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Policy or privacy - what matters most for individual well-being? Determinants of life satisfaction in the enlarged Europe

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WZB Discussion Paper

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**Policy or Privacy - What Matters Most for
Individual Well-Being?**

Determinants of life satisfaction in the
enlarged Europe

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Abstract

Life satisfaction is quite heterogeneously distributed across countries of the enlarged European Union. Previous research has shown how living conditions within individual countries, such as access to material and emotional resources, are important for personal well-being, but it has neglected to explain differences between countries. This article investigates whether it also matters in which political, economic, and social circumstances people live, as well as whether their particular perception of the quality of their societal environment plays a role. People are well aware that the institutional and cultural settings in which their lives are embedded create opportunities and limitations: within individual countries, perceptions of society influence life satisfaction outcomes irrespective of access to resources. However, their importance for well-being differs across Europe: perceptions of society and material resources are highly decisive in countries which provide only a minimum of social security and in which the reliability of political institutions is poor. In rich and stable countries, the impact is weaker and private social support becomes more important. In addition to these country-specific weights of life satisfaction determinants, life satisfaction variations between countries can be explained to a large extent by taking into consideration the economic performance, the social security level, and the political culture in a country – all in all, general conditions that enable people to live a respectable life.

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1 Introduction

In the course of European enlargement, the interest in living conditions and the distribution of life chances in different European countries has grown considerably, and subjective well-being is one of many subjects that need to be explored from this perspective. Life satisfaction differs considerably between individuals and between European countries. Within the enlarged European Union, average life satisfaction in 2003, measured on a scale from 1 (very dissatisfied) to 10 (very satisfied), ranged from 8.38 in Denmark to 4.41 in Bulgaria. In every country high income goes hand in hand with higher life satisfaction scores. However, poor people in Denmark are nevertheless more satisfied than rich people in Bulgaria. The large differences in the overall level of life satisfaction between old and new member states have so far been explained with reference to the level of economic prosperity in each country (Fahey and Smyth, 2004). Research shows a strong relationship between material living conditions and perceived life satisfaction, especially in the new member states. In contrast to the old member states (EU15), there is a particularly strong generation gap in the post-communist countries, where older people are usually less satisfied and the younger age groups are likely to be the beneficiaries of the transformation process. In the EU15, employment matters most for life satisfaction. In both country groups, being young, healthy, and employed and having a partner generally facilitates a satisfied life (Delhey, 2004; Böhnke, 2005). However, the heterogeneity and complexity of life satisfaction in Europe need to be explored in more detail.

Many efforts have been made to analyze determinants of life satisfaction, and researchers from several disciplines illuminate this subject from different perspectives. Psychologists emphasize the role of personality traits and show how genetic and personality characteristics influence subjective well-being quite strongly; they fail, however, to explain differences between nations and developments over time (Hamer, 1996; Inglehart and Klingemann, 2000; Diener and Lucas, 1999; Argyle, 1987). Sociologists and social psychologists, on the other hand, are interested in socio-demographic patterns that emerge when people evaluate their living conditions overall (Veenhoven, 1984; Argyle, 1999; Headey and Wearing, 1992; Hagerty et al., 2002; Glatzer and Zapf, 1984). Standard of living, access to employment, and health are the most decisive factors when explaining variations in life satisfaction within countries. It also has been shown that marriage, social relations, and social networks have a positive impact on life satisfaction (Diener et al., 1999). However, socio-demographic factors account for less than 20% of the variance of subjective well-being, a finding confirmed in several studies (Campbell et al., 1976; Andrews and Withey, 1976; Diener and Suh, 1997). More recently, economists have shown an interest in explaining life satisfaction outcomes with respect to reported subjective well-being as a proxy for individual utility. They primarily focus on cross-country

comparisons, the question of marginal utility of income, and the relationship between absolute and relative levels of income on subjective well-being (Frey and Stutzer, 2002a, b; Oswald, 1997; Layard, 2005).

The majority of studies deal with the impact of individual living conditions on life satisfaction on the micro level. Although research confirms that subjective well-being has individual as well as societal determinants, their interplay remains quite unclear. The influence of institutional conditions, government performance, and the overall quality of a society has not been analyzed extensively. This article explores the impact of macrosocial structures on subjective well-being, hypothesizing that their role is important and up to now underestimated in understanding large country differences in life satisfaction patterns and outcomes. The article seeks to identify how private and societal matters of life are interrelated when people evaluate their living conditions, and whether different patterns emerge with respect to country clusters according to welfare characteristics, government performance, or transformation experiences.

The article addresses these questions in the following steps: The next section summarizes research results with regard to societal factors as determinants of life satisfaction, specifies a theoretical framework for the following research questions, and closes with hypotheses underlying the analysis. The third section then gives a short description of the data and the indicators chosen for the empirical work. Empirical results for the following research questions are presented: How is life satisfaction distributed across the enlarged European Union, and how do people perceive the quality of their society? What role do material living conditions, social networks, and perceptions of society play in determining life satisfaction in each country? How can we explain country differences with respect to the importance of the perceived societal context for subjective well-being as compared to other individual living conditions? And finally, how might the impact of micro- and macrostructural determinants and their interactions explain life satisfaction outcomes across the enlarged European Union?

2 Quality of society and life satisfaction: Theoretical framework and research findings

What are people's desires, wants, and needs, and which life domains are decisive in an overall evaluation of living conditions? Does the quality of a society in which a person lives play a significant role? The 'hierarchy of needs', formulated by Abraham Maslow (1954), comprises physiological needs, safety needs, love needs, esteem needs, and self-actualization. More recently, Wippler (1990) has broken down this approach to two dimensions: 'physical well-being' and 'social approval'. In the 1970s, Erik Allardt established his influential triad of 'Having, Loving and Being'. 'Having' is related to material resources and living conditions like income, basic goods, housing, working conditions, and the prerequisites to obtain them: all in all, aspects that pertain to a basic standard of living and the environmental settings required to achieve it. The 'loving' dimension conceptualizes the social needs of an individual with reference to social relationships, networks, emotional support, and social integration in general. 'Being' refers to a sense of overall recognition, the need to integrate into society, possibilities for participating, and feelings of belonging or alienation (Allardt, 1976, 1993).

Although opportunities to participate are addressed, all approaches remain especially weak when it comes to the societal embeddedness of life chances. This gap can be filled by drawing from Amartya Sen's work: Sen devotes particular attention to opportunities, choice, and empowerment and points to 'capabilities' as an important aspect in quality of life research. Capabilities emphasize political and institutional settings as contextual frameworks that limit and structure the opportunities and options that individuals can utilize to take advantage of certain life chances. To focus on capabilities rather than on outcomes alone underlines the need to strive for an environment which enables people to achieve a decent living that provides self-respect as well as enough to eat (Sen, 1993, 1999). This approach makes the role of political decisions and institutional frameworks for individual life chances more explicit and underlines the importance of societal settings as an influential domain for individual well-being.

Although theoretically enlightening, the empirical application of this perspective remains rather weak. The analysis presented in this article attempts to address this gap and concentrates on the interplay of individual living conditions such as access to resources and emotional support on the one hand and their societal embeddedness on the other. To focus only on individual living conditions when explaining life satisfaction outcomes fails to explain country differences and neglects that people are well aware of the options and restrictions that specific institutional contexts provide.

For this reason, this analysis focuses on the impact of the quality of a society on life satisfaction in two steps: First, societal circumstances are taken into account from the perspective of the individuals themselves. The question of how the quality of a society is

perceived by the respondents provides insight into their evaluation of political institutions, social services, and social capital, which is directly related to their personal life chances realized within these frameworks. Such personal evaluations are different from information that can be delivered by means of aggregate indicators, which rank countries according to several aspects of the quality of a society, such as economic prosperity, government performance, and welfare regime characteristics. With this kind of information, exactly how societal settings are interrelated with personal living conditions within countries remains a black box. Even in countries that perform quite well according to corruption indices or economic growth, there may exist some population groups whose participation chances are severely restricted and who feel underrepresented. By capturing the quality of a society from these two angles – individual perceptions and aggregate information – I attempt to obtain insight into the capability structures as reliably as possible. The self-reported perceptions of society, judgements about public services, and the evaluation of policies and conflict management can be interpreted as a window through which constraints and options become visible. Overall country characteristics contribute a more objective and comparative perspective on how societies perform. Both aspects influence life satisfaction outcomes across Europe considerably.

Only a few studies have attempted to systematically differentiate between several characteristics of society and their relationship to subjective well-being, all restricted to aggregate indicators. High unemployment in a country impacts negatively on the overall level of life satisfaction, and satisfaction is more widespread in countries with generous unemployment benefits (Clark, 2003; Clark et al., 2004). People's satisfaction varies systematically with the country's level of joblessness and inflation; post-communist countries also showed robust results in this respect (Di Tella et al., 2001; Oswald and Clark, 1994; Oswald, 1997; Blanchflower and Freeman, 1997; Blanchflower and Oswald, 2001). Indicators of a country's prosperity also offer much explanatory potential when comparing different satisfaction levels between countries: the lower the gross domestic product (GDP) per capita in a country, the lower the satisfaction levels throughout the population (Inglehart and Klingemann, 2000; Ryan and Deci, 2001; Di Tella et al., 2003; Fahey and Smyth, 2004). In rich countries, personal income level is of less potential explanatory value, whereas a strong correlation can be observed between subjective well-being and individual income in poor countries (Easterlin, 1973; Argyle, 1999; Veenhoven, 1997). It seems that, when basic needs are satisfied, other life domains like social relationships become more important for a satisfactory view of life. This could mean that life domains characterized by shortages play an especially important role in explaining well-being. If the quality of social services in a country is low and people do not trust their political institutions, it can be assumed that societal circumstances will have a much stronger impact on individual well-being.

Another argument for the varying significance of the quality of societies for individual well-being across countries can be derived from an early work by Andrews and Withey (1976). They found that satisfaction with national affairs in the United States was almost unrelated to personal life satisfaction, whereas in other countries like Nigeria and Cuba

satisfaction with national and personal affairs was correlated quite strongly. Thus, in the United States people can be satisfied with their lives and at the same time be dissatisfied with their government and political institutions. In countries where political freedom is less established and standard of living is lower, personal satisfaction is much more strongly attached to one's view of the country, leading to the conclusion that the varying impact that the quality of a society has on personal life satisfaction across countries depends in part on the restrictions people perceive.

Other studies point to the quality of government and democracy when explaining country-specific life satisfaction outcomes (Donovan and Halpern, 2002; Inglehart and Klingemann, 2000; Veenhoven, 2000; Diener and Lucas, 2000). Frey and Stutzer (2000) showed that an accountable government results in higher subjective well-being, and they concluded that institutional conditions in the form of the extent and type of democracy have systematic and sizable effects on individual well-being. With the help of governance indicators from the World Bank, Helliwell (2003) showed substantial well-being benefits that go along with improvements in the quality of governance. It is not wealth in the first place, but effective social and political institutions, high mutual trust, and low corruption that is associated with high subjective well-being in a country. The study also demonstrated increased life satisfaction when people are members in a voluntary organization: other things held constant, societies with higher levels of social capital show higher levels of subjective well-being.

Geert Hofstede (2001) has examined cultural reasons for different levels of subjective well-being across countries and found that the more widespread individualistic values are, the higher is the level of life satisfaction. Individual well-being increases when people experience political, economic, and personal freedom. Furthermore, in countries where modernization in terms of technological progress, improved material living conditions, and prevalent post-materialistic values (Inglehart, 2001) is more pronounced, average life satisfaction is higher (Delhey, 2004).

Most recently, Haller and Hadler (2006) published the results of a study in which they investigated the impact of several macro variables on life satisfaction compared to the impact of individual living conditions. They conclude that life satisfaction outcomes are a result of an interaction between individual characteristics, aspirations, and macrosocial relations and structures. The strongest positive effect on life satisfaction comes from GDP and economic growth as well as from welfare state expenditures and political freedom. This finding corresponds with the results from Diener and Suh (1999): happy people live in wealthy nations, which is highly correlated with human rights, equality, individualism, more schooling, more food, more doctors, greater income equality, and greater longevity.

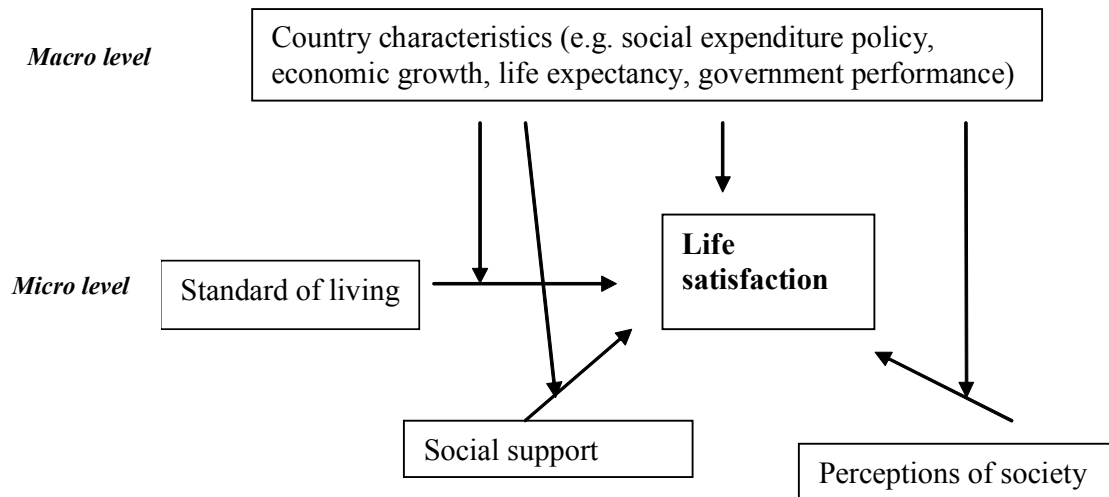
The following empirical analysis takes up these results and expands on them: it investigates whether the political circumstances in which someone lives matter for personal well-being. For this purpose, the analysis not only takes into account macro variables such as GDP per capita or economic growth; though these indicators rank countries, they fail to shed light on differences within countries and the connection between personal life chances and societal circumstances. Therefore, the focus is also on people's

perception of the quality of their society. Such indicators offer insight into societal conditions evaluated as options or limitations within a country, independent of its ranking in comparison with other countries. Moreover, they enable one to ask if the perceived quality of a society has an impact on subjective well-being in comparison with the impact of individual material and social living conditions. Do people differentiate between private and societal matters when they evaluate their life as a whole?

Figure 1 shows the determinants of life satisfaction to be explored in the following analysis on the societal (macro) level as well as on the individual (micro) level. On the level of the individual, it matters how strong the impact of perceptions of society on life satisfaction is in comparison with standard of living and access to social support. Furthermore, the question to be explored is whether the strength of this effect varies between countries and why. Generally, the analysis seeks to disentangle the relationship between individual and context effects as determinants of life satisfaction: Is the relative position with regard to standard of living within a country decisive, or do people recognize political and institutional circumstances as important providers of quality of life which differ from country to country? Finally, with the help of multilevel regression models, life satisfaction outcomes throughout Europe are examined with regard to individual and context effects and their interactions.

The following hypothesis can be derived from the research results and theoretical grounds presented above: given the connection between a nation's level of prosperity and the general level of subjective well-being, a clear division between the EU15 countries and the new member states may be expected, with people being more satisfied in the EU15. Previous research also suggests that individual resource control will determine subjective quality of life in all of its dimensions throughout Europe, independent of the respective level of subjective well-being in a country. However, access to material resources is likely to dominate the overall evaluation of living conditions, particularly in countries with a lower standard of living. Factors related to social integration will probably influence subjective well-being to a larger extent for individuals in countries where basic material needs are already satisfied. Moreover, it is likely that societal matters will count when people evaluate their personal living conditions, because people are aware that these concerns provide the opportunity structure in which their life chances are embedded. The perceived quality of a society might be of greater importance for subjective well-being in countries where poverty and unemployment are widespread, where economies are unstable, and where a democratic culture is less established. These tendencies would result in a different structure of subjective well-being across the enlarged Europe, one shaped by the different national prosperity levels and societal conditions. The multilevel calculations will underline the importance of contextual frameworks for individual well-being in the perceptions of the respondents and, independent from that, on an aggregate level. How well a society performs with regard to economic growth, good governance, welfare production, and the reliability of social services limits or opens up opportunities to live a decent life and has a significant impact on individual life satisfaction.

Figure 1: How to explain life satisfaction across countries



3 The data

Following Estes (1984), who developed an index of social progress encompassing wealth, peace, stability, and democracy, Veenhoven (1993, 1996, 2000) proposed a catalogue of aspects that should be taken into account in order to measure the good society and the liveability of the environment as one central element of the quality of life as a whole: economic welfare, social security, population stability, political stability, political participation, progress, peace, order, public safety, political freedom, health care, women’s rights, and so on. Some of them already have proved to be significant determinants of variations in life satisfaction outcomes between countries and can easily be operationalized with the help of aggregate data from official statistics. However, we are interested not only in country characteristics measured with the help of aggregate information, but also in people’s perceptions of their societal environment. One would expect these two dimensions to overlap quite strongly, which is not the case. Despite some interaction, people’s opinions about the quality of their society often differ from the rankings of official statistics, which reflects the unequal representation of particular interests within a population. Moreover, in order to rate the different impacts of individual and societal living conditions on personal

life satisfaction scores in individual countries, data on societal circumstances are needed, which can best be obtained by means of people's perceptions of the quality of a society in several different aspects. Thus, the requirements for a data set to analyze the above-mentioned research questions are quite complex. The data set must cover countries with different characteristics on matters such as welfare policies, economic growth, government performance, and life chances in general; should contain information on subjective well-being, material living conditions, and social support as well as on perceptions of the quality of society; and should be extended with aggregate information on contextual macrostructural issues.

With the European Quality of Life Survey (EQLS) launched by the European Foundation for the Improvement of Living and Working Conditions in 2003, a sound and comprehensive basis for comparable empirical information on living conditions in several dimensions is available. 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 EQLS was conducted across the EU15, in the 12 countries acceded since 2004 (the new member states), and in Turkey. Information is provided on household and family composition, working conditions, social position, income and standard of living, time use and work/life balance, housing conditions, political participation, social support and social networks, health, and subjective well-being. Moreover, people have been asked to evaluate the quality of political institutions and social services, they have been asked if they trust their fellow men, and they have been asked to identify how many conflicts they perceive between certain groups.¹

Table 1 lists indicators chosen to capture the dimensions of standard of living, social support, and perceptions of societal quality as determinants of life satisfaction. Each dimension is measured with an index summing up several related individual indicators. Standard of living comprises accommodation problems such as rot in windows, the affordability of basic goods, solvency problems, and how easy it is for the respondent to make ends meet. Social support is measured with variables such as social contacts, support in emergencies, and perceptions of integration. Perceived quality of society covers indicators revealing how people evaluate the social structures surrounding them: trust in social systems as well as in other people, the perception of tensions between social groups, and the quality of public services.

Table 2 lists indicators that give an overview of how countries perform in economic, political, and social terms as a provider of life chances. In the following analysis they are used to identify context effects: first, with regard to their impact on how strongly perceptions of society in different countries determine life satisfaction relative to standard of living and social support. Later on, their explanatory value for different life satisfaction outcomes across countries is tested. The indicators are related to the economic situation of a country (GDP per capita, poverty risk, deprivation), welfare and employment (social protection expenditure, unemployment rate), health (life expectancy, infant mortality rate), and politics (political rights, civil liberties, corruption, and some governance indicators).

Table 1: Indicators for standard of living, social support, and perceptions of society

Domain	Indicator	Question
Standard of living	Problems with accommodation	Do you have any of the following problems with your accommodation? shortage of space, rot in windows/doors/flats, damp/leaks, lack of indoor flushing toilet (yes)
	Affordability of basic goods	There are some things that many people cannot afford, even if they would like them: keeping home adequately warm, holiday, furniture, meal with meat, clothes, having friends or family for a drink, car, home computer, washing machine (cannot afford it)
	Making ends meet	A household may have different sources of income and more than one household member may contribute to it. Thinking of your household's total monthly income, is your household able to make ends meet? (with difficulty/with great difficulty)
	Solvency problems	Has your household been in arrears at any time during the past 12 months, that is, unable to pay as scheduled any of the following? (a) rent or mortgage payments for accommodation, (b) utility bills such as electricity, water, gas (yes)
	Index construction	Summing up 16 individual items (Cronbach's alpha: .861)
Social support	Contact with friends or neighbours	On average, thinking of people living outside your household, how often do you have direct face-to-face contact with any of your friends and neighbours? (several times a year/less often)
	Living alone	One person in a household
	No support in an emergency	From whom would you receive support in each of the following situations? If you needed help around the house when ill, if you needed advice about a serious personal or family matter, if you were feeling a bit depressed and wanted someone to talk to, if you needed to urgently raise 1,000 (EU15)/ 500 (new member states) to face an emergency (nobody)
	Dissatisfied with social/family life	Can you please tell me on a scale from 1 to 10 how satisfied you are with your family life (social life), where 1 means you are very dissatisfied and 10 means you are very satisfied? (0-5)
	Perception of integration in society	I feel left out of society (yes)
Index construction	Summing up nine individual items (Cronbach's alpha: .627)	
Perceived quality of society	Trust in social systems	How much trust do you have in the ability of the following two systems to deliver when you need it? (a) state pension system, (b) social benefit system (hardly any trust/no trust at all)
	Trust in other people	Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people? (1-4 on a 1-10 scale)
	Tensions	In your opinion, how much tension is there between each of the following groups in your country? (a) poor and rich people, (b) management and workers, (c) men and women, (d) old and young people, (e) different racial and ethnic groups (a lot of tension)
	Quality of public services	In general, how would you rate the quality of each of the following public services in your country? (a) health services, (b) educational system, (c) public transport, (d) social services, (e) state pension system (1-5 on a scale of 1-10)
	Index construction	Summing up 13 individual items (Cronbach's alpha: .756)

Source: EQLS, 2003.

Table 2: Macro indicators for context effects

Indicator	Source/Year	Notes
<u><i>Economy</i></u>		
GDP per capita at purchasing power parity (PPP)	Eurostat structural indicators, data from 2003	EU25=100
Poverty risk	Eurostat structural indicators, data from 2003	60% of mean equivalent household income
Deprivation	EQLS 2003	% of population that cannot afford basic consumer goods
<u><i>Welfare/Employment</i></u>		
Social protection expenditure per capita at PPP	Eurostat Yearbook 2005	
Unemployment rate	Eurostat structural indicators, data from 2003	
<u><i>Health</i></u>		
Life expectancy of men at birth, 2003	Eurostat Yearbook 2005	
Infant mortality rate	Eurostat Yearbook 2005, data from 2003	
<u><i>Politics</i></u>		
Political rights	Freedom House Web site, data from 2003, ranging from 0–40	Free and fair elections, competitive parties, important role of opposition, participation chances of minority groups
Civil liberties	Freedom House Web site, data from 2003, ranging from 0–60	Freedom of expression, assembly, association, education, and religion
Voice and accountability	World Bank governance indicators, data from 2003	The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media
Political stability/Absence of violence	World Bank governance indicators, data from 2003	Perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism
Government effectiveness	World Bank governance indicators, data from 2003	The quality of public services; the quality of the civil service and the degree of its independence from political pressure; the quality of policy formulation and implementation; and the credibility of the government's commitment to such policies

4 How satisfied are Europeans and how do they perceive the quality of their society?

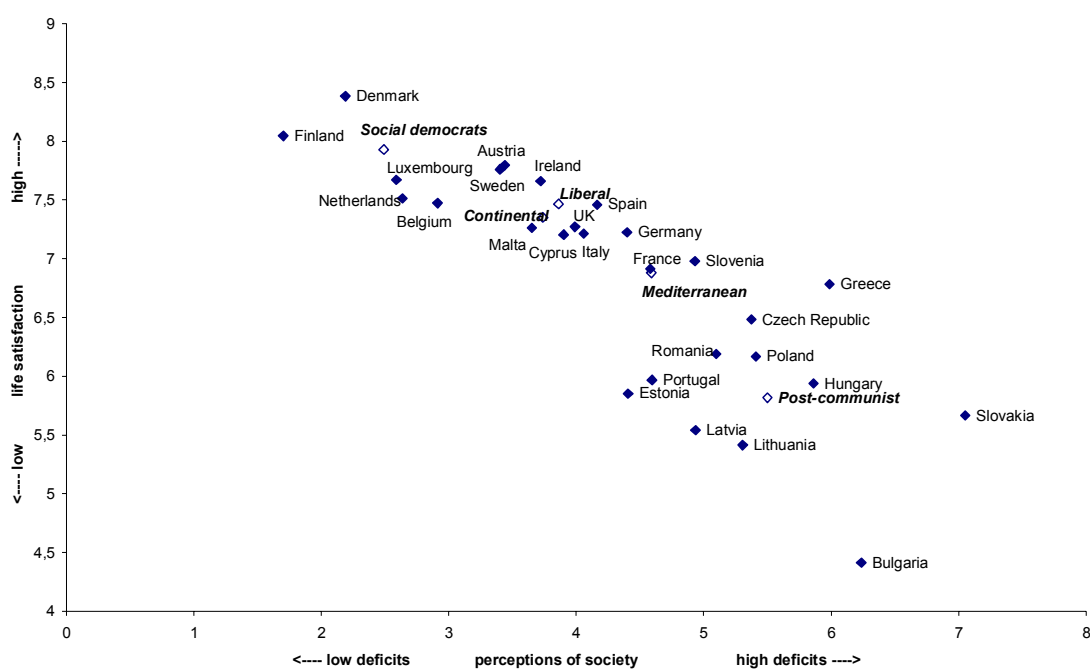
Satisfaction with life in general has been measured on a 1-10-point scale (1 = very dissatisfied and 10 = very satisfied). The higher the mean value of life satisfaction in a country, the more satisfied a nation's population is. Figure 2 shows mean satisfaction values for all 27 members of the European Union. In addition, cross-country averages calculated with the help of population-adjusted weights are provided.²

Satisfaction with life varies widely throughout the enlarged Europe, showing a clear divide between old and new member states. The populations of the social democratic, the continental-corporatist, and the liberal clusters are generally more satisfied than people in the post-communist countries. The Mediterranean countries rank somewhere in between. Malta, Cyprus, and Slovenia are the only new member states where satisfaction is on a par with the EU15; none of these countries faced such hard transformation processes and severe economic cutbacks as did the great majority of Eastern bloc countries. The least satisfied populations of Europe are found in Bulgaria, Lithuania, and Latvia, whereas the most satisfied are Danes, Finns, and Swedes. Among the EU15, only France, Greece, and Portugal perform relatively poorly in this respect; Portugal's ranking even corresponds to the life satisfaction average of the post-communist cluster. These results confirm that the north-south gradient in subjective well-being in the EU15 is still evident, and that it is supplemented by a strong divide between old and new member states.

Evaluations of societal context also differ quite strongly across countries. How people evaluate political institutions, whether they trust other people, and whether they perceive conflicts around them are indications of worries and insecurities that might be negatively interrelated with personal welfare.

Awareness of tension between social groups varies considerably in the enlarged Europe (Nauenburg, 2004). Populations in the post-communist countries perceive the highest tension between rich and poor people and between management and workers, reflecting traditional class divisions, whereas people in the EU15 are much more aware of tension between different racial or ethnic groups. On average, one-third of the EU15 population is aware of conflicts between rich and poor people, whereas one in two citizens in the post-communist countries perceives them. People also were asked to evaluate the public services in their respective country. The quality of the education, health-care, and state pension systems are given a rather low rating by a relatively high percentage of the populations in post-communist countries: more than half of the populations in this country group perceives deficits in the health-care system and does not trust the state pension system (table 3). With respect to the future functioning of social benefit systems in general, doubts are again more widespread in the post-communist countries, but also in the Mediterranean countries, where 42% of the populations doubt that social security can be

Figure 2: Life satisfaction and perceptions of society in Europe, 2003



Notes: Social democratic cluster (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).

Source: EQLS, 2003.

provided at the same level in the future. Trust in national state pension systems is low in the other country groups, too, and more than one-third of the respondents in the EU15 has doubts about the future sustainability of these systems, with slightly lower values in the Scandinavian countries. The question of whether people trust each other addresses another general aspect of the quality of a society. Social trust is understood as a collective property, as a powerful social good, and as an indicator of social capital. Trust in one's fellow members of society is higher in the EU15, where, on average, people are more affluent and less affected by severe disadvantages. These results are in line with recent research on this subject, emphasizing that individual living conditions, success, and, above all, societal conditions are crucial in generating social trust (Delhey and Newton, 2003, 2005).

These impressions can be condensed with the help of an index summarizing statements that indicate perceived problems with the quality of society (figure 2). The higher the index value, the lower the perceived quality of society. People in northern and continental Europe evaluate the quality of their societies most favourably. Among the new member states,

Table 3: The quality of society as perceived by Europeans, individual indicators

	High tension between rich and poor	Low-quality educational system	Low-quality health system	Hardly any trust in the state pension system/No trust at all	Low trust in the social benefit system	Low trust in other people
Social democrats	18.4	12.0	18.6	28.5	19.5	13.6
Continental	32.7	23.7	19.4	52.7	36.0	22.6
Liberal	25.5	25.5	41.9	40.6	34.4	20.0
Mediterranean	33.8	40.7	44.8	44.9	42.1	34.6
Post-communist	51.8	47.6	61.8	58.5	65.0	37.3

people in Cyprus and Malta also judge the quality of their society quite well; results here rank among the EU15 countries. The populations in Hungary, Bulgaria, and Slovakia are the least content. Surprisingly, Greece is also among the worst performers; its population is more critical about the quality of society than most citizens in the post-communist countries. These exceptions aside, the results show a clear divide between old and new member states. On this aggregate level, without being controlled for any other intervening factors, the correlation with life satisfaction is substantial: where many people evaluate the quality of their society quite highly, life satisfaction outcomes on average are high.

5 The impact of standard of living, social support, and perceptions of society on life satisfaction in individual countries

Europeans experience vastly heterogeneous levels of living conditions and also judge the quality of their respective societies quite differently. The question at issue here is how these living conditions are interrelated with subjective well-being. Do people differentiate between private and societal matters when they evaluate their life as a whole? In this section, I examine three main determinants of life satisfaction, all pertaining to the level of the individual: standard of living, which captures access to resources in a broad sense; social support from families and friends; and perceptions of society as described above. Do people criticize the functioning of political institutions and governmental policies without being negatively influenced in their evaluation of their personal living conditions, such as standard of living and social support? The more satisfied people are with the quality of their society overall, the more options they may perceive in relation to planning and making arrangements for the future, which will positively influence their personal quality of life. Vice versa, one may assume that perceived deficits of governance and of the social benefit system represent restrictions on personal life chances and opportunities.

With the focus on these important providers of subjective well-being, we can gain an impression of whether material resources play a vital role for subjective well-being irrespective of access to social support, or whether limited access to basic goods is closely interrelated with a lack of social support – that is, poor people are also socially isolated. It is important to know whether the perception of a society's quality is a separate explanatory value, albeit closely interrelated with poor living conditions (Böhnke, 2005). What patterns arise in the cross-country comparison with respect to the relative importance of these three determinants? The overall questions are whether private or societal circumstances have the greatest impact on subjective well-being, and whether different explanatory mechanisms emerge for subjective well-being across country groups in the enlarged Europe. When evaluating their life as a whole, do people differentiate between their personal living conditions, on the one hand, and the societal structures and position in which they find themselves – and over which they are not very likely to have influence?

Regression models are calculated that also refer to socio-demographic control variables such as sex, age, employment status, and educational attainment. The country-specific results are given in tables 4 and 5. Most important, the findings clearly demonstrate the influence of perceived societal circumstances on individual well-being. Perceptions of society help to explain life satisfaction throughout Europe, independent of their interaction with standard of living and social support. Although people living in poverty are likely to evaluate their society more critically than others, these two dimensions determine life satisfaction independent of each other throughout all of Europe.

Table 4: Influence of standard of living (SoL), social support (SS), and perceptions of society (PoS) on life satisfaction (results from multiple OLS regressions), new member states

beta	BG	LV	CY	HU	RO	LT	PL	SK	MT	EE	CZ	SI
40					SoL							
35				SoL		SoL				SoL	SoL	
30	SS SOL		SS									
25	PoS	PoS SOL SS		PoS		PoS	SOL	SOL SS		SS		SOL
20			SOL	SS	PoS SS	SS	PoS SS	PoS	SOL SS	PoS	SS	SS PoS
15											PoS	
10			PoS						PoS			
5												
Var.	34%	35%	22%	33%	32%	37%	23%	37%	15%	36%	34%	24%

Table 5: Influence of standard of living (SoL), social support (SS), and perceptions of society (PoS) on life satisfaction (results from multiple OLS regressions), old member states (EU15)

beta	IT	NL	ES	DK	IE	FI	PT	UK	SE	GR	FR	DE	BE	LU	AT
40															
35															
30	SS		SOL		SOL		SOL		SS	SOL	SOL		SOL		
25	SOL	SS SOL		SS	SS	SS		SOL SS			PoS				SS
20						SOL	PoS	PoS	PoS	PoS SS		SS SOL PoS		SS	SOL
15			PoS SS	SOL	PoS		SS		SOL			PoS	SS PoS		PoS
10	PoS			PoS		PoS					SS			SOL PoS	
5															
Var.	23%	20%	18%	15%	28%	22%	26%	28%	23%	26%	23%	29%	22%	10%	19%

Notes: Significant standardized regression coefficients are shown; dependent variable: life satisfaction measured on a 1-10-point scale. Explanatory variables: index on standard of living, social support, and perceptions of society; see table 1 for detailed information on the construction procedure. The models are controlled for age, gender, employment status, and educational attainment. Because the indices measure deficits, the signs of the coefficients have been changed in order to facilitate readability.

Source: EQLS, 2003.

The overall impression is that subjective well-being is most strongly influenced by poor material living conditions regardless of the European country. The results suggest the dominance of material resources, of a decent standard of living, and of access to basic goods as the main contributor to subjective well-being. In 16 out of 27 countries, access to material goods influences life satisfaction most strongly. Regarded separately for old and new member states, the dominant role of material resources in life satisfaction outcomes is more widespread in the transformation countries, whereas the role of social support is stronger in the EU15 countries. In only 2 out of 12 new member states, social support is the most important contributor to life satisfaction; for the old member states, it is 8 out of 15. Social relationships, a ready and reliable network, and social support in general play an important role in maintaining subjective quality of life, not only as a buffer to ward off the harsh consequences of material disadvantages, but also as an important domain of overall individual welfare.

In 15 out of 27 European countries, perceptions of the quality of society are least important for life satisfaction outcomes in comparison with access to material and emotional resources. However, with the exception of the Netherlands, perception of the quality of a society is a significant determinant. Thus, in order to increase subjective well-being, it is obviously not enough to fight poverty and social disadvantage and to improve individual living conditions. Also pertinent is how people view the political and institutional structure of a society in terms of options or limitations for their personal life chances. Fighting poverty increases well-being. Additionally, people are more satisfied when the political structures of their society correspond with their own ideas and sustain their personal living conditions.

6 Perceptions of society: What explains their variation in importance for subjective well-being?

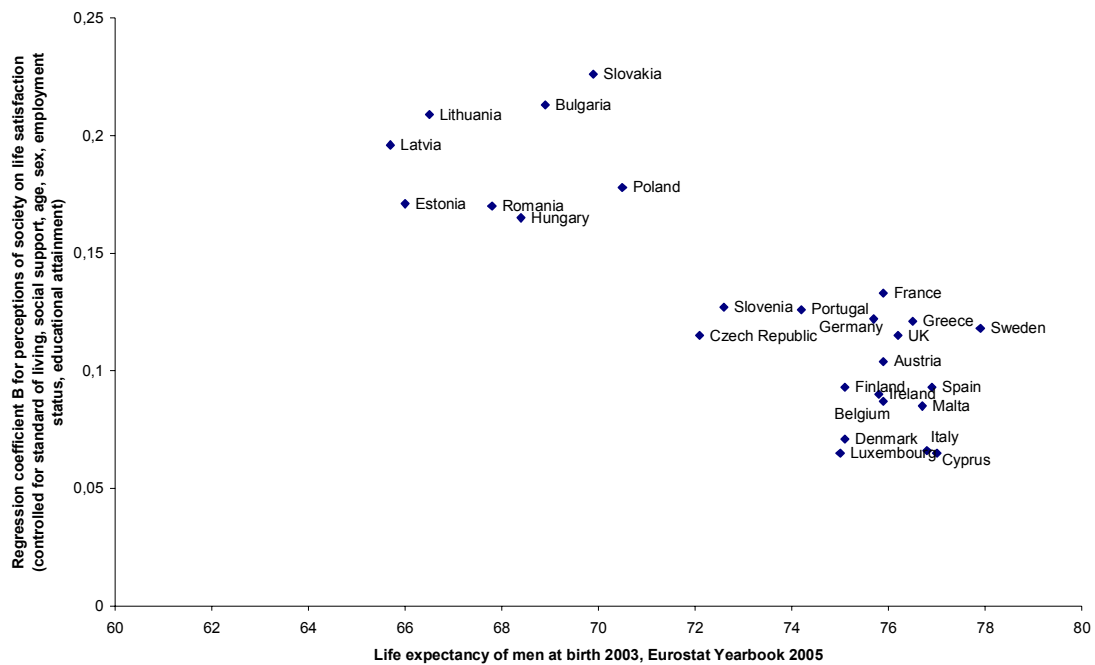
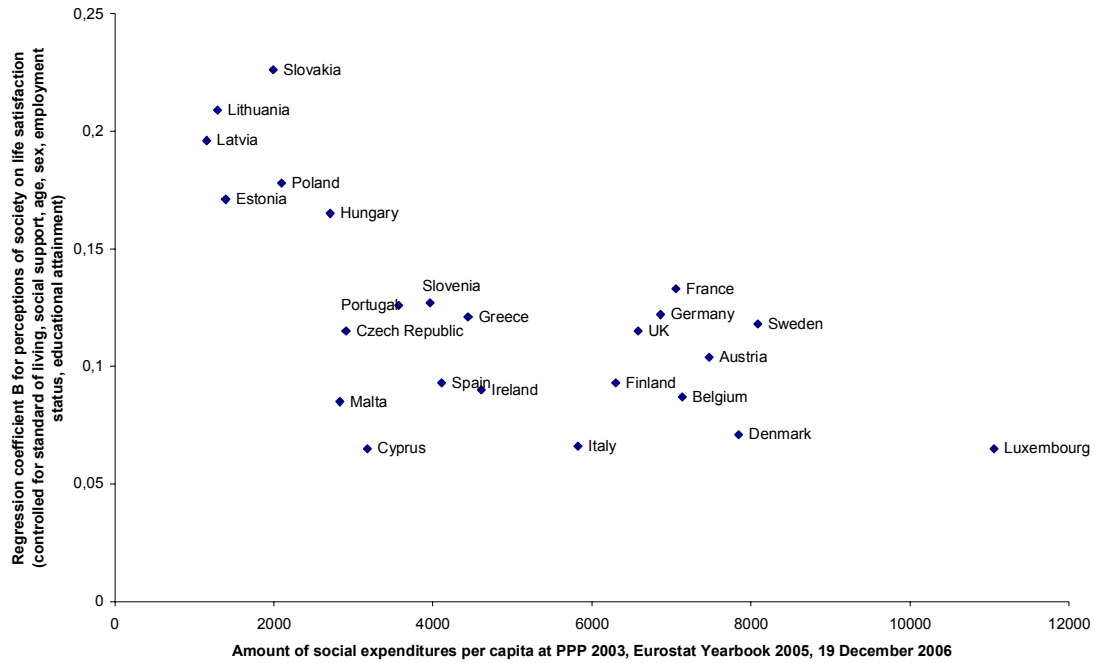
From unstandardized regression coefficients, which are not displayed in the figures above, we can derive that perceptions of society influence life satisfaction most strongly in the majority of the post-communist countries; there is a clear gap between these countries and the old member states plus Cyprus and Malta.³ The results suggest that the less affluent and politically stable a country is, the more important standard of living and perceptions of society become. The following scatterplots visualize these patterns and show the connection between the relative importance of perceptions of society and several macro indicators shedding light on the political and economic context of countries (see figures 3, 4, and 5).

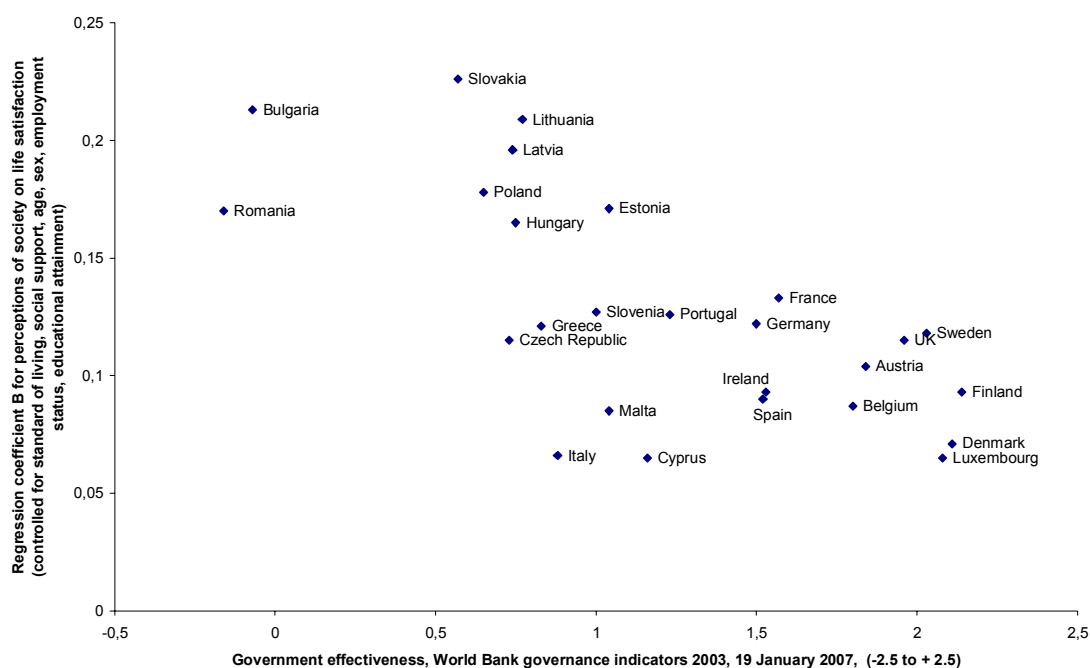
To serve as an illustration of this, figures 3, 4, and 5 give insight into what helps make perceptions of society a strong determinant of individual life satisfaction outcomes. The higher the social expenditure rate in a country (figure 3), the higher the life expectancy of men (figure 4), and the more favourably government effectiveness is evaluated (figure 5), the less important perceptions of society become for personal well-being. This finding does not mean that perceptions of society are without weight, but it does indicate that things taken for granted influence life satisfaction to a lesser extent. When people are asked to rate their overall living conditions, well-functioning political institutions and social services are obviously not foremost on their mind. However, weak social assistance, shorter life expectancy, and political instability as a proxy for unfavourable living conditions do come to people's mind as constraints on their aspirations, wishes, and opportunities.

Social security expenditures as well as the economic performance of a country explain a good deal in this respect and especially reveal the gap between the old and new member states (figure 3). Only the Mediterranean countries do not follow this pattern: although social expenditures are relatively weak in this country group, perceptions of society do not play a significant role in life satisfaction outcomes. Southern European countries are characterized by highly valued private solidarity patterns combined with strong religious orientations. These features may contribute to lower expectations of official support from state authorities; as a result, people in Mediterranean countries might give relatively low ratings on average to the importance of societal circumstances.

Life expectancy exhibits an even stronger relationship with perceptions of society as a determinant of life satisfaction (figure 4). Again, the cleavage between old and new member states is striking in this respect. In 2003, men in the Baltic States could expect to reach 66 years of age on average, whereas men in most of the EU15 countries were expected to reach the age of 77 years. The same pattern can be found with other indicators of health such as the infant mortality rate and the prevalence of chronic illness.

Figures 3, 4, and 5: Context effects and their relation to the impact of perceptions of society on life satisfaction





Source: EQLS, 2003; macro indicators, see Table 2.

Indicators that measure political efficiency, corruption, and good governance turn out to be significant, too, although slightly weaker (figure 5). Bulgaria and Romania perform relatively poorly with regard to government effectiveness, transformation countries and southern European countries are ranked in the middle of the scale, and the Scandinavian countries in particular show quite good results in this respect. Lower government effectiveness accompanies high importance of a society's quality for life satisfaction. When people are aware of patent corruption in their country, when they are faced with a lack of political efficiency and supportive political structures, it has a considerable negative impact on personal well-being outcomes.

With regard to the impact of standard of living and social support on life satisfaction, the results suggest the following tendency: in countries where economic prosperity is high (measured by means of GDP per capita), the material dimension of access to resources becomes less important, whereas social support increases in its significance for personal subjective well-being. This finding corresponds with well-known results on domain satisfactions and their impact on life satisfaction in general. A clear division between income-oriented new member states and family-oriented EU15 countries becomes apparent in this respect: the lower the overall prosperity and welfare level in a country, the more important satisfaction with income becomes for individual well-being. In the new

member states, the material dimension of life overwhelmingly dominates the outcome of general life satisfaction. On the other hand, satisfaction with family life becomes important as a value in itself when the overall economic prosperity in a country is high and basic needs can easily be satisfied (Delhey, 2004; Böhnke and Kohler, 2007).

7 Policy or privacy? Determinants of life satisfaction in Europe

We know now that people's perceptions of their society contribute to personal life satisfaction irrespective of their access to material and immaterial resources. It matters for individual well-being if people have confidence in the social security system and are satisfied with social services, and it is also relevant if they perceive the democracy as stable and political institutions as reliable. The results suggest that determinants of life satisfaction vary in their impact from one country to another. Societal settings become more important for individual life satisfaction the more political structures fail to provide an opportunity set in which people can realize their aspirations and ideas of self-fulfilment. This result clearly indicates interaction effects between determinants of life satisfaction on the individual and on the country level.

Moreover, life satisfaction outcomes are thought to be significantly influenced by country characteristics regardless of these interactions. Up to now, country differences in the level of life satisfaction have remained unclear, and must also be related to context effects that distinguish one country from another. Thus, in a final step I calculated several multilevel models that include micro- and macrostructural indicators as well as interaction effects in order to gain insight into their relative importance for explaining country differences in life satisfaction outcomes.

Table 6 lists the results both for the aggregate indicators at the country level and for the interaction effects of those indicators with people's perceptions of society. It should be kept in mind, however, that standard of living, social support, and perceptions of society, all measured at the level of the individual, remain the most important contributors to individual life satisfaction for all of the calculations.

Country characteristics that measure how countries differ in performance with respect to economic strength, good governance, and welfare can explain a good deal with regard to the different outcomes of life satisfaction across Europe. Although there is some overlap between these objective measures of country characteristics and how people perceive the quality of their society, both sets of indicators provide convincing explanations for life

Table 6: Country characteristics and perceptions of society as determinants of life satisfaction in Europe (results from random intercept regression analysis)

		Standardized coefficients	Significance
Country level			
Model 1	Poverty	-.034	0.493
Model 2	Social expenditures	.228	0.000
Model 3	Deprivation	-.169	0.003
Model 4	GDP per capita	.199	0.000
Model 5	Unemployment	-.180	0.001
Model 6	Life expectancy	.251	0.000
Model 7	Infant mortality	-.156	0.006
Model 8	Political rights	.125	0.009
Model 9	Civil liberties	.175	0.001
Model 10	Voice and accountability	.231	0.000
Model 11	Political stability	.065	0.222
Model 12	Government effectiveness	.271	0.000
Interaction effects			
Model 13	Poverty * PoS ¹	.007	0.578
Model 14	Social expenditure * PoS	-.084	0.000
Model 15	Deprivation * PoS	.075	0.000
Model 16	GDP per capita * PoS	-.099	0.000
Model 17	Unemployment * PoS	.077	0.000
Model 18	Life expectancy* PoS	-.109	0.000
Model 19	Infant mortality * PoS	.084	0.000
Model 20	Political rights * PoS	-.078	0.000
Model 21	Civil liberties * PoS	-.071	0.000
Model 22	Voice and accountability * PoS	-.077	0.000
Model 23	Political stability * PoS	-.014	0.249
Model 24	Government effectiveness * PoS	-.039	0.001
<i>Explained variance:</i>			
	Perceptions of society and macro variables	23%	
	Socio-demographic variables (standard of living, social support, employment status, education, age, sex)	33%	
	Total	38%	

Notes: ¹ PoS = Perceptions of society; dependent variable of each model: life satisfaction. Models 1 to 24 also include variables on the individual level, which are not shown again: standard of living, social support, perceptions of society. All models are additionally controlled for educational attainment, employment status, sex, and age. Number of cases: 23,962; number of countries: 27.

Source: EQLS, 2003; macro indicators, see Table 2.

satisfaction outcomes in Europe independent of each other. Because of high multicollinearity between some of the macro indicators, calculations have been carried out in separate models; however, the standardization procedures used enable comparison of the identified coefficients. It is not only the economic wealth of a nation which plays a crucial role for the life satisfaction outcomes of Europeans, but also the amount of social expenditures, good government performance, and health-care provision. Irrespective of their individually experienced standard of living, people are more satisfied with their life when they live in countries where life expectancy is higher and infant mortality rates are lower. The same is true with regard to low unemployment and poverty rates. Political rights and liberties also matter: in countries where the credibility of a government is strong, and free elections, freedom of association, and widespread participation opportunities are guaranteed, citizens are more confident about their life in general.

The interaction effects shown in table 6 confirm the expected tendencies: in countries which are economically prosperous and in which social expenditures are high, the impact of perceptions of society on life satisfaction is relatively weak. The same is true in countries where political rights and civil liberties are guaranteed and the government works effectively. However, when deprivation and unemployment are widespread, perceptions of society become more important for subjective well-being.

With regard to the impact of societal circumstances on individual life satisfaction outcomes, these results provide important insight in three respects: First, the variations in level of life satisfaction among countries are related to differences in specific country characteristics such as welfare policy features, economic wealth, and government performance. Second, the way in which people perceive their society – whether, for example, they trust their social services and political system – influences their individual well-being, and it does so the more political structures fail to provide an opportunity set in which people can realize their aspirations and ideas of self-fulfilment. Third, perceptions of society also have an independent impact on life satisfaction outcomes: in countries that perform quite well with respect to overall quality characteristics, population groups exist that perceive the societal structures and political circumstances of their living conditions as oppressive and that feel limited in their choices and opportunities, which impacts negatively on their life satisfaction.

The variance of the model, also shown separately for the societal level, makes clear, however, that the two levels – individually experienced living conditions on the one hand and societal context issues on the other – cannot be distinguished from each other as clearly as one might like. Access to material resources remains intertwined with the economic prosperity of a country, and the experience of unemployment is less severe in countries where social benefit systems are generous. However, this should not be taken as a weakness of the analysis; instead, it should be interpreted as strong evidence of how important the consideration of both dimensions – privacy and policy – is for subjective well-being.

8 Conclusion

Society in its various capacities as a provider of life chances has been severely neglected in life satisfaction research. The aim of this article was to disentangle the relationship between individual effects and context effects as determinants of life satisfaction.

As we have seen, politics matters a great deal. People are well aware that the institutional and cultural arrangements in which their lives are embedded bring about opportunities and limitations. Life satisfaction outcomes are influenced negatively when people do not trust political institutions and the reliability of the welfare system, when they do not trust their fellow men and perceive considerable tension between social groups. Although life satisfaction is dependent on individually experienced access to material resources and social support, people's view of their life chances is considerably determined – irrespective of access to resources – by the way in which they perceive their societal circumstances. Political and institutional settings are considered to be contextual frameworks which limit and structure the options and opportunities to take advantage of life chances. This is true all over Europe. However, perceptions of society differ in their strength as a determinant of life satisfaction outcomes across European countries. In economically prosperous countries, where democracy and social benefit systems are reliable, their importance decreases. Especially in eastern European countries their impact is considerably strong, and people there obviously are aware that their life chances depend quite strongly on the improvement of institutional, economic, and political structures.

Moreover, country characteristics such as GDP per capita, the amount of social expenditures, life expectancy, and indications of good governance explain life satisfaction variations between countries to a large extent. Thus, the quality of a society counts twice: on the aggregate level, measured by means of country characteristics that distinguish one country from another, and on the individual level, measured by means of people's perceptions. Country characteristics as more or less objective measures of the quality of a society are important in explaining life satisfaction variations between countries, but not the only means for doing so. How people perceive the quality of their society, independent of these indicators, does not have trivial effects. Even within countries that rank quite well according to the aggregate quality measures, there may be population groups that do not feel represented or supported by the government and social services, and this will diminish their life satisfaction noticeably.

The results confirm different life satisfaction patterns in old and new member states. Well-being is considerably lower in the post-communist countries, which has its primary origins in delayed economic development and deficient social security standards. All in all, the political and economic circumstances in which one experiences a decent life or miserable living conditions matter a great deal: societal settings turn out to be an influential domain for individual well-being.

Notes

- ¹ For further information on data quality, see Arendt, 2003; Nauenburg and Mertel, 2004; Kohler, 2007. For an overview of research results, see Alber et al., 2004; Alber et al., 2007.
- ² Country groups are formed on the basis of familiar welfare state typologies and their adjustments (Esping-Andersen, 1990, 1999; Leibfried, 1992; Siaroff, 1994; Ferrera, 1996; Bonoli, 1997).
- ³ Unstandardized coefficients are displayed in the following scatterplots.

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