test of the importance of different benchmarks/reference groups (static and dynamic, external and internal).
75.	Rovelli and Zaicova (2008)	14 countries, New Barometer Surveys (1991 – 2004))	Support of transition. OLS regressions with fixed effects (country, time) for the standardized distance between the rankings of present and past economic systems	Study of what determines the individual attitudes towards transition and reforms. Characteristics of the supporters and those against. Study of the differences in the support attitudes across countries and institutions, and between the early and late stages of transition.

Table 2– Continued

Authors	Country, dataset†, period	Subjective measure, economic method	Questions studied
76. Cerami (2010)	Russia, European Social Survey (end of 2006 – beginning of 2007)	Happiness. Descriptive statistics	Examination of the relationship between socio-economic transformation, welfare stare restructuring and happiness. Statistics by different socio-economic groups.

†Notes: the following abbreviations are used:

GSOEP – The German Socio-economic Panel

ISSP – International Social Survey Programme

RLMS – Russian Longitudinal Monitoring Survey

RUSSET – Russian Socio-Economic Transition Panel

UHBS – Ukrainian Household Budget Survey

ULMS – Ukrainian Longitudinal Monitoring Survey