

**What Makes People Happy?  
Some Evidence from Northern Ireland  
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**Motivation**

- Economic policy is concerned with rising incomes
- But, it is argued, policy should be concerned with making people “happy”
- And, being “happy” and being well-off are not, necessarily, the same thing
- So, how do we make people “happy”?
- And what makes people “happy”?

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**How Do We Measure Happiness?**

- By simply asking people how happy they are
- During the past month have you been a happy person:
  - All the time?
  - Most of the time?
  - A good bit of the time?
  - Some of the time?
  - None of the time?

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## Subjective Measures of Happiness

- People may not be able to define happiness but they know when they are happy or unhappy
- But three limitations of subjective measures need to be acknowledged:
  - Adaptation
  - Aspiration
  - Comparison
- So the effects of happiness/unhappiness-inducing events need to be placed in context

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## Economic and non-Economic Status

- In our model, happiness depends upon both economic and non-economic status
- Economic status depends upon income, but also upon the *context* in which income is received
  - Experience of poverty
  - Occupational class
  - Mortgage status

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## Objective vs Subjective Factors

- The paper also draws a distinction between objective and subjective factors
  - Standard of Living (objective)
  - Satisfaction with SoL (subjective)

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### Context-Specific Status

- This context-specific treatment of economic status is broader than its usual treatment in the literature
- For example, in Blanchard and Oswald (2002), economic status depends entirely upon income

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### The Poverty and Social Exclusion in Northern Ireland (PSENI) Survey

- Carried out between June 2002 and January 2003
- Covered 1,976 household interviews and 3,104 individual interviews
- It asked questions about
  - Standard of living and satisfaction with SoL
  - Health
  - Neighbourhood
  - Experience of Poverty
  - Financial worries
  - Religious Beliefs and Observance

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### PSENI Survey and Happiness

- We amalgamated the 3,039 responses to the “happiness” question as:
  - Happy (happy all, or most, of the time: 64%)
  - Neither happy nor unhappy (happy a good bit, some, of the time: 30%)
  - Unhappy (happy a little, or none, of the time: 6%)

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## Happiness and SoL

- The paper draws an important distinction between the level of SoL and satisfaction with SoL
- Of the 1,075 persons who considered their SoL to be high, 74% were happy
- But, of the 1,950 people who were happy, only 41% thought their SoL to be high
- By contrast, 79% of happy people were satisfied with their SoL

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## Happiness and Health

- The PSENI asked people whether they had a health problem and, if they did, what was its severity?
- Of the 1,545 who did not have a health problem, 72% were unhappy, only 3% unhappy
- People with health problems had lower rates of happiness and higher rates of unhappiness

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## Illness Type and Severity

- But the effect of illness on happiness depended on type of illness and the severity
- Distinction between physical and mental ill-health
  - 29% of those with a severe physical problem were unhappy and 33% were happy
  - 60% of those with a severe mental illness were unhappy, only 4% happy
  - 22% of those with a quite severe mental problem were unhappy, only 17% happy

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## Neighbourhood Quality

- This question elicited far fewer responses than the health or SoL question: 1,831 against 3,049
- Big difference in “happiness” and “satisfaction with SoL” between those who lived in high and low social capital areas
  - 66% and 44% for happiness
  - 73% and 41% for satisfaction with SoL

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## Standard Specification

- Happiness depends upon:
    - Gender
    - Age
    - Income
    - Marital status
    - Labour Market Status
- In this specification, income is very important:
- +£20 per week  $\Rightarrow$  +0.6 probability of being happy

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## Extended Specification

- We added:
  - Health problems: LTLI (-7.3pp), Physical (-6.8pp), Mental (-44.4pp)
  - Occupational class: social gradient +8.1pp
  - Housing status: No effect
  - Religiosity: Attends a place of worship regularly: significant positive effect, +10.2pp
  - Geographical location: rural residents, -4.1pp
  - Catholics: less likely to be happy -3.4pp

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### Subjective/Context-specific Variables

- Satisfaction with SoL increased probability of happiness by 11.3 points
- Now income no longer had a significant effect
- Financial worries reduced probability of happiness by 18.6 points
- Experience of poverty reduced the probability of happiness by 7.8 points

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### What Determines Satisfaction with Standard of Living?

- Income: +£20 pw  $\Rightarrow$  1pp
- Tenancy: Owner-occupiers more likely to be satisfied than tenants (+8.8 or +4.4 points)
- Income quartile: higher the income, the more likely to be satisfied for a given income increase
- Area effects: living in a bad area, compared to a good area, reduced satisfaction by 24.1 points

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### Does Money Buy Happiness?

- Not directly: after satisfaction with SoL is accounted for, money has no independent influence
- But indirectly it does:
  - money is an important influence on satisfaction with SoL
  - Also money reduces financial worries
- But the effect of money on satisfaction depends on where you are on the income scale

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### Marital and Labour Market Status and Family Types

- Similarly, there are no direct effects of divorce, unemployment, and single parenthood on happiness
- But, divorce, unemployment, and single parenthood have a direct effect on the probability of financial worries and so have an indirect effect on happiness

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### Conclusions

- Happiness depends upon economic and non-economic factors
- An objective measure like income is a poor indicator of happiness
- That is because:
  - Happiness depends upon a subjective assessment of one's SoL and income is one – but not the only – factor in this assessment
  - Happiness depends upon the context in which income is received: financial worries, poverty experience, relative income

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### Conclusions

- The most important non-economic factor affecting happiness is health
- Mental health problems – even when they are not severe - are the big destroyer of happiness
- Such problems are the most pervasive – nearly one in four persons in Britain has some problem
- Yet it is the Cinderella of the NHS – always the last in line for funding

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