

THE FACTORS THAT AFFECT SUBJECTIVE WELL-BEING: A CASE STUDY IN INDONESIA

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ABSTRACT

Happiness is the purpose of human being. The research of happiness is have been done by several researcher in ancient times and even on these day. But, the happiness research in Indonesia is few. Based on these fact, the author aims to analyze the factors that influence the happiness in Indonesia. This research is a quantitative research. With the use of cross-section data from Indonesia Family Live Survey (IFLS) wave 5, 2014, this study take over 8825 sample estimated using Logistic Regression and odd ratio model. A logistic regression model is used by the author because, the sample data is dichotomy scale. Then, an odd ratio is used to strengthen the value of Logistic Regression.

Keyword: Happiness, Subjective well-being, income, health, education, unemployment

INTISARI

Kebahagiaan merupakan titik pencapaian yang diinginkan setiap manusia. Penelitian tentang kebahagiaan sudah banyak dilakukan oleh kalangan para peneliti pada zaman dahulu maupun pada zaman ini. akan tetapi, penelitian tentang kebahagiaan di Indonesia masih belum banyak dilakukan oleh para peneliti. Berdasarkan fakta tersebut, Peneliti bertujuan untuk menganalisis factor-faktor yang mempengaruhi kebahagiaan di Indonesia. Penelitian ini merupakan penelitian kuantitatif. Dengan menggunakan data cross-section dari Indonesia Family Live Survey (IFLS) wave 5, 2014, studi ini mengambil 8825 sample yang diestimasi menggunakan model logistic regression odd ratio. Model logistic regression digunakan oleh peneliti karena, data sample merupakan skala dikotomi. Lalu, odd ratio di gunakan sebagai penguat hasil dari logistic regression.

Keyword: Happiness, Subjective well-being, income, health, education, unemployment

INTRODUCTION

A. Background

Happiness is the purpose of every single human in the world. Happiness can bring positive impacts to daily life, even to the surrounding environment. People who are happy will feel prosperous in terms of their basic life needs and healthy (physically and mentally) as well as have a good social status, high intelligence, a good position within the community. With the accomplishment of these things, it will form a harmony between communities and a sense of mutual care to each other. It is not easy to achieve happiness because it needs several factors. Even every country tries to make its people happy. One way that can be cultivated or done by a country to make its people happy is by improving the people's welfare. As Kapteyn, Smith and Soest (2010) said that the indicator of happiness is the level of welfare because happiness is a reflection of the level of welfare that has been achieved by each individual. Problems often faced by a country related to the prosperity of the people include poverty, unemployment, health, and education. These factors can affect happiness. A study conducted by economists, Frey and Stutzer (2002), investigated happiness empirically. The study proved that unemployment has significant negative impacts on happiness regardless of some factors that can be controlled. In addition, Clark and Oswald (1994) conducted an empirical analysis by using microdata from the United Kingdom (UK) and clarified that unemployment can significantly decrease people's happiness. Di Tella, Macculloch and Oswald (2001) suggested that unemployment and inflation level influence the level of happiness based on the microdata of happiness on 12 countries in Europe. The conclusion of their analysis is that the unemployed people's level of happiness is lower than the employed ones. Todaro and Stephen C. Smith (2006) said the public welfare can show

the community development in achieving a better life. The welfare includes: 1) increased capacity and equitable distribution of basic needs such as food, place, residence, health and protection, 2) increased level of life, income, education to be better and increased the attention of culture and human values, and 3) expanding economics scale and the availability of social choices from individuals and nations. Community welfare is a condition that shows the standard of community life (Badrudin, 2012). Furthermore, there are still many studies which prove that education, health, income, and unemployment can significantly affect happiness. These issues are what every country is trying to solve in order to achieve people's happiness.

In the current situation, the policymakers are interested in using Happiness Index as a livelihood index, which has been used since 2011 by the General Assembly of the United Nations (UN). This is the beginning of the application of Happiness Index and then it begins to be used by several countries such as England, France, Australia, Malaysia, and Thailand. The position of Indonesia in the World Happiness Report in ASEAN Countries can be seen in Table 1.1.

Table 1.1
Ranking of Happiness

ASEAN Country	2013	2014 – 2016
Singapore	30	26
Thailand	36	32
Malaysia	56	42

Philippines	92	72
Indonesia	76	81
Vietnam	63	94

Resource: World Happiness Report 2017

Based on Table 1.1., Singapore has the highest position in ASEAN countries, followed by Thailand, Malaysia, Philippines, Indonesia, and Vietnam. The indicators used in calculating the average number of happiness include Gross Domestic Product (GDP) per capita, social support, life expectancy, birth health level, freedom to make choice in life, generosity, and corruption perception. From the report, we can see the increase in happiness in ASEAN countries except for Indonesia and Vietnam.

In the case of Indonesia, the studies by Sohn (2010) and Ladiyanto *et al* (2011) found important factors in Indonesian people’s happiness, i.e. non-material factor and material factor (income). When the basic needs are already fulfilled and the wealth is increased, individual happiness will be strongly influenced by non-material factors such as social relation (Diener and Seligman 2004); Kesebir and Diener, 2008). This is in line with Maslow’s hierarchy of needs theory that when the lowest basic needs are satisfied and income is getting higher, an individual will try to meet higher needs, i.e. social needs, esteem and self-actualization (Sirigy, 1986). Therefore, income has an important role in the human happiness.

Indonesia has a law that responds to the people’s welfare as stated in the 1945 Constitution article 1 of law no.6 of 1974 which reads “Every citizen is entitled to the

best level of social welfare". The law proves that Indonesia is very serious in prospering its people. It is proved by the programs that the government plans to improve the people's welfare and economic growth. Todaro (2000) claimed that economic growth does not automatically resolve a wide range of welfare issues, but it remains an essential element of every realistic development program designed to eradicate poverty. Along with the construction of public facilities in the education health and sectors, a country needs to expand foreign investment to open more employment opportunities. All of these things can positively affect the happiness, as suggested by Rahayu (2016) who claimed that health, education, income, and social capital can positively affect happiness.

Based on the background above, the author conducted a study entitled: "**THE FACTORS THAT AFFECT SUBJECTIVE WELL-BEING: A CASE STUDY IN INDONESIA**". The study examines the effect of income, health status, education and unemployment status on the level of happiness of Indonesian people. The demographic variables took those living in rural or urban areas.

LITERATURE REVIEW

A. Theoretical Framework

1. Subjective Well-Being (SWB).

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.

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.

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.

2. 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.

RESEARCH METHODOLOGY

A. Research Object

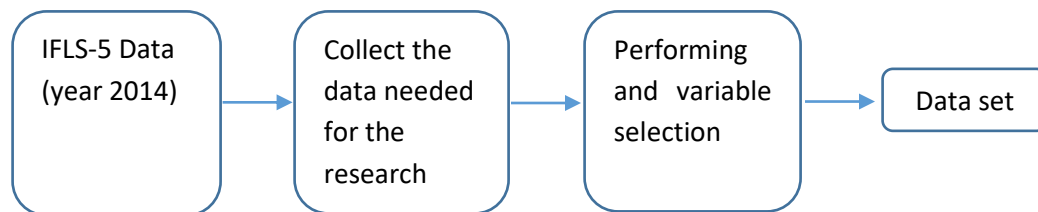
In this study, the author used the data from the Indonesia Family Live Survey (IFLS) that have been surveyed by RAND. The survey of RAND in Indonesia was conducted in 24 provinces in the form of cross-section data, covering the provinces of West Sumatra, Jambi, Lampung, all provinces in Java, Bali, West Nusa Tenggara (NTB), all provinces in Kalimantan, South Sulawesi and West Sulawesi. The IFLS data used in this study was IFLS-5 (2014-2015) released in May 2016 (Strauss et al, 2016).

B. Data Collecting Method.

The research method used the documentation technique from which the study used data from the Indonesia Family Live Survey (IFLS) which was related to the research topic by performing direct cross-section data on IFLS-5 in 2014-2015.

Graphic 3.1

IFLS data collected steps



Resource: Irianti, 2013

C. The Operational Definition of Research Variable

The operational definition is a definition given to a variable or construct by giving meaning or specifying activity or providing an operational needed to measure the construct or variable (Nazir, 1998). In this research the individual happiness or subjective well-being

(SWB) is a dependent variable on the model and have four independent variable including income, health, education and unemployment. The operational definition of each variable can be explained as follows:

1. Dependent Variable.

In this study, SWB was the dependent variable. The data was taken from individuals in the households (IFLS-5). The research subjects were individuals in households aged 15 years old or older. The SWB variable was obtained from the questionnaires on IFLS-5. The questionnaires that were used in IFLS-5 asked the following question “In the present, do you feel very happy, happy, unhappy, or very unhappy?” The *dummy* variables are described in Table 3.3.

Table 3.1
Dummy

	Positive question (+)		Negative question (-)
Alternative answer	Score	Alternative answer	Score
Happy	1	Happy	0
Unhappy	0	Unhappy	1

2. Independent Variable.

- a. Income is the value of individual income in the last one year in form of Rupiah (Rp)
- b. Subjective health status is the individual perception about health in the last one year. The dummy variable is specified 1= health, 0= unhealthy
- c. Education indicates the level of an individual’s education taken during his/her life.

- d. Subjective unemployment status indicates the job status of a person in the last month.
- e. Demographic is the category of an individual's living area in the household IFLS-5. The dummy variable is specified 1= city and 0= village.

Table 3.2
Research variable description

Variable	Variable description	Value
Education	The long of education	Year
SHS	The perception about health in last year	1 if a person feels healthy, 0 if a person is unhealthy
SUS	Looking for a job in the last month	Yes or no
Income	The income of member of household	Rupiah (Rp)

D. Quality Data Test

The use of a regression model analysis requires an assumption test to investigate the effect of one variable on other variables. The required assumptions included the normality test, heteroscedasticity, and no multicollinearity.

A. Logistic Regression.

The model analysis used in this study was the logistic regression.

Logistic regression is one of the multivariate analyses used to predict the dependent variable based on the independent variable.

the logistic regression was used to assess the SWB. The estimated model can be seen as follows:

$$\text{Happiness} = f(\text{income, healthy, education})$$

The model in this research is:

$$\ln\left(\frac{\widehat{\text{Subjective Well - Being}}}{1 - \widehat{\text{Subjective Well - Being}}}\right) = B_0 + B_1\text{healthy} + B_2\text{logwage} + B_3\text{Education} + \varepsilon$$

B. Robust Regression Theory.

Robust regression is known in 1972 and introduced by Andrews.

Robust regression is a regression method used when the distribution of errors shows an abnormal or there are some outliers that can affect the model (Olive, 2005). Robust regression is an analysis tool used if the data contain an outlier and show the resistant result (Turkan *et al*, 2012).

RESEARCH REVIEW AND DISCUSSION

A. Normality Test

Table 4.1
Normality Test

Variable	Obs	W	V	Z	Prob>z
R	8829	0.46783	2378.759	20.742	0.00000
SWB	8829	0.99697	13.531	6.950	0.00000
SHS	8829	0.99923	3.456	3.309	0.00047
Income	8829	0.99238	34.060	9.413	0.00000
urban_rural	8829	0.99979	0.947	-0.147	0.55825
SUS	8829	0.99779	9.881	6.111	0.00000
Education	8829	0.98602	62.471	11.031	0.00000

Table shows that all of variable is normal or not distributed. Gujarati (2009) said if the normality test is dominant, not normal then the assumption that can be used is

the Central Limit Theorem assumption. The central limit theorem is a condition where the amount of observation is enough ($n > 30$), then the normality assumption can be ignored.

B. Heteroscedasticity Test

The test of heteroscedasticity on this research data by Breusch-Pagan test (Cook and Weisberg, 1983) shows the data does not have heteroscedasticity.

Graphic 4.1
Heteroscedasticity

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Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: healthy logwage urban_rural unemployment educ

chi2(5)          = 2533.33
Prob > chi2     = 0.0000
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C. Multicollinearity Test

Table 4.2
Multicollinearity

Variable	VIF	1/VIF
SHS	1.01	0.988653
Income	1.19	0.843479
Education	1.19	0.839706
urban_rural	1.03	0.970163
SUS	1.01	0.992663
Mean VIF		1.09

The table shows the $VIF < 10$, it is mean the regression is free from the problem of multicollinearity. Gujarati (2007) provided some indicators that can be used to see the presence of Multicollinearity on a regression equation and one of the indicator is the value of *the variance inflation factor* (VIF)

D. The Analyzes of Odd Ratio of Logistic Regression in Indonesia

1. Logistic Regression.

Table 4.3
Logistic Regression

Dependent Variable: Subjective Well-Being

Independent Variable	Indonesia		Urban		Rural	
	Coef	Odd Ratio	Coef	Odd Ratio	Coef	Odd Ratio
SHS	1,0639*** (0,9519)	2,8978*** (0,2758)	0,9085*** (0,1184)	2,4806*** (0,2937)	1,362*** (0,1636)	3,904*** (0,6389)
Income	0,398*** (0,0781)	1,4889*** (0,1162)	0,4162*** (0,0958)	1,5162*** (0,1453)	0,366*** (0,1341)	1,443*** (0,1935)
Education	0,1363*** (0,0122)	1,1461*** (0,014)	0,1441*** (0,0148)	1,15505*** (0,0171)	0,122*** (0,0205)	1,129*** (0,0232)
SUS	-0,703*** (0,1214)	0,495*** (0,0601)	-0,7778*** (0,1466)	0,4593*** (0,0673)	-0,5856*** (0,22009)	0,556*** (0,1225)
Observation	8829		6301		2528	
Pseudo R²	0,0988		0,0968		0,1036	

***, **, * significant at 0.01, 0.05, 0.1 respectively; () Robust Standard Error

Source: Data Processed

The table above is the result of processing data dependent and independent that use analysis of logistic regression odds ratio using data from IFLS-5. The total observation is 8829 individuals in Indonesia: 6301 ones in urban areas and 2528 ones in rural areas. The data processing above used Subjective Well-Being (SWB) or can be said as individual happiness which was used as the dependent variable. The analysis in this Table has been done in 3 areas: urban area, rural area, and Indonesia as a whole area. The analysis conclusion from these areas/regions above can be seen as follows:

a. Subjective Health Status (SHS).

The analysis result in Indonesia (as a whole) shows the subjective health status variable has a positive and significant correlation with happiness with the level of probability 0.000 or on the level of significance at 1%. And the result from the odd ratio also shows a healthy person will be happier (2.8978 points) than those who feel unhealthy. The urban and rural areas also show a positive and significant correlation with happiness with a significance level of 1%. In the urban area, the result of odd ratio shows a person who feels healthy will be happier (2.4806 points) than an unhealthy person, while in rural areas, a person who feels healthy will be happier (3.904 points).

On the variable SHS, it has been proven that the health variable has an effect on individual happiness or SWB. This study is also in line with research conducted by Arkoff (1975) he said the happiness can also be obtained from three things one of them is health. Besides

that, Buss (in Franken, 2002) also said there are eight basic desires that a person has, one of them is the desire to be healthy. An individual who feels healthy will be easier to fulfill his goals and purpose in their lives. Seligman (2005) also said a healthy people get a positive contribution in happiness compared to unhealthy people. Rahayu (2014) also proved that health is a part of SWB or happiness.

b. Income.

The coefficient results from income variable in urban and rural areas explain the existence of a positive correlation between dependent variables with a significance level of 1%. This is supported by the result of odd ratio estimation which shows an individual who has higher income in the urban area (1.5162 points) and in the rural area (1.443 points) will be happier compared to an individual with low income. The result of the areas above has the same result in Indonesia as a whole that income has a positive and significant correlation with happiness with the significance level of 1%. This is also proven by the result of odd ratio that shows an individual with higher income will be happier (1.4889 points).

The analysis result of the income variable showed that it has a positive and significant correlation with happiness or SWB. Easterlin (1974) found the Easterlin Paradox, i.e. an increase in income cannot increase a happiness or SWB. Easterlin Paradox happened because of two things, i.e. adaptation process and relative income. According to Brikman (in Wu, 2001), the adaptation process or the hedonic

adaptation is a conjecture that indicates the rapid return of the level of human happiness, even though someone has undergone changes due to positive or negative experience. Based on this theory, if an individual earns money, then he/she has the desire to increase the earning of money with the hope that his/her level of happiness will increase. However, in essence, the level of happiness does not change because of the adaptation that person feels towards his/her environment. Relative income is defined as the social comparison of individuals' income with his/her community's income. These two behaviors create the income aspiration, which is the ideal measure of individual income that covers primary needs and other needs (Alois Stutzer, 2004). This is what affects the Easterlin Paradox. The existence of the Easterlin paradox showed that there are other factors besides income (material) that can affect happiness. Blanchflower and Oswald (2004) revealed that relative income has an important role in increasing the happiness, not absolute income. Seligman (2005) claimed that money is an external factor that can affect happiness. Todaro and Smith (2006) revealed that the level of income is one of the ways used by society to gain a better life. Stutzer (2010) found that income aspiration is a determinant of happiness. Relative income also serves as a determinant of happiness (Clark and Senik, 2011). The positive influence of income on

happiness is also strengthened by Rahayu (2014) who proved that income can positively influence happiness.

c. Education.

The education data was elicited from urban and rural areas and Indonesia as a whole. The coefficient result in the education variable also shows a positive and significant correlation with happiness with the level of significance at 1%. While the result from odd ratio also shows the education affects positive and significant to happiness. So, in Indonesia, an individual who has more than a one-year education will feel happier (1.1461 points), in the urban area 1,155 point and in the rural area (1.129 points).

The education variable generates the same result as the studies conducted by Seligman (2003) and Huang (2008). They explained that the happiness can be achieved when an individual can fulfill various goals; one of them is education. Chen (2012) proved that education along with the ability to establish broader correlation will have a positive impact on well-being. This is in line with Cunado and Gracia's (2012) idea who said that people with higher level of education have a possibility to get a better job so their income can be higher and influence the level of their happiness. Rahayu (2014) also found that education has an important role in happiness.

d. Subjective unemployment status.

In Indonesia, the SUS variable has a negative and significant effect on happiness with the significance level of 1%. This is also

confirmed by the odd ratio result that the unemployed are not happier (0.495 points) compared to those who have a job or the employers.

In the urban area, the SUS variable has a negative and significant correlation with happiness with the significance level of 1%. The odd ratio estimation also proves that the unemployed are not happier (0.4593 points). In the rural area, the unemployment variable has a positive and significant correlation with happiness with the significance level of 1%. The odd ratio result also shows that the unemployed do not feel happier (0.5567 points). Thus, the unemployment variable has a negative effect on happiness.

The SUS variable shows a negative and significant correlation with happiness. This is in line with a study by Clark and Oswald (1994) which used microdata from the United Kingdom. They found that unemployment can significantly decrease people's happiness. Then Di Tella, Mac Culloch, and Oswald (2001) found the same result, i.e. the unemployed is less happy than the employed. Frey and Stutzer (2002) also reveal a negative effect of unemployment on happiness as evidenced by their empirical analysis on happiness.

Overall, this study shows the significance between variables in Indonesian rural and urban areas. The variables of SHS, income, and education have a correlation and positive effect on SWB or happiness. The value of probability for urban and rural areas is similar, i.e. 0.000. Nevertheless, the level of income in the

rural area has a different value of probabilities, i.e. 0.006, but is still on probability level of 1%. Meanwhile, the unemployment variable produces a significant correlation with unhappiness with the probability value of 0.000 in the urban area and 0.008 in the rural area. The value of probability in Indonesia has a similar value with each variable, i.e. 0.000.

The equation model in this study generates 9.8% (Indonesia), 9.6% (urban area), and 10.36% (rural area). These areas are explained by the factors that influence SWB or happiness probability. The percentage is shown in Pseudo R^2 value contained on the Table above, including 0.0988 points (Indonesia), 0.0968 points (urban), and 0.1036 points (rural).

CONCLUSION AND SUGGESTIONS

A. Conclusion

This study has analyzed the factors affecting happiness in Indonesia by using data from IFLS-5 2014. Overall, the analysis results can be summarized as follows:

1. This study provides an empirical study that subjective well-being (SWB) in Indonesia in 2014 was influenced by SHS, income, education, and SUS. Nevertheless, the unemployment variable has a negative effect on subjective well-being. Meanwhile, the variables of health, income, and education have a positive effect on subjective well-being.
2. The results statistical analysis performed in Indonesian urban and rural areas confirm that subjective health status, income, and education have a positive and significant effect on subjective well-being with the significance level of 1%. A person who is healthy will feel happier. The healthier a person is, the happier the

person will be. The higher a person's income is, the happier the person will be. Thus, this study has proven that Indonesia in 2014 had no Easterlin Paradox, i.e. an increase in income that cannot boost a person's level of welfare or happiness. The education also has a positive and significant effect on SWB. The higher the level of education of a person, the happier the person will be.

3. The results of logistic regression indicate that the subjective unemployment status variable has a negative and significant effect on SWB with the significance level of 1%. This confirms that the unemployed are less happy than the employed.

B. Suggestion

The study indicates that public health, increased income, and a higher level of education play an important role in boosting the Subjective Well-Being (SWB) of Indonesian people. Hence, the government should make policies that make people aware that health and education are important in daily life and the government does not need to be afraid of the Easterlin Paradox in Indonesia. However, the paradox still needs to be prevented.

Further studies are necessary to conduct in order to assist the government in issuing policies relative to predicting the future events which have a correlation with efforts to increase the happiness of the people.

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