CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

1. Subjective Well-Being (SWB).
   a. Definition.
      A human is a creature who has mind, heart, and desire. This is why a human always tries to achieve happiness or SWB in life. Veenhoven (1988) defined SWB as “appreciation of one’s life as a whole”. This definition of SWB is similar to Jeremy Bentham’s definition, i.e. “the sum and pleasure and pains”. In this case, happiness has an equal meaning with SWB and life satisfaction. A researcher in 1997 said that happiness comes from the fulfillment of needs or expectations, and its cause or means to be enjoyed (Hurlock, 1997). In term of basic meaning, happiness according to Aristoteles (in Adler, 2003) comes from word of “happy” which means feeling good, having fun, having a good time or a condition that makes an experience good or comfortable. In Indonesia’s dictionary (2003), happiness has a similar meaning with Aristoteles’ idea; happy is a feeling of calm and tranquility in the sense of being free from all the trouble things in the world or in the hereafter. Happiness is pleasure and tranquility of life that includes a fortune of luck.

   In psychology, happiness is defined as a self-assessment in life - assessment of the past or an evaluation in his life - that contains positive emotion, comfort and positive activities that bring pleasure. Carr (2007) defined SWB as the positive psychological condition, which can be seen from the high satisfaction of the past, high level of satisfaction, high level of positive emotion, and low level of negative emotion.
In conclusion, SWB is feeling happy, tranquility, fortune of luck, peace and comfort that can be obtained by the overall quality of life of a human being, where the human will not feel suffer from his/her activities or, in another word, he/she is satisfied with his/her life.

b. Theory.

Generally, in economics, no scholar defines happiness in detail. In economics, happiness is something difficult to define, but it can be measured. Thus, in economics, the concept of happiness cannot be defined specifically. Clark et al (1994) defined happiness as a pleasure or satisfaction, while Ng (1997) defined happiness as welfare. Frey et al (2002) defined happiness as subjective well-being (SWB) that can be used as a proxy for utilities.

In happiness, there are two additional components, namely cognitive and affective. These are stated by Andrews et al (in Alan Carr, 2004) in their analytical study of happiness and SWB. The cognitive aspect is the happiness in form of satisfaction in various areas of life, such as the satisfaction of work or job and family. Meanwhile, the affective aspect is an emotional experience such as fun, satisfaction, joy and other positive experience.

According to Shaver and Feedman (on Hurlock, 1997) happiness has 3 essences called”3A Happiness”, including:

1. Acceptance

Happiness is a condition of an individual's view of himself and cannot be compared with others. Happiness depends on being grateful and enjoying anything he/she has and other people’s circumstances and keeping the balance between expectation and feat.
2. Affection

Affection is a natural tendency from the human. Affection will arise over one’s acceptance to certain people. The more a person accept others, the more affection he/she will get.

3. Achievement

Achievement is an accomplishment of someone’s goals. The happiness will arise along with the achievement of goals.

The happiness can be said to be an attempt to meet a need or to fulfill expectations in life (Hurlock, 1997). To achieve happiness need some efforts. There are some factors that can affect someone’s emotion, so a person will feel happy or achieve SWB, and the emotion that affects happiness is a positive emotion. Seligman (2005) stated that positive emotion has three parts, i.e. the past, the current, and the future. These emotions are part of the internal factor of happiness. Meanwhile, the external factor of happiness is the environment (Seligman, 2005).

a) Internal Factors

Seligman (2005) clarified the internal factors into three part, each of the parts is different and not always related to one another.

- The Past

This part is an attitude of a person on taking the past. The positive attitude generated in dealing with the past can produce a positive result such as pride, satisfaction, relief, comfort or feel peaceful (Seligman, 2005). Seligman (2005) said the satisfaction with the past can be reached using 3 ways: release the past as the determinant of the future,
to feel grateful to the things that have been lived and being lived in, and the last one is to forgive and forget.

- **The Present**

  This part is the happiness that happens in the current time such as happy, joy, fun, cheerful and flow. Seligman (2005) revealed that happiness in the present involves 2 things, namely pleasure (a fun that has stronger emotion and has a sensory component) and gratitude (a highly favored activity of the individual, but this does not necessarily involve basic feelings and takes a long time over pleasure).

b) **External factors**

  Seligman (2005) proposed the following external environmental factors which affect happiness.

  - **Money**

    Tucker said “I have been rich and poor, but being rich is much better” in addition, the proverb said, "money cannot buy happiness". Both statements, although they appear to be contradictory, these happen in our life.

  - **Marriage**

    Marriage certainly reviled as cuffs and sometimes is praised as eternal pleasure. Both statements are less fit. But, overall, the data support the second depiction. Unlike money, which has a little effect on happiness, a married person has a significant probability to be
happy. The happiness of a married person can affect his/her lifetime and high income, and this happens in both woman and man.

- Social Life

A study of people who feel very happy was conducted by Seligman and Diener (2005). They revealed that almost all (except one) which include 10% of the happiest people can feel romantic relationships. The comparison between people who are very happy with people in general and the people who are not happy is significantly different. Happy people will experience a prosperous and satisfied social life. People who feel very happy rarely spend their time alone, they always socialize with others. They are good at interacting with people.

- Negative Emotion

The correlation between positive and negative emotion is not significant. If the negative emotion is high, the positive emotion will be fewer than the average in general. Yet, this does not mean the person is affected by the happy life and even when the person has a highly positive emotion, it does not mean that the person does not feel pain or sad.

- Age

Wilson (in Seligman, 2005) claimed that a person’s youthfulness is assumed to always reflect a happier state. In current condition, youth is no longer of such a high value. Many researchers have confirmed that
the closer data the thought and supposition, the happier young people will vanish. The image of fussy parents who like to complain about everything has also been proven to be incompatible with reality. An authoritative study of 60,000 adults from 40 nations divides happiness into three components: life satisfaction, happy effect, and unpleasant effect. The life satisfaction will experience a slight increase with age, the fun slightly weakened and the negative effect is unchanged. These will change when getting older. The feeling of “to reach the world top” and “slumped in desire” will decrease along with the increased experience and age.

- Health

  People generally assume that health is the key to happiness, because good health is rated as the most important aspect of life. But, good subjective health is not much related to happiness. The most important is the subjective perception of a person about how healthy he/she is; even the person can assess his/her health in a positive way despite being unhealthy. This is because of his ability to adapt to his pain.

- Education, Climate, Race and Gender

  According to Seligman (2005), these factors are not too important to happiness but are the ways to gain a high income. Education is not a mean of higher happiness, except only for a few and only happens
among those with low income. Moreover, an intelligence of a person will also not affect his/her happiness.

According to Seligman, in term of gender, the general level of emotion for both genders is similar. Yet, the woman is happier and also more despondent than man.

- Religion

Seligman (2005) reveals that religious people are happier and more satisfied than non-religious people. This is shown in the survey data consistently. The correlation between the cause and effect between religion and healthier life is a field fact. With the existence of religion, a person will be easier to live his/her life in peace and health as a religion’s rules prohibit the treatment of infidelity, crime, theft, and other bad actions. A religion also gives many positive things such as charity, hard work, simple lifestyle and other good things.

Seligman (2005) suggested that happiness factors can be divided into two, i.e. internal factor (from an individual) and external factor (from the interaction around him/her). Seligman (2005) also claimed that happiness has the following impacts on life:

a. A positive mood can open an individual to accept new ideas and experiences.

b. Happiness can expand an intellect resources, physic, and social he/she has.

c. A positive emotion can make people more creative, tolerant, constructive, generous and not defensive.

d. A happy person will remember more pleasant event.
e. A happy person is not realistic to his own skill.

f. Happiness can lengthen age and can improve health.

g. A happy person will be easier to interact with others and get more friends.

h. A happy person will be easier to get a spouse and marriage.

i. A happy person can create a good relationship with others.

c. Measurement.

A measurement of happiness or SWB was conducted by a subjective research team from Michigan University and Chicago University. The team examined the level of SWB over ten thousand people in the United States with a simple question: “by considering all things, how do you think about your current condition: 1) very happy, 2) happy, and 3) not happy”. The same study was also conducted by Rahayu (2016).

2. Income.

a. Definition.

In life, people need a job to make money to fulfill their needs. In general, income can be interpreted as a sum of money received by someone in family members from his work to fulfill their life’s needs (Pringgodigdo, 1982). A person’s high-level income will influence the number of consumption and also increase the quality of the goods (Soekartiwi, 2002). Some districts are called developed districts if they can meet several criteria; one of which is the high income. If the income in the area is relatively low, it means the welfare is still low and vice versa.

With the arguments above, it can be concluded that income has an important role in satisfying people’s daily needs, has a high-income level, at least
can fulfill every primary need. Therefore, a person can achieve a decent life or even better.

b. Theory.

In the Indonesian dictionary (1998), income is the result of work, business or otherwise. This idea is the general idea of income. Its development, income has different definitions depending on the background sciences. In economics, income is money received by workers in the form of wage, salary, rent, interest, profit, and others (Pass and Lowes, 1994). In accounting (2002), income is the gross inflow of economic benefits arising from the normal activity of firm over one period or more cash flow result in an increase in equity not originating from investment contribution. In management (2003), income is money received by a person, firm and other organization in form of wage, salaries, rent, interest, commission, fees, and profit.

The statistic center makes a difference in terms of income in the form of money and goods. The understanding of income is derived from salaries and earned from basic workers, overtime work, side job and other related to the job. Income in the forms of goods includes transportation, treatment, housing, goods product, and consumption.

The factors that influence an income, according to Boediono (2002), include:

1. The number of factors produced production resource on the output of this year in savings and inheritance or grant.
2. The price per unit of each production factor, the price is decide by supply and demand in production factor of market.

3. The output of the activities of family members as a job.

c. Measurement.

As mentioned above, income is the acceptance of wage in the form of money or goods within one month. Some researchers have different measurements such as Pertwi (2015) who used income measurement in the form of the amount of money and goods, while Rahayu (2016) assessed absolute income per capita proxy by expenditure per capita of food and non-food.

3. Subjective Health Status.

a. Definition.

The United Nation (UN) has a very large organization called the World Health Organization (WHO). WHO is responsible to coordinate the activities in term of improving public health in the world. According to WHO (1947), health is a prosperous state that includes physical, mental and social factors, not only free from disease and disability. So by analogy the mental health is not only separated from mental disruption but rather to feeling healthy, fun and welfare, also there is harmony to the mind, feeling, behavior, feel happy in most of life and ability to handle the challenge in daily life. Then, according to Azwar (2004), a healthy person is not only seen by the physical factor but, it is also seen by the spiritual factor too. These things above said the health has to be both in spiritual and physical, so the body will be healthy on aspects of physical, mental and social not only free by disease. Those aspects can influence the appearance or the quality
of performance of every individual in doing the daily activity such as working, creating, producing and using things.

Based on those definitions of health, it can be concluded that health cannot only be seen from the physical aspect, but also from social and mental aspects. It is important to be healthy so that people can be more productive and useful.

b. Theory.

In general, health is a person’s feeling prosperous physically, mentally and socially, which enables the person to live a productive life both socially and economically. This definition is the same as the definition from WHO (1947). But, according to While (1977), health is the condition in which at the time of examination by an expert has no complain or does not have any clue or sign of diseases or disorder. In its development, WHO divides health into two, namely physical health and mental health. The physical health has the relation with physical, mental and social health. Mental health is a good condition. The person who has good mental health will realize his own skill, can face the normal stress, be more productive and happy at work, also have a good contribution to his community. According to Notoatmodjo (2007), the health of a person is not only measured by physical, mental and social aspects, but also by the productivity.

Health is an important thing in daily life because health can affect the physical fitness and appearance. Thus, every person really wants to live healthy and happy. To keep healthy, it should be based on two aspects of behavior towards a healthy lifestyle, namely: 1. The implementation of a clean and healthy life. Notoatmodjo (2007) said the application of living behavior have the correlation with a person’s activity to keep and increase his/her health condition.
2. The behavior of a clean and healthy life (Indonesian Ministry of Health, 2009). The behaviors of clean and healthy life are the embodiment of a healthy paradigm in a culture.

c. Measurement.  
Health can be defined as a prosperous condition which includes physical, mental, social aspects of a person. Rahayu (2016) measured the level of health from the respondents’ perception of the level of their health by dividing into three measures: 1. A health condition in general. 2. Health condition compared to the last year. 3. Current health compared to other people of the same age. Each health condition is then made into dummy variables, in which 0 means unhealthy and 1 means healthy.

4. Education.  
a. Definition.  
Education is one of the important things in life because education can influence the lives of people. Education is a process to develop the potential of self to be humankind. Malik (2001) said that education is a process that aims to influence students so they will able to adapt as best as they can on their environment and can trigger or cause a change on a person to be stronger on social life. Dewey (2003) said that education is a process of forming intellectual and emotional fundamental skill towards nature and humanity. All of these things are to be implemented and passed to the next generation to be developed in life and in the proces of education as a human effort to preserve his life.
From those definitions above, it can be concluded that education is a process that is installed or preserved to the young generation, so they will be able to develop and create the good potential for the sake of their own as well as other and become an important provision of life.

b. Theory.

Etymologically, the word education is derived from a Latin word *educatum* which consists of two parts: “e” and “duco”. *Duco* means “growth or growing” and prefix “e” means “development of inside out”. Thus, *educatum* or education means “the process of developing one’s self and power”. Meanwhile, in Indonesian dictionary, education is defined as the process of transforming humans into maturing efforts through teaching or training. Meanwhile, according to an early researcher precisely in 1944, education means learning knowledge, creativity, and skill also its habits of the people group who pass it from generation into next generation by teaching, training or event research and education can through other, but it occurs as self-though learning (Dewey, 1944)

Mulyahardjo (in Sulistiawan, 2008) divided the definition of education into three parts, namely simplistic, wide, and alternative. Education as wide is as an education in life, based on this definition an education is all learning experience that takes place in the environment and throughout life. Education as simplistic is an education defined as the school, which is the teaching is carried out by a formal education institution. Education as an alternative is a conscious effort made by family, community, and government through some counseling
teaching or training activity undertaken in school and outside the school in order to adapt in an environment appropriately in the future.

c. Measurement.

According to Pertiwi (2015), education can be measured by the education level gained by assessing the highest educational attainment which is the level of education achieved by the person by obtaining a certificate of completion. She divided the level of education into 6 parts, namely:

1. Illiteracy (has never gone to school).
2. Elementary School (SD).
3. Junior high school (SMP).
4. Senior high school (SMA/SMK).
5. Diploma.
6. University (S1, S2, S3).

This study used the dummy in the education variable. The use of the dummy in the education variable is to see the different educational returns received between the levels of education. The education level of “illiteracy” becomes the benchmark in this study. The use of this measurement is also done by Rahayu (2016) but she only used 4 levels of education, namely elementary school, junior high school, senior high school, and University. From these four groups, she made 3 dummy variables.

5. Welfare.
   a. Definition.

   The definition of welfare in the modern world is a condition when people as individuals can fulfill their own needs such as foods, water, cloth, house, or
other primary needs, health service, good education, and jobs that can support the quality of life so a person has the same social status or does not have bad social status in society. Dunham (in Sukoco, 1991) defined social welfare as the organized activities to improve social welfare through the provision of assistance to fulfill people’s needs in aspects like family and child life, health, social adaptation, leisure time, life standard and social relationship. This is the things that every country in the world wants to achieve. To achieve these things is not easy, because it requires a series of activities, regulations and various systems that can control the social activities and other things. That is why every country has the way to reach it. Based on the Central Bureau of Statistics (BPS) (2007), the welfare is a condition which every need of physical and spiritual from the household can be fulfilled according to the level of life. Based on Law No 11 year 2009 chapters (1) and (2), social well-being is a the fulfillment of decent living of people so as to develop themselves and can carry out social functions, which can be done by the government, local government, and society in the forms of social services including social rehabilitation, social security or insurance, social empowerment and social protection. It is also needed to minimize the occurrence of jealousy in society.

Based on the above description, it can be concluded that well-being is the fulfillment of material or non-material needs of every individual to bring a peaceful feeling to society. Well-being is one of the important aspects of life that can maintain and nurture social and economic stability.

b. Theory.
According to Bintarto (1989), the concept of welfare can be formulated as the parable. The meaning of the human concept that can be seen in three indicators, namely: security, welfare, and freedom.

Economic activity has a correlation with the market. If we look at the market mechanism, it will be hard to apply an economic concept that makes people prosperous because, basically, the economic activity prefers to profits in the market. This condition can be an obstacle to achieve welfare. The competitiveness in the market is an important thing and it is obligated in a market mechanism. Thus, the presence of a competitor in the market is normal.

Central Bureau of Statistics (BPS) (2000) states that to see the level of household welfare in a certain place, there are some indicators that can be used as a measure:

I. The level of family’s income.

II. The household output composition compared to output for food or non-food.

III. The level of family’s education.

IV. The level of family’s health.

V. The house condition and the facilities in the household.


a. Definition

The definition that used by the United State about the unemployment group is when the person looking for a job, at least once a month. Other developed countries used the same definition (Brunner and Allan, 1978). In Indonesia, according to BPS, an unemployed is defined as a person who does not
work and does not have any job but still tries to look for a job or prepare a new business or a person who does not look for a job because he/she is already accepted in a job but has not started the job yet.

In ordinary, the employment is defined as a condition where a person in the category of the workforce did not have a job and actively looking for a job (Nanga, 2001).

b. Theory.

Some economists have an opinion about unemployment. Unemployment is a condition of a person in a group of a workforce that wants to have a job, but not find it yet. In other words, an unemployed is a person who does not work at all and still looks for a job. A person who does not work and does not look for a job is not classified as the employed group (Sukirno, 2000).

Unemployment is a macroeconomic problem which does not only affect a country but also people directly. Some people consider that the loss of a job means a decline in the living standards and physiological pressure (Mankiw, 2000).

Unemployment is caused by the unbalance of the employment market. In other words, the amount of labor supply is more than the amount of labor demand. In the international world, an unemployed means a person or a resident classified as a labor force who actively seeks for a job at a certain wage level, but has not obtained the job he/she desires (Sukirno, 2000).

Sukirno (2000) also provided an explanation of the bad consequences of unemployment. He divided the unemployment into two aspects:
1. The Bad Consequence on Economic Activity

The high level of unemployment does not enable the society to achieve good and steady economic growth.

2. The Bad Consequence on Individual and Society

Unemployment may cause bad impacts on individuals’ life and the society. Socially, bad impacts caused by unemployment include:

a) Unemployment can eliminate income

b) Unemployment causes the loss of skills. Knowledge or skills can only be maintained if the person uses it in practice.

c. Measurement.

Ohtake (2012) measured unemployment by using two data sets, namely: 1) the data from a questionnaire survey in lifestyle and society and 2) the data from a national survey in lifestyle preference. Those data ask the level of happiness over years and the level of unemployment fear.

7. The Relation between Variables.

The study of welfare or subjective well-being (SWB), in economics, was started by Easterlin (1974). He discussed the relationship between income and SWB. His study indicated the Easterlin Paradox or Happiness Paradox. The cause of the Easterlin Paradox is that happiness is affected by economic aspirations (Easterlin, 2001). Besides Easterlin, some experts also conducted studies on this topic. Blanchflower and Oswald (2004) showed that the relative income plays an important role in the happiness level. Stevenson and Wolfers (2008) suggested an empirical fact that the absolute income is more important than relative income in the fulfillment of
welfare. Clark and Senik (2011) also found that the role of relative income can affect SWB. From these researchers, it proves that relative income and absolute income have an important role in SWB, but absolute income is better.

The relation between education and SWB is hard to see directly even it cannot be seen by the ordinary people. Blanchflower and Oswald (1994) said that education can make the level of work quality better so that a person can live a life more productively and happily. Michalos (2008) performed a study on the relation of education, SWB, and welfare. Michalos (2008) said that to see the correlation between education and SWB cannot be done directly but depend on the definition and the operation of education, effect, and happiness.

The correlation between SWB and health has a positive effect on SWB. Singer et al (1999) showed that the quality of health decreases along with the increased age but it does not make a person’s SWB decreases in general. It occurs because of mental adaptation that causes the person stronger in mental health. Green and Elliot (2010) showed that religious people will be more mentally healthy and happier without seeing the religion, religious activity, family, work, financial status, and social support. Rahayu (2016) made health as one of the indicators of happiness. Good health will increase a person’s happiness. Moreover, the correlation between health and happiness cannot be separated from the influence of other variables.

Being unemployed can directly affect to someone’s SWB. Clark and Oswald (1994) performed an empirical analysis by using the microdata in the UK, and clarified that unemployment significantly decreases people’s happiness. Frey and Stutzer (2000) said that unemployment has a significant negative effect on happiness,
even when other factors can be controlled. Ohtake (2012) proved that the increased level of unemployment can negatively affect the level of happiness. Ohtake (2012) conducted his study by focusing on being unemployed, unemployment experience, and fear of unemployment. All of these can affect the level of happiness.

Table 2.1
Literature Review

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| 1  | Theresia Puji Rahayu (2016) | The determination of Happiness in Indonesia | Dependent: 1. Happiness
Continues Table 2.1

Literature Review

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2. Pengeluaran konsumsi RT untuk makan  
3. Pengeluaran RT untuk pendidikan  
4. Pengeluaran RT untuk kesehatan | Data: Data sekunder from BPS in Bali province  
Method: Multiple analysis regression |
2. Afek  
3. Pengetahuan Ajaran Islam  
4. Akhlak | Data: Used a primer data  
Method: Korelasi kanonik analysis |
2. Unemployment | Data: Used sekunder data  
Method: Probit |
2. Income per capita | Data: Used Sekunder data. The kind of data is Time series data  
Method: Ordinary OLS Regression |
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**Literature Review**

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<td>David G. Blanchflower, and Andrew J. Oswald</td>
<td>Well-Being Overtime in Britain and USA</td>
<td>Happiness, Life satisfaction</td>
<td>Working, Unemployed, Married, Not Married</td>
<td>Ordinary OLS regression</td>
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<td>9</td>
<td>Deviana Maharani (2015)</td>
<td>Tingkat Kebahagiaan (Happiness) Pada Mahasiswa Fakultas Ilmu Pendidikan Universitas Negeri Yogyakarta</td>
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B. The Theoretical Framework

Picture 2.1
Theoretical Framework

C. Hypothesis

Based on the objectives, problem statements, and background of this study, the hypotheses are stated as follows:

1. Expected income affects the probability of subjective well-being in the household.
2. Suspected subjective health status affect the probability of subjective well-being in the household.
3. Expected education affects the probability of subjective well-being in the household.
4. Expected Subjective unemployment status negatively subjective well-being in Indonesia.
5. There are a correlation and an effect of the factors above on the subjective well-being in the household.