

## **Happiness and income decrease: an empirical study from Barcelona**

The present article draws on the relation between well-being and several key 'degrowth ingredients', namely income decrease, consumption, sharing and working time, using empirical data from 2011 gathered in Barcelona.

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). Based on a sample of 840 individuals we tested how various parameters related to free time, consumption, commuting, social relatedness, income change, and personality relate to life satisfaction.

Among the spectrum of social capital variables, we tested the willingness to share (cars, houses and various tools) as a potential determinant of life satisfaction. Up to 68% of the respondents in the sample allege to prefer non-commercial sharing, (to sharing). We furthermore look at various work-related variables and the frequencies of purchasing conspicuous or status-based goods (such as cars, electronic equipment and clothes).

The descriptive statistics confirm the general macroeconomic picture of Spain. Concerning work, the percentage of individuals having flexible working conditions, or working without a contract and a fixed job is particularly high. The data furthermore reflects a gradual decline in average earnings over the last five years. In this context one would expect that reference income standards have changed together with internal ones. Stated differently, our guess is that the ratio between own and reference group's income remains approximately the same, while the proportion between own present and own past earnings goes through metamorphosis. What we are studying in particular is therefore the happiness effect of a widespread income decrease which involves contextual changes, namely simultaneous income declines in individuals' reference groups.

After running a standard econometric model, with life satisfaction as a dependent variable, we find no statistical evidence for a decrease of happiness after experiencing income declines occurring one or two years ago. Recent reductions in income even exhibit a positive relation with subjective well-being. Having lower incomes in the long-run is, however,

associated with lower happiness in a few of the model specifications tested.

Furthermore, having flexible working conditions has a pronounced and negative effect on life satisfaction in all model specifications. While more flexibility in work is normally expected to enhance personal freedom and well-being, 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 steady increase of working hours is associated with a steady slump in happiness. The final finding which bears relevance for degrowth concerns the purchase of conspicuous goods. Statistically, the frequency of purchasing status goods emerges as a positive determinant of happiness, unlike their pure utilization. The frequent purchase of dear goods thus seems to be a strategy to maintain one's level of life satisfaction sufficiently high, as adaptation and social comparison quickly wear off the well-being gains obtained from various conspicuous acquisitions.

The findings give some merit to some of the suppositions frequently made in the framework of degrowth. The ambiguous relation between income reduction and subjective well-being 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 income degrowth would not (negatively) affect subjective well-being 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.