

Life satisfaction and measures of progress

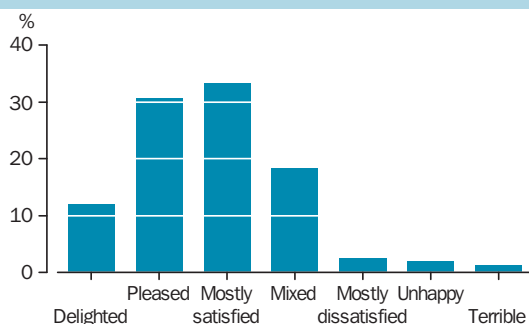
Measures of Australia's Progress was developed to help Australians address the question "Has life in our country got better or worse, especially during the past decade?". To help answer this question, MAP looks beyond Gross Domestic Product (GDP), which has traditionally been a key measure of national progress, to provide a selection of statistical evidence about aspects of Australian life across the economy, the environment and society. Within these domains, dimensions of progress encompass national income, wealth and productivity, the quality of our environment, the wellbeing of the population in terms of health, education, work, housing and economic resources, and the way we live together in society.

However, some would argue that just as important as knowing whether these aspects of life in Australia are improving, is knowing whether people actually feel that their wellbeing has improved, that is whether we are actually happier or more satisfied with our lives.¹ In the late 18th century, welfare economists debated the role that improving people's utility (a concept closely related to happiness) can play in improving population wellbeing. In recent years, this focus on happiness has enjoyed a resurgence with interest focussing in particular on people's opinions and feelings about their lives as being relevant to our understanding of national wellbeing.

Progress is closely related to the concept of wellbeing, with the idea that enhanced population wellbeing is one of the outcomes of improving life in Australia. The current indicators in MAP tend to focus on the more objective elements of wellbeing, that is the conditions and aspects of people's lives and the society they live in. Public policy tends to be aimed at improving or enhancing these conditions. However, it does not always follow that improving particular living conditions will make a person happier or more satisfied, as people place different importance on the different aspects of their lives (and on life in Australia generally) and in many instances these aspects are in competition with one another.

In 2001, the ABS collected some information on people's overall life satisfaction in the National Health Survey. When asked about how they felt

Levels of life satisfaction of persons aged 18 and over – 2001



Source: ABS 2001 National Health Survey

Life satisfaction and happiness, and how they are measured

Notions of happiness and life satisfaction are concerns for a wide range of disciplines, including economics, psychology, sociology, neuroscience and public policy. Psychologists often distinguish between the two concepts, with happiness relating to the more temporal concept of positive affect (i.e. positive mood, feelings of pleasure, joy etc.) and life satisfaction constituting the more cognitive concept of an individuals' appraisal of his or her life situation overall – the totality of pleasures and pains, or quality of life.² However, the term happiness is often used in a broader context (for example by economists in their discussion of 'utility') and in many fields, data on happiness and life satisfaction are used interchangeably, as are the terms themselves.

Life satisfaction and happiness both fall under the umbrella term *subjective wellbeing* which relates to the way people feel about their lives. Subjective wellbeing complements the more objective aspects of wellbeing which relate to the actual circumstances and conditions of people's lives (for example their health or income). This essay focusses mainly on the concept of life satisfaction. To date, the most common method used to measure life satisfaction, and indeed happiness, has been the use of survey questions asking people to report on their perceived levels of life satisfaction.

Based on the findings of such surveys, it is generally agreed that life satisfaction and happiness are closely correlated. However, life satisfaction surveys produce greater variation over time and are the more commonly used, with respondents being asked questions such as "All things considered, how satisfied are you with your life as a whole these days?" or something similar. Respondents are given a scale of between two and ten points against which to rate their level of satisfaction. A four-point scale, for instance, would include responses such as 'Very satisfied', 'Quite satisfied', 'Not very satisfied' or 'Not at all satisfied'. In our 2001 National Health Survey, the ABS used a seven point scale with responses ranging from 'Delighted' to 'Terrible'. Some studies into life satisfaction ask people questions about whether they believe that circumstances have or will improve. Others focus on the concept of domain satisfaction which refers to people's level of satisfaction with particular aspects of their lives (such as work or family life) or with aspects of the society in which they live (such as the economy or the state of the environment).

about their lives as a whole, 76% of Australian adults indicated they were delighted, pleased or mostly satisfied with their lives. Less than 6% of people combined indicated that they felt mostly dissatisfied, unhappy or terrible about their lives.

There is no established long-term time series of life satisfaction (or happiness) in Australia, although findings from various surveys conducted since the 1950s produced results within a fairly narrow range, that is average life satisfaction of around 6.5 to 7.5 on a scale of one to ten, indicating general satisfaction with their lives. This is despite the many changes in the social, economic and environmental conditions of Australian's lives during these decades. Surveys in other Western countries have produced similar results.³ For these reasons (which largely reflect the nature of life satisfaction or happiness itself, discussed in the following section), many researchers in this area

agree that measures of overall life satisfaction and happiness are most useful when analysed in conjunction with other data about people's quality of life or life circumstances.

There are still many challenges in understanding the nature and quality of these life satisfaction measurements and how they relate to the social and economic conditions and outcomes which shape Australian life. For these reasons, it is not clear, as yet, that any particular measure of life satisfaction would meet the criteria for inclusion as an indicator of progress in MAP, even if time series data were available. However, the ABS acknowledges that there is growing interest in life satisfaction (or happiness) as an important aspect of life in Australia. This essay outlines some of the recent research into life satisfaction and the issues associated with its measurement so that readers can consider how Australians' feelings about their lives might relate to the picture of progress presented by the indicators in MAP.

Interpreting measures of life satisfaction

Several characteristics of general human behaviour (or human nature) are believed to influence our sense of wellbeing. All of these characteristics have a regulatory effect on life satisfaction levels (although this operates in very different ways for each) and therefore impact on the way data on this topic can be interpreted and related to other aspects of people's lives, such as their social and economic circumstances. These are:

- ◆ *a natural tendency to feel good about ourselves and our lives.* While a person's happiness levels can fluctuate over time in response to changing circumstances, trauma or crises, there is a tendency for levels of overall life satisfaction in Western countries to return to a fairly narrow range clustered around 70 on a 100 point scale.⁴ This phenomenon is referred to as homeostasis.
- ◆ *the ability to adapt to our circumstances be they good or bad.* Just as our bodies can make physiological adjustments to things like heat or cold, it is believed that we adjust psychologically to both good or bad events so that we do not remain in a state of elation or despair.⁵ For example, studies in the 1970s and 1980s found that winning the lottery or suffering a spinal cord injury resulting in paraplegia or quadriplegia, did not significantly impact on people's levels of happiness over time.⁵ While the ability to adapt varies between individuals, it has also been found that, on average, some circumstances take longer to adapt to than others.
- ◆ *the tendency to compare ourselves with others, with our past circumstances, with our own aspirations, or some other benchmark.* Sometimes referred to as discrepancy theory, this relates to the way that people make such comparisons and then judge their own

Individuals and life satisfaction

What one person feels is important may not be so to someone else. This individual nature of life satisfaction contributes to many of the difficulties associated with its measurement, the ability to interpret those measurements, and to use the findings to improve overall wellbeing at the societal level. For those interested in national wellbeing, an approach which focusses on the external determinants of wellbeing has obvious appeal. It is based on the idea that there are basic and universal human needs, and if one's circumstances allow a person to fulfill these needs, he or she will be happy.⁵ The approach considers the net sum of experiences and circumstances across the various aspects of life such as health, work, family life, income and leisure. At its broadest level, this approach draws from a similar underlying framework to the ABS system of social statistics used to measure the wellbeing of our population.

Analyses of the relationship between life satisfaction and various demographic, social and economic variables suggest that in many cases the relationship is not strong. At the same time, certain personality traits have been found to be strongly associated with high levels of life satisfaction or general happiness. Over the years, considerable research (predominantly in the field of psychology) has focussed on the relationship between life satisfaction and internal characteristics of the individual, such as personality or temperament. Such research has found the following characteristics are positively correlated with high levels of self-reported life satisfaction:

- ◆ extroversion;
- ◆ optimism; adaptability;
- ◆ high self esteem;
- ◆ the ability to set compatible goals and progress towards them;
- ◆ the ability to understand and interpret the world;
- ◆ a sense of meaning in life (or spirituality); and
- ◆ a sense of personal control or agency.

At the other end of the spectrum, neuroticism (or a tendency to worry) has been found to have a negative relationship with life satisfaction.⁵

wellbeing in relation to them. If these comparisons favour an individual, they are more likely to express higher levels of life satisfaction, than if the comparison is an unfavourable one. Thus a particular level of income may contribute to the satisfaction of someone who is well-off relative to those around that person, but not to someone who is earning less than those around him or her.

- ◆ *the ability to make trade-offs.* As well as the ability to adjust our expectations to our circumstances or level of resources, people have the ability to change their preferences and/or the priorities they place on various aspects of their lives.

Income (or standard of living) has conventionally been regarded as a key determinant of wellbeing, and so many studies of happiness or life satisfaction have focussed on changes in relation to changes in an individual's economic circumstances. For example, research suggests that people's life

satisfaction subsides as they get used to higher income levels over time, a phenomenon referred to as the 'hedonic treadmill'. Another example is that the diminishment of life satisfaction caused by a loss of income has been found to be considerably larger than the enhancement of life satisfaction caused by an equivalent gain.⁶

Comparing life satisfaction across nations

For those interested in looking beyond GDP for measures of national wellbeing, much interest has focussed on the fact that since the 1950s, while estimated levels of life satisfaction and happiness across the population have not changed greatly in many of the wealthier developed nations, these countries have sustained strong economic growth. For example, in the United States (the country for which the longest time series is available), while measures of subjective wellbeing have consistently produced life satisfaction levels for Americans of around 70%, real GDP per capita has more than doubled over the same period.⁷

One major area of research into alternative measures of wellbeing has been the comparison of levels of wellbeing and happiness across nations. Initiatives such as the World Bank's Human Development Index are designed to provide information on how quality of life differs across nations (with a view to improving it – particularly for developing nations), using a small set of data about the conditions of life in each nation. Other initiatives attempt to provide a complementary or alternative view of wellbeing by focussing on subjective measures. The World Values Survey⁸ and the World Database of Happiness³ are two major initiatives of this type.

People from different cultures bring different meaning to the notions of life satisfaction and happiness based on differing cultural values, structures, histories and circumstances. This, combined with the individual nature of life satisfaction and some of the other more universal human phenomena which characterise subjective wellbeing, are factors which should be considered when interpreting international comparisons of life satisfaction. Differences in survey conditions, methodologies, and response rates will also influence the reliability and interpretation of results. At the same time, international comparisons allow us to consider ourselves in a broader context and to consider other ways of being or achieving similar outcomes.

The Erasmus University of Rotterdam's World Database of Happiness contains data on life satisfaction for 90 nations. These data have been collected at different times using a variety of survey methodologies. Overall life satisfaction scores collected from these countries in the 1990s ranged from 3.2 to 8.0 on a scale of one to 10.³ Australia's average score of 7.3 was among the highest scores, comparing favourably among countries with high levels of per capita income. Countries such as the United Kingdom, New Zealand and the USA all had

Utility and wellbeing

In the past few years, economists have increasingly looked beyond conventional measures of growth to the field of psychology and subjective concepts when considering wellbeing in society. However, the focus on happiness, as it relates to utility, in economics dates back to the 18th century, evolving from debates around the role of public policy in maximising utility across society as a whole. Utility was defined as people's ability to meet their needs, thereby optimising their wellbeing, and was regarded as measurable, and comparable across the population, with conventional analysis focussing on income (which in turn reflects consumption possibilities) as its main determinant.

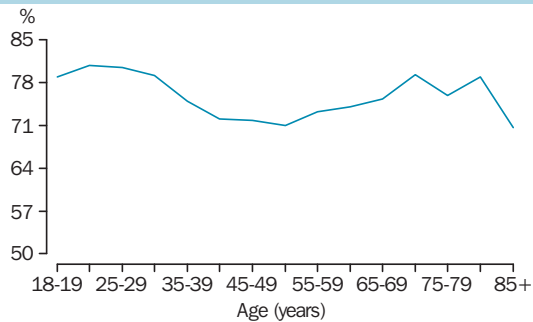
In 2004, the Australian Government Department of the Treasury produced a Wellbeing Framework.⁹ In seeking to 'improve the wellbeing of the Australian people', the framework draws on the premise of early utility-based welfare economics that maximising aggregate utility corresponds to maximising overall wellbeing. In doing so, it recognises a range of determinants for utility (beyond just income and GDP), but broadens the constituents of utility (beyond just individual happiness) to include elements of the more contemporary capabilities framework. The capabilities framework takes into account not only the primary goods the persons respectively hold, but also the capabilities needed for people to use these resources to lead the lives that they value. Accordingly, Treasury's Wellbeing Framework comprises five dimensions:

- ◆ the level of opportunity and freedom that people enjoy (i.e. the capacity to choose the lives they want to live)
- ◆ the level of consumption possibilities (i.e. people's command over resources to obtain goods and services to satisfy their needs and wants)
- ◆ the distribution of consumption possibilities (i.e. the spread of all aspects of consumption across the population, including across different groups in society, across different geographic regions and across generations)
- ◆ the level of risk people are required to bear (which optimally should match their risk preferences) and
- ◆ the level of complexity people are required to deal with (with an emphasis on matching this to community preference so that opportunities are not limited by it).

very similar levels of life satisfaction to Australia. There was a tendency for poorer countries to report lower levels of life satisfaction, and for levels to be higher as income increased (as measured by GDP per capita, Purchasing Power Parity), for levels up to \$US15,000. Across countries where GDP per capital exceeded this, satisfaction levels across countries tended to be more similar.

A 1996 analysis of these measurements from the 1990s and other data relating to 48 countries found a range of characteristics were associated with high levels of life satisfaction.¹⁰ Examples of these included purchasing power, respect of civil rights, social participation, industrialisation, perceived freedom in life, literacy, tolerance, and participation in work. Conversely characteristics associated with low levels of life satisfaction included high murder rates, lethal accidents, and incidence of corruption.¹⁰

Proportion of persons who were satisfied with their lives(a) – 2001



(a) Persons who felt Delighted, Pleased or Mostly satisfied with their lives based on a scale of Delighted, Pleased, Mostly satisfied, Mixed, Mostly dissatisfied, Unhappy, and Terrible.

Source: ABS 2001 National Health Survey

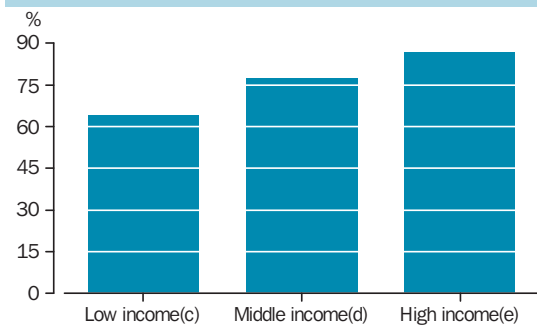
Life satisfaction and dimensions of progress

National progress is one of a cluster of related concepts, which include wellbeing and quality of life. In embracing the social, economic and environmental aspects of Australian life, it is natural then that many of the indicators included in MAP focus on particular aspects of life that are 'of fundamental and direct importance to human wellbeing'. Thus, because the selection of these indicators of progress relates directly to their relationship with human wellbeing, it might be expected that changes in them would also be reflected as changes in measures of life satisfaction.

However, as discussed earlier, the very nature of human responses to changing circumstances and to the world around us is believed to regulate our overall sense of wellbeing over time to some degree. Further, across the population, a decrease in the wellbeing of some (whether in Australia or in other nations) might lead to an increased sense of wellbeing for others (because of the tendency for humans to judge their own wellbeing in relation to others'). Thus, the relationship between 'external' measures of progress (i.e. those that focus on changes in aspects of people's lives) and overall life satisfaction is not a direct one.

That said, studies over the years have found that many social and economic characteristics are partially correlated with self-reported wellbeing. Some of these relationships are evident when looking at life satisfaction (or quality of life) data collected in the ABS 2001 National Health Survey. In considering these data we look at the proportion of people who reported that they were satisfied with their lives, that is they indicated they were delighted, pleased or mostly satisfied with their lives. As noted earlier, on average, 76% of Australian adults fell into this category. The proportion of people who were satisfied with their lives remained above 70% across all age groups. More people in their 20s reported they were satisfied with their lives than for any other age

Proportion of persons aged 18 and over who were satisfied with their lives(a)(b): equivalised income – 2001



(a) Persons who felt Delighted, Pleased or Mostly satisfied with their lives based on a scale of Delighted, Pleased, Mostly satisfied, Mixed, Mostly dissatisfied, Unhappy, and Terrible. (b) Age standardised. (c) People in income units in the 2nd and 3rd income deciles from the bottom of the distribution. (d) People in income units in the middle income quintile (5th and 6th deciles). (e) People in the income units in the highest income quintile (9th and 10th deciles).

Source: ABS 2001 National Health Survey

group, while those between 35 and 64 were less likely than average to indicate satisfaction with their lives. Those aged 85 or over were the least likely of all age groups to indicate they were satisfied (71%).

Conventional economic analysis of wellbeing (or utility) often assumes level of income as the prime determinant of wellbeing for individuals within society. In MAP, there are several dimensions which focus on the economic resources of Australians, at both the national and household levels. In the commentary on *Economic hardship*, we identify low income as a key indicator for this area. Taking into account the age structures of different income groups, 64% of people in income

Life satisfaction and the environment

Very little data exist on the relationship between happiness, or life satisfaction, and the environment, but it is clear that many people gain pleasure from natural environments.

In considering the value of conservation of the world's natural resources, most frameworks allude to the enjoyment people gain from recreational activities, but also recognise that people gain satisfaction simply by knowing that the natural environment exists (even if they never experience parts of it themselves). Many cultures, including those of Australia's Indigenous peoples, have strong spiritual links to the land and its wildlife. In 2000, research into the fundamental aspects of human capability included an ability "to live with concern for and in relation to animals, plants and the world of nature" as one of these.¹¹

At the same time, consideration for the conservation of our natural environment can involve trade-offs in relation to our lifestyles and use of resources. In 2004, the ABS Environment Household Survey found that 57% of Australians aged 15 and over were concerned about environmental problems

Proportion of persons aged 18 and over who were satisfied with their lives(a)(b): selected characteristics – 2001

	%
Never married	71.7
Married	80.6
Separated/divorced	63.1
Non-dependent child in couple family	78.0
Non-dependent child in one parent family	63.6
Partner in couple, no children	82.0
Parents in couple families with children	75.3
Lone parents	59.9
Living alone	67.7
With a long-term health condition	74.6
No long-term health condition	82.6
With mental and behavioural problems	45.6
With high/very high levels of psychological distress	33.8
With a non-school qualification	78.4
Without a non-school qualification	72.5
Employed	79.7
Unemployed	56.2
Not in the labour force	68.1
All persons aged 18 years and over	75.7

a) Persons who felt Delighted, Pleased or Mostly satisfied with their lives based on a scale of Delighted, Pleased, Mostly satisfied, Mixed, Mostly dissatisfied, Unhappy, and Terrible. (b) age standardised.

Source: ABS 2001 National Health Survey

units in the low income group felt delighted, pleased or mostly satisfied with their lives in 2001 compared with 77% of people in income units in the middle income group and 86% of people in income units in the high income group.

The quality of a person's close relationships is one factor that most researchers agree has a fairly strong association with high levels of subjective wellbeing. As we note in the chapter on *Family, community and social cohesion*, people require love, companionship and agreeable engagements to flourish. In 2001, 81% of people who were married felt pleased or mostly satisfied with their lives compared with 63% of people who were separated or divorced. Lone parents and the adult children living with them were the people least likely across all living arrangements to feel pleased or mostly satisfied with life (60% and 64% respectively).

Participation, be it social, educational or in the workforce has also been associated with higher levels of life satisfaction. In MAP, *Work and Education and training* are both headline dimensions for individuals. In 2001, people who were employed and those with non-school qualifications had higher than average life

The Australian Unity Wellbeing Index

The Australian Unity Wellbeing Index is a joint development of Australian Unity, Deakin University and the Australian National University which focusses on people's views on life in Australia and on their own individual wellbeing.

The main premise on which the index is based is that life satisfaction is normally held within a narrow positive range, and that this homeostasis operates at a non-specific or abstract level, and is highly personalised. This means that a person will generally answer fairly positively to broader questions around wellbeing, regardless of most events occurring at the time the measurement is taken. At the same time, this narrow positive band is more likely to be maintained for questions about the individual than those about family or friends or, to a greater extent, about society in general. On the basis of this theory, questions about specific aspects of society or life in Australia would be more sensitive to external happenings than broad questions about a person's current level of satisfaction with their own life as a whole.

The Australian Unity Wellbeing Index consists of two indices: the personal wellbeing index, which measures people's satisfaction with their own lives (or with seven aspects or domains of their personal lives); and the national wellbeing index, which measures people's satisfaction with life in Australia (or with six aspects or domains of life in Australia). Between April 2001 and July 2005, respondents tended to report higher levels of satisfaction with their personal lives than with life in Australia, with the personal wellbeing index consistently showing average satisfaction levels at around 75%, compared with 60% for the national wellbeing index. Over the period, people responding to questions on national wellbeing tended to report lower satisfaction (albeit at levels above 50%) with the state of the environment than they did about social conditions in this country. However, reported levels of satisfaction with our economic situation were higher (since March 2002 and gradually increasing over the period to July 2005). It should be noted that these results are based on overall survey response rates of less than 25%.¹²

satisfaction levels. Conversely, people who were unemployed were considerably less likely than the population as a whole to report that they were pleased or mostly satisfied with their lives (51%).

The ACER Longitudinal Survey of Australian Youth, also collects information on the life satisfaction of Australia's young people. Between 1999 and 2002, the survey found that of a cohort of young people who had been in Year 9 in 1995, those who were involved in full-time work, study or combination of both activities equating to a full-time load, consistently reported higher levels of life satisfaction than those whose total participation equated to a part-time load, or those not participating at all.¹³

Lastly, *Health* is a key dimension of progress for individuals. While a higher proportion of people without long-term health conditions indicated they were pleased or mostly satisfied with their lives (83%) in the 2001 National Health Survey than those who had long-term conditions (75%), differences were more evident in relation to indicators of mental health. Unhappiness is a symptom of many mental health conditions and so

it can be expected, that the presence of mental illness would lead to a lowering of self-reported life satisfaction. In 2001, the proportions of people with mental and behavioural problems, and those with very high or high levels of psychological distress who reported they felt pleased or mostly satisfied in life was below half – 46% and 34% respectively.

End notes

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