

The Subjective Perspective of Social Investment - Testing the Capacitating Impact on Subjective Wellbeing Across Life Course Transitions

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Introduction and motivation

Individual subjective wellbeing is largely impacted by personal economic, social and demographic factors, but the degree to which these factors influence individuals may depend on societal conditions such as welfare provision and level of inequalities (Alesina et. al., 2004; Diener et. al., 2018; Pacek & Radcliff, 2008). While many European welfare states have accompanied the traditional redistributive compensatory elements with social investment, i.e., policies aimed to increase individual capacities and prevent social issues (Hemerijck, 2017; Vaalavuo, 2013), the empirical evidence whether these efforts actually result in higher subjective wellbeing returns is yet lacking. Hence, this paper examines the impact of the capacitation efforts of the European welfare states on subjective wellbeing in the 21st century.

Social investment literature commonly divides welfare state provision into compensatory (income protection) and capacitating (services) policies (e.g., Bakker & van Vliet, 2022; Kuitto, 2016), but the literature on subjective wellbeing shows that both have a positive impact during critical life events. For example, while parenthood is found to lower mothers' happiness compared to fathers, this is mitigated in contexts with strong work-family policies (Aassve et. al., 2015). Unemployment, on the other hand, is found to be more detrimental for subjective wellbeing among men (Van der Meer, 2014), but labour market policies, particularly cash transfers, are found to moderate the negative impact of unemployment on subjective wellbeing (Wulfgramm, 2014). These findings suggest that different types of welfare provision can increase one's resilience to adhere to negative life events and promote subjective wellbeing. Therefore, this article broadens from the common approach in SI literature and develops from the capability approach (Nussbaum, 2011) considering both, compensatory and capacitating, functions having positive impact on subjective wellbeing through agency and capabilities. Further, the study applies the policy complementarity aspect (Hemerijck et. al., 2023) by studying whether the highest degree of capacitation, measured as life satisfaction, occurs when both welfare functions are strong. This contributes to the knowledge if SI policies can promote the capabilities and resilience of individuals and hence higher subjective wellbeing across the life course.

In light of the previous literature discussed above, this article tests the following hypotheses:

- 1) Countries with higher capacitating efforts have better subjective wellbeing and thus results in smaller wellbeing differences during critical life events, i.e., unemployment and parenthood.

- 2) The increase in capacitating efforts over time has reduced discrepancies in subjective wellbeing, particularly the negative impact of critical life events i.e., unemployment and parenthood.

Data

The study benefits from comparative cross-sectional micro-level data from the European Social Survey (ESS) rounds 2-9¹ (2002-2020) to analyse subjective wellbeing over time and across multiple welfare states. The main dependent variable measures overall life satisfaction with 11-point scale. The main independent variables indicate critical life events, i.e., unemployment and parenthood (children under age 3 in the HH). All models are run separately for men and women as the impacts of these events are very gendered. Control variables include educational attainment (basic / secondary / tertiary), relationship status (partnered / single), age, age squared and immigrant background.

The annual capacitating efforts of the welfare states are measured with OECD Social spending data, particularly looking at in-kind and in-cash social benefits to households (% of GDP). These data have been coded into two separate variables. First, because the combination of the two measures is key in the capacitating individuals, a comparative indicator demonstrating the distance of each spending type from the EU average is used to analyse if countries with strong or weak comparative standing in the capacitating efforts vary in subjective wellbeing outcomes. Currently this stage uses in-kind and in-cash comparative measures separately but aim is to create one variable measuring combination of the distances to capture the country profiles in one variable. Second, because spending, particularly when measured in relation to GDP, does not vary hugely over-time within each country, this study uses the proportion of total social spending used for in-kind benefits. This enables to analyse the increase in service provision as part of the social investment turn within the countries, reflecting their capacitating efforts in relation to the “traditional” in-cash transfers. By using proportional change instead of change in spending volumes alleviates the impact of economic cycles and recessions on the measure.

Methods and preliminary results

The hypotheses are tested with linear multilevel regression models. All models include control variables. Currently the models are unweighted but ESS analysis weights will be applied in future work. The results are presented as average marginal effect graphs.

First, a set of models test how countries with different levels of capacitating efforts, measured with comparative spending volumes, impact the wellbeing effect of critical life events, i.e., unemployment and parenthood. Due to capacitating efforts being two separate variables, models include a 3-way interaction between the critical life event and the two types of spending measures. The Figures 1-2 show the effect of the critical life event on subjective wellbeing depending on different levels of capacitating efforts of countries, separately for men and women.

¹ Round 10 will be added to the final version of the paper once all variables are harmonized across rounds.

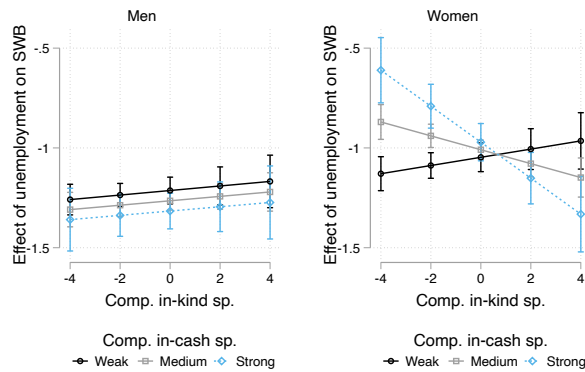


Figure 1 Unemployment impact on SWB across different levels of capacitating efforts of countries

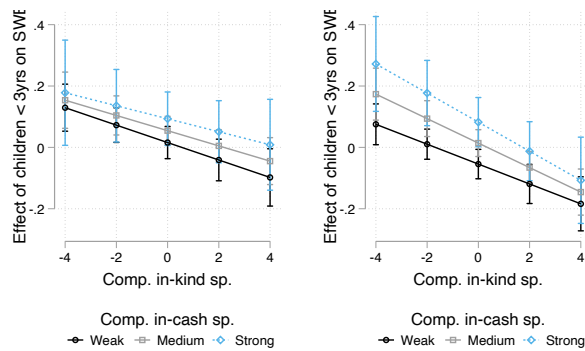


Figure 2 Parenthood impact on SWB across different levels of capacitating efforts of countries

Second set of models examine the change in capacitating efforts within countries by using country-fixed effects. Figure 3 shows again how capacitation is gendered; higher proportions of in-kind provision diminish the negative unemployment impact among men but increases it among women.

Figure 4 on the other hand shows similar impacts of capacitation effects among men and women; change in the proportion of in-kind spending from low to high would indicate a turn in the parenthood effect. In other words when cash transfers dominate social spending, parenthood has a slightly positive impact on SWB but it turns to negative when in-kind spending exceeds the cash transfers. The ideal would be when spending types are balanced as parenthood impact is near zero.

The preliminary results demonstrate that the negative impact of unemployment on subjective wellbeing (Figure 1) is rather universal among men as it does not alter depending on the capacitating efforts of the country. Among women on the other hand, the mix of in-kind and in-cash provision matters but whether one being strong and the other not has no clear implications on the unemployment effect on SWB.

Figure 2 shows that for both men and women, the parenthood can have positive and negative impacts on SWB. Positive impacts, interestingly, are found if in-kind provision is weak, higher cash transfers further increasing the impact among women. There is also weak indication that higher in-kind spending could mitigate the importance of cash transfers on wellbeing.

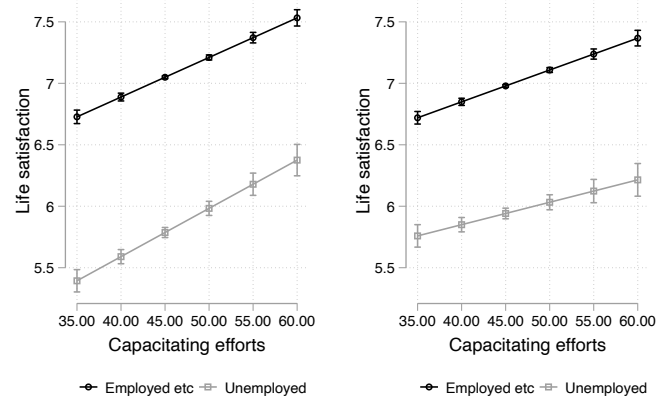


Figure 3 SWB between employed/unemployed across different proportional levels of in-kind spending, country-fixed effects

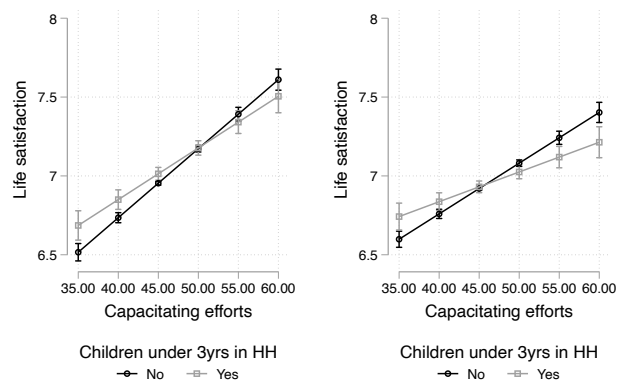


Figure 4 SWB between parents with young children and others across different proportional levels of in-kind spending

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