

Welfare State Generosity, Happiness, and Health: Temporal Effects across Nations

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Abstract

Does welfare-state retrenchment make people less happy and healthy? This question is investigated by analysing the effects of changes in the welfare state on the subjective well-being (SWB) and subjective health (SH) of its citizens. It extends the approach of Pacek and Radcliff (2008) in using the comprehensive welfare-state measure of Scruggs (2007; Benefit Generosity Index BGI) and estimating the effects of changes in this measure on SWB and SH over time in a micro-macro country panel of 22 OECD countries. We control for individual characteristics as well as macro variables and country dummies, and employ data on life satisfaction, happiness, subjective health, and control variables from six waves of the World Values Survey and four waves of the European Values Study from 1980 to 2012. Moreover, we decompose the life satisfaction, happiness, and subjective health effects of BGI into those of its three components for unemployment (UBGI), sickness (SBGI), and pension (PBGI) benefits. We find highly significant and robust positive effects of changes in BGI on life satisfaction and subjective health and an insignificant effect on happiness. Furthermore, we find insignificant life satisfaction effects of UBGI for unemployment and SBGI for sickness, and an almost marginally significant and positive life satisfaction effect of PBGI for pensions. On the other hand, the effects on happiness are marginally significant and positive for UBGI and PBGI, but significant and negative for SBGI. The latter effect turns out to be mainly driven by a negative happiness effect of the duration of the sickness benefits. Accordingly, these effects chiefly affect the people who are not sick. Furthermore, the effects of the sub-BGIs on subjective health are insignificant. Finally, greater welfare-state generosity is associated with lower social trust, higher unemployment, and higher GDP per capita.

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