

## **Degrowth, happiness and income change**

The present article draws upon the relation between well-being and income changes in the context of the economic crisis of Spain in 2011, as compared to the economic situation in a South East European country, (Bulgaria) for the same period.

Applied research on happiness and income decline is especially relevant for Spain, given its current socio-economic conditions, including austerity of public budgetary spending and high levels of unemployment. Some relevant indicators are: an unemployment rate of 21.52% for the 3<sup>rd</sup> quarter of 2011 and 43.5% for young people (below 25 years). Using data from Barcelona we tested how various parameters such as consumption, employment, sharing, and income change (among the rest) relate to life satisfaction.

An identical set of (potential) determinants of life satisfaction is then tested for a sample of similar size and representativeness drawn from several Bulgarian towns and villages.

For Spain, the percentage of individuals having flexible working conditions, or working without a contract and a fixed job is particularly high (22% of the sample), unlike Bulgaria (where it climbs up to 13%). The Spanish data furthermore reflects a gradual decline in average earnings over the last five years. The numbers in this category in the Bulgaria sample remain relatively stable over the years. Similarly, recent entry in unemployment is much higher in Spain than in Bulgaria. Mean monthly earning in the Bulgarian dataset is however only 214 Euro, while in Spain it is almost five times higher (1310 Euro).

After running a standard happiness (econometric) model, with life satisfaction as a dependent variable for the Barcelona sample, we find no statistical evidence for a decrease of happiness for income declines occurring one or two years ago. Recent reductions in income even exhibit a positive relation with subjective well-being. Change in reference income standards could be one explanation for this result. What converts is not the ratio between one's own and a reference person income but the proportion between one's present and past level of earnings. That allows for adaptation without losing much of a social status. In particular this finding could represent the happiness effect of a widespread income decrease

which involves contextual changes, or similar income declines in individuals' reference groups.

Running the same model with a similar range of explanatory variables with the Bulgarian sample we find quite different results. Income decrease does not affect happiness levels, as the economic downturn has not hit the country in the same way. Yet, short-term income increases have a positive effect on life-satisfaction. This effect, however, disappears when tested for income changes taking place longer than four years ago.

Furthermore, having flexible working conditions has a pronounced and negative effect on life satisfaction in all model specifications for Barcelona, while having no effect in the Bulgarian sample. In the Spanish context flexible working conditions often imply having a precarious and unstable job, which can contribute to stress and material insecurity. In addition, we tested for the effect of (formal) working hours on happiness, while restricting the sample to the individuals working more than two days per week. The results indicate that the increase of working hours in Spain is associated with a slump in happiness. A similar trend is observed in the Bulgarian sample, but at much higher level of working hours. Finally, while sharing (houses, cars, and electronic devices) is a significant determinant of life-satisfaction in Spain, it does not seem to contribute to subjective well-being in Bulgaria.

These findings may be relevant for some of the suppositions made in the framework of degrowth. The effect of an income increase on happiness fades out over time in the Bulgarian sample, implying that happiness may be unattainable with constant augmentation of earnings. The ambiguous relation between income reduction and subjective well-being found in the Barcelona sample suggests that income and consumption decrease may not necessarily reduce (individual or societal) happiness. This will especially be the case if a contextual change takes place, where social comparison makes material losses appear less emotionally disruptive due to a change in what is commonly perceived as reference consumption standards. One would furthermore expect that consumption decrease would not affect subjective well-being negatively if accompanied by simultaneous life-style changes that lower formal working hours and improve some of the social capital parameters of the particular community, such as sharing.