

Enhancing Poverty-Abatement Programs: A Subjective Well-Being Contribution

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Abstract:

This paper questions the assumption used in designing social policies which maintains that raising the income received by persons automatically translates into greater well-being. It shows that it is possible for people to get out of income poverty while remaining in well-being deprivation. Public policies oriented towards the abatement of income poverty could have a greater well-being impact if they recognize the complexity of human beings and if they take into consideration how satisfaction in other domains of life beyond the economic one is affected by these programs. The paper states that public policy should not only be concerned about getting people out of income poverty but also about placing them in a life-satisfying situation. The expanding literature on subjective well-being can provide important recommendations to enhance poverty-abatement programs.

The paper follows a subjective well-being approach to study the relationship between life satisfaction and income poverty. Based on a large survey from Mexico, the paper shows that there is substantial dissonance in the classification of persons as poor and as being in well-being deprivation: not all income-poor persons have low life satisfaction, while some non income-poor persons are unsatisfied with their lives. The existence of dissonances leads to the conceptualization of different out-of-poverty well-being patterns. It is possible for some programs to get people out of income poverty while keeping them in well-being deprivation; clearly superior poverty-abatement programs get people out of income poverty and substantially increase their well-being. The paper discusses strategies that could improve poverty-abatement programs and argues that subjective well-being research can make a contribution to enhance these programs.

1. Introduction

The *Millennium Development Goals (MDGs) Declaration* placed poverty reduction at the pinnacle of international-development objectives. Poverty reduction is a main consideration in the design of both domestic and foreign-aid programs; it also constitutes a measure of their success. There is a wide range of indicators to compute and follow up poverty reduction, such as the percentage of people beneath a poverty

line and the set of Foster-Green-Thornbecke indices. The interest in keeping track of poverty over time has led to a vast literature on construction and properties of poverty indices; however, most of these poverty measures are inspired in an income-based conception of poverty. The dominance of an income-based conception of poverty, combined with the use of income-based indicators to assess the success of programs, has led to poverty-abatement policies that focus on getting people out of poverty by increasing their purchasing power.

In agreement with *MDGs* objectives, there has been a proliferation of poverty-abatement programs across Latin American countries, as well as in other parts of the world. Of special relevance are conditional cash transfer programs, such as *Oportunidades* in Mexico, *Bolsa* in Brasil, and *Avancemos* in Costa Rica. Some programs have a narrow scope and focus on raising household income; other programs, with a broader scope, do have a capabilities inspiration and focus on increasing human capital. This paper questions the implicit assumption that maintains that raising the income received by persons automatically translates into greater well-being. It uses a life-satisfaction conception of well-being and a domains-of-life approach to directly question this assumption; it also discusses factors that should be taken into consideration to enhance poverty-abatement programs. The paper shows that a subjective well-being approach can be useful in the design of poverty-abatement programs that not only get people out of poverty but also place them in a life-satisfying situation. The paper also argues that subjective well-being indicators should be taken into consideration for the evaluation of poverty abatement programs.

Based on a relatively large survey applied in central Mexico the paper shows that there is substantial dissonance in the classification of persons as poor and as being in well-being deprivation: not all income-poor persons have low life satisfaction, while some non income-poor persons are unsatisfied with their lives. The paper shows that the reasons for these dissonances must be found in the complexity of being a human being, as well as in the limitations of income-based poverty definitions to capture this complexity.

The existence of dissonances leads to the conceptualization of different out-of-poverty well-being patterns. It is possible for some programs to get people out of income poverty while keeping them in well-being deprivation; clearly superior poverty-abatement programs get people out of income poverty while substantially increasing their well-being. A complete understanding of out-of-poverty well-being patterns

requires a study of other dimensions of life that have been neglected by traditional poverty-abatement programs. The consideration of other dimensions of life (beyond the economic dimension) and a better understanding of how all dimensions of life are affected by income-increasing programs is fundamental for the design of well-being enhancing poverty-abatement programs.

The investigation ends up discussing some well-being enhancing policies to complement poverty-abatement programs. Of special relevance is to move away from concepts that emphasize income generation capacities, such as human and social capital, to concepts that emphasize life satisfaction capacities, such as wisdoms of life and interpersonal relationships. The incorporation of subjective well-being indicators is a must for the proper design and evaluation of poverty abatement programs.

The paper is structured as follows: Section 2 discusses poverty-abatement programs. Section 3 deals with the relationship between income and well-being; it presents arguments that support the hypothesis of income poverty being a poor proxy for well-being deprivation. Section 4 discusses the Mexican database, as well as the construction of the relevant variables for the empirical analyses. Section 5 shows that there are important dissonances in the classification of people as being in income poverty and as being in well-being deprivation. Section 6 elaborates on a domains-of-life explanation for these dissonances. Section 7 conceptualizes two different well-being patterns for persons getting out of income poverty; it argues that a superior pattern does not only get people out of poverty, but also places them in a life satisfying situation. Section 8 discusses how findings from subjective well-being research provide useful insights to enhance poverty-abatement programs. Final considerations are made in section 9.

2. Poverty-Abatement Programs

The United Nations Millennium Declaration of September, 2000 made ‘Eradicating Extreme Poverty and Hunger’ the first of eight Millennium Development Goals (*MDGs*). Specific targets were set for the year 2015, which represented a substantial reduction in poverty rates –in percentage terms- with respects to the situation in 1990 (United Nations, 2000, 2001)

Motivated by this goal set by *MDGs*, as well as by intellectual and financial support from international organizations, there has been a proliferation of conditional cash transfer programs to abate poverty and reach the established 2015 targets.

Mexico's *Oportunidades* (formerly *Progresa*), Brazil's *Bolsa Escola*, Colombia's *Familias en Acción*, and Nicaragua's *Red de Protección Social* are illustrative of conditional cash transfer (CCT) programs.

CCT program philosophy is based on influencing household behavior so that intra-household decisions lead to an improvement in human capital; which is expected to break a vicious poverty cycle. Beyond the direct impact of the transfer itself, the program aims to increase human capital, mostly through an education and a health component (Rawlings and Rubio, 2004)

CCT programs must first establish an eligibility criteria; which defines the population that can benefit from the program. Common criteria refer to persons with household (or household per capita) income beneath a given level, as well as persons living in communities with per capita income is low. It is also common to use marginalization indicators as a substitute or complement of household income. Some programs do focus on rural areas, while others have expanded to urban areas.

CCT programs must also establish the behavioural conditionality for benefiting from transfers. Households are required to undertake specific actions, mostly in terms of school attendance of children and regular visits to health and nutritional centres.

As it is stated by the Mexico's *Oportunidades* Program case study summary presented at the Shanghai Poverty Conference, the main aim of the program is to invest in human capital: "Oportunidades focuses on helping poor families in rural and urban communities invest in *human capital*—improving the education, health, and nutrition of their children—leading to the long-term improvement of their economic future and the consequent reduction of poverty in Mexico. By providing cash transfers to households (linked to regular school attendance and health clinic visits), the program also fulfills the aim of alleviating current poverty." The focus on human capital is also mentioned by Rawlings and Rubio (2004, p.1) who state: "These programs provide money to poor families conditional upon certain behavior, usually investments in human capital such as sending children to school or bringing them to health centers on a regular basis."

The impact evaluation of these programs as also acquired great relevance. There are ex post evaluations that compare the beneficiaries' performance with respect to a control group. Matching techniques are used to assess the programs' impact on school attendance, weight and height gain, incorporation into labor markets, and income raise. Ex ante techniques are based on microsimulations that incorporate some (commonly

neoclassical) behavioral assumptions (Parker and Skoufias, 2000; Schultz, 2000; World Bank, 2001)

The design of these programs has also followed a process of modification based on previous experience. Das et al. (2005) study the conditionality of *CCT* programs. They state that evidence supports the idea that unconditional transfers would lead to different behavior than conditional transfers. Thus, conditional transfers are based on the idea that individual market choice is not a preferred social-policy objective. Evidence also questions the assumption that *CCT* programs do have a long-lasting influence on household decisions, even after families graduate from the program.

3. Well-Being and Income Poverty

3.1 A close relationship with threshold is assumed

Economists and policy-makers have commonly used income as a well-being proxy. It is assumed that there is a close relationship between income and a person's well-being. A rise in income increases well-being through greater purchasing power, which implies more consumption through the life cycle. In some occasions income and well-being are even used as synonymous.

The basic-needs literature¹ proposes a hierarchy of needs: some needs are basic and their satisfaction requires the consumption of economic goods (positive market price). It is assumed that persons who are unable of satisfying these basic needs do experience well-being levels that are substantially low. Hence, it is possible to conceptualize an income threshold: beneath this threshold well-being is substantially low; beyond it well-being is relatively high.

The absence of a direct measure of well-being has deterred the corroboration of these theories. Economists have ended up discussing normative arguments that support or reject their theories, with little empirical research.

3.2 Questioning a close relationship between income and well-being

Many arguments can be advanced to question the existence of a close relationship between income and well-being, as well as to question the existence of a clearly defined threshold.

First, not everything of value can be purchased. Income allows for buying economic goods, but it has little impact on a person's access to non-economic goods.

¹ For an in depth discussion of basic needs see Doyal and Gough (1991) and Gasper (2007)

Recent literature (Bruni and Stanca, 2005; Gui and Sugden, 2005; and Sugden, 2005) states that relational goods (love, emotional support, friendship, correspondence of sentiments, good relations with neighbours and colleagues, and so on) do have a large impact on well-being. Rojas (2007a) shows that satisfaction with partner, children and family is crucial for life satisfaction. Because of its nature, relational goods can not be purchased and a market can not exist. The production of relational goods is time intensive, and because of time constraint the production of relational goods may end-up conflicting with the production of income.

Second, income may not be used efficiently.² An increase in income may lead to little or no increase in well-being if persons do not have the skills to use income efficiently. There is a vast literature that questions the rationality of persons, as well as their ability to correctly foresee the well-being impact of their consumption decisions (Scitovsky, 1976; Hsee and Hastie, 2006; Thaler, 1980, 1992, 2000; Tversky and Kahneman, 1974, 1981, 1986; Loewenstein and Schkade, 1999) Rojas (2007b) has found that X-inefficiency in the use of income is relatively large.

Third, there may be basic needs that do not require income for their satisfaction. The psychological needs approach (Deci and Ryan, 1985; Kasser and Ryan, 1993 and 1996; Kasser, 2002; Ryan and Sapp, 2007) states that there are fundamental psychological needs such as autonomy, competence and personal relationships. Persons who can not manage to satisfy their psychological needs do experience low well-being. The approach states that a person's income does make little contribution to the satisfaction of psychological needs.

Fourth, social immersion of consumers. The idea that well-being increases with higher income relies on the assumption that well-being depends on absolute consumption but not on relative consumption. Social thinkers such as Adam Smith, Karl Marx, and Thorstein Veblen recognized that needs may be socially influenced. Recent research (Frank, 1985, 2005; Schor, 2002; Alpizar et al., 2005) has shown that the satisfaction attained from the consumption of some goods is contingent on the consumption of other members of the community (reference groups). Hence, it may be that absolute consumption is not closely related to a person's well-being.

Fifth, well-being impact of consumption. The ordinal utility approach in economics states that utility is non-decreasing on income; a higher income allows

² Frank (2005, p. 70) suggests that "people might have been able to spend their money in other ways that would have made them happier, yet for various reasons did not"

satisfying more wants and desires that lead to higher utility. However, it is impossible to know how much well-being increases as a consequence of the satisfaction of some wants and desires. It could be that satisfying some additional wants and desires have little impact on a person's well-being, even if income is used efficiently. Hence, it could happen that an increase in income does not have a strong impact on well-being.

Sixth, income is not the only source of well-being. The domains-of-life literature (Cummins, 1996; van Praag, Frijters and Ferrer-i-Carbonell, 2003; Rojas, 2007a; Salvatore and Muñoz Sastre, 2001) states that a person's well-being depends on her satisfaction on many domains of life where she is performing as a human being. Satisfaction in these domains of life depends on many factors beyond a person's income, such as: years and kind of education, health, kind of hobbies and pastimes, kind of job, place of living, nature and strength of interpersonal relations with partner, children, parents, colleagues and neighbours, and so on. Thus, the relationship between income and well-being is expected to be wide open.

3.3 Measuring well-being: The subjective well-being approach

The lack of an observable output for income use has deterred testing hypotheses about the relationship between income and well-being. The emergence of the 'economics of happiness' literature (Easterlin, 1974, 1995, 2001; Clark and Oswald, 1994; Di Tella *et al*, 2001; Ferrer-i-Carbonell and Frijters, 2004; Frey and Stutzer, 2000; Oswald, 1997; van Praag *et al*, 2003; van Praag and Ferrer-i-Carbonell, 2004; and Stutzer, 2004) provides not only the tools, but also the epistemological support (Rojas, 2007a) and academic endorsement to have an observable output variable for a person's well-being: life satisfaction.

3.4 On income poverty and well-being deprivation: Dissonances expected

Based on the arguments brought up in 3.2, it is expected for income poverty not to be a good proxy for well-being deprivation. In other words, some persons classified as poor could enjoy well-being beyond deprivation levels; while some non-poor persons could be in well-being deprivation. The following sections use the subjective well-being approach to explore the existence of dissonances in the classification of persons as poor and as being well-being deprived. They do also provide an explanation for these dissonances which is based on the domains-of-life literature.

4. The Database

4.1 The survey

A survey was conducted in five states of central and south Mexico, as well as in the Federal District (Mexico City) during October and November of 2001.³ A stratified-random sample was balanced by household income, gender and urban-rural areas. People interviewed fall within all national income deciles.⁴ The sample of 1540 questionnaires had a response rate of 96 percent in the household income question. The sample size is acceptable for inference in central Mexico.

4.2 The variables

The survey gathered information regarding the following quantitative and qualitative variables:

Demographic and Social Variables: education, age, gender, civil status, household-income dependent persons.

Economic Variables: current household income.

Life Satisfaction: the following question was asked: “Taking everything in your life into consideration, how satisfied are you with your life?” A seven-option categorical answering scale was used. The scale’s answering options are: *extremely unsatisfied*, *very unsatisfied*, *unsatisfied*, *neither satisfied nor unsatisfied*, *satisfied*, *very satisfied*, *extremely satisfied*. Life Satisfaction was handled as an ordinal variable, with values between 1 and 7; where 1 corresponds to the *extremely unsatisfied* category and 7 to the *extremely satisfied* category.⁵

Satisfaction in Concrete Areas of Life: Twenty-four questions were asked to inquire about satisfaction in many aspects of life,⁶ such as: job conditions, job responsibilities, working shifts, health condition, health services, interpersonal relations and sense of security in the neighbourhood, quality of public services such as trash collection and public transport, family relations (partner, children, rest of family), availability and use of leisure time, relations with friends, housing conditions, financial

³ The author expresses his gratitude to CONACYT, Mexico for a grant that financially supported this research.

⁴ For example, 7.2 percent of people in the sample fall in the first national income decile; 20 percent of people in the sample fall in the first three national income deciles; 37.4 percent of people in the sample fall in the first five national income deciles; and 66 percent of people in the sample fall in the first eight national income deciles.

⁵ The author has found that results do not substantially differ when life satisfaction is treated as a cardinal rather than as an ordinal variable. Ferrer-i-Carbonell and Frijters (2004) also show that there are no substantial differences when satisfaction is treated either as a cardinal or as an ordinal variable.

⁶ The instrument is a shorter version of the Extended Satisfaction with Life Scale developed by Diener *et al.* (1985).

situation, purchasing power, and so on. A seven-option answering scale similar to the one used for the life satisfaction question was used. Satisfaction questions were handled as cardinal variables, with values between 1 and 7; where 1 was assigned to the lowest satisfaction level and 7 to the highest. Factor analysis was applied to reduce the number of dimensions and to demarcate the domains of life. Seven domains of life were identified on the basis of the factorial analysis.⁷ A regression method was used to calculate each new factor score and to construct a satisfaction variable for each domain; the new variables were re-scaled to a 0 to 100 scale. Satisfaction variables are available for the following domains of life:

- *health*: satisfaction with current health and with the availability and quality of medical services.
- *economic*: satisfaction with purchasing power, household income, financial situation and housing condition.
- *job*: satisfaction with job's activity, with job's responsibilities, with working shifts, and with hierarchical working relationships.
- *family*: satisfaction with spouse or stable-partner relationship, with children relationship, and with rest-of-family relationship.
- *friendship*: satisfaction with friends and with availability of time to spend with them.
- *self*: satisfaction with recreational and leisure activities, with availability of time to pursue hobbies and interests, with personal development, and with education.
- *community environment*: satisfaction with community services such as trash collection, public transport, road conditions, public lights, neighborhood safety and trust in local authorities; as well as satisfaction with neighbors.

It is obvious that the demarcation of the domains of life is somewhat determined by the original set of twenty-four questions. However, this classification is close to Cummins' (1996)

⁷ Some people in the survey could not assess their satisfaction in some concrete areas of life. These people were short of information in one or more aspects of life, not because they did not want to provide an answer, but because they did not perform in those aspects of life. Rojas (2007c) studies the situation of domain-absentee persons.

5. Well-Being and Income Poverty

5.1 Well-being categories

Table 1 shows the frequency for the life-satisfaction question. 1532 persons answered the question, out of 1536 persons who were asked. It is observed that most people evaluate their lives as satisfactory or better.

Table 1 Sample Distribution across Life-Satisfaction Categories Well-being classification		
Well-Being Categories	Satisfaction	Percentage
Well-Being Deprivation	Extremely unsatisfied	0.1
	Very unsatisfied	1.2
	Unsatisfied	8.3
	Neither unsatisfied nor satisfied	4.4
Moderate Well-Being	Satisfied	53.2
High Well-Being	Very satisfied	27.5
	Extremely satisfied	5.4
Total		100.0

This investigation takes advantage of working with a categorical answering scale. Two well-being lines are defined; a line for well-being deprivation is set at a life satisfaction level of *neither unsatisfied nor satisfied*; thus, people who are *extremely unsatisfied*, *very unsatisfied*, *unsatisfied* and *neither unsatisfied nor satisfied* with their lives are considered as having low well-being. A second line for moderate well-being is defined at the '*satisfied*' level on the basis of these people still having enough room to improve their life satisfaction.

These criteria do imply that 14 percent of people in the sample are in well-being deprivation; while 53.2 percent are in moderate well-being.

5.2 Household per capita income and income poverty

Table 2 presents the distribution of people in the sample according to their household per capita income. 1475 persons answered the income question, out of 1536 persons who were asked. It is observed that 14.3 percent of people in the sample have a household per capita income of US\$2 dollars per day or less, while 45.4 percent of people are beneath the US\$5 dollars per day level.

Table 2 Sample Distribution across Household Per capita Income Ranges Household per capita income (Y_{hpc}) in U.S. dollars per day Income-Poverty classification		
Poverty Category	Income Ranges	Percentage
Income Poverty	$Y_{hpc} \leq 2$	14.3
Moderate Income Poverty	$2 < Y_{hpc} \leq 5$	31.1
Non-poor	$5 < Y_{hpc} \leq 10$	26.0
Non-poor	$10 < Y_{hpc}$	28.7
Total		100.0

This investigation uses household per capita income to define income poverty lines. Household per capita income is commonly –but not universally- used to define income poverty.⁸ This investigation classifies a person as being in income poverty if she lives in a household with a per capita income of US\$ 2 dollars per day or less. A person is classified as being in moderate income poverty if she lives in a household with a daily per capita income in between US\$2 and US\$5 dollars.

On the basis of these criteria 14.3 percent of people in the sample are classified as income poor; while 31.1 percent of people in the sample are considered as being in moderate income poverty.

5.3 Well-being deprivation and income poverty: dissonances and concordances

Is income poverty a good proxy for low well-being? This section shows that important dissonances do exist in the classification of people as poor and as being well-being deprived. In other words, it is shown that not all people who are considered as being in income poverty experience low life satisfaction, and that not all people who are considered as non-income poor experience high life satisfaction.

Table 3 shows the existence of dissonances and concordances in the arrangement of people when the well-being and the income-poverty classifications are contrasted.

Table 3		
Well-being and Income Poverty		
Dissonances and Concordances		
In percentages of total survey population		
Well-Being	Income Poverty	
	Poor	Non poor
Deprivation	19.9	13.1
Moderate and High	80.1	86.9
Total percentage	100.0	100.0
Total observations	211	1262

It is observed that 80% of people in the survey who are classified as poor based on their income (a household per capita income of US\$ 2 dollars or less per day) report moderate and high life satisfaction (a life evaluated as satisfactory or better). Well-being deprivation (low life satisfaction) is reported by no more than 20% of poor people. In addition, 13.1 percent of people in the survey who are classified as non poor on the basis of their income report low life satisfaction. Thus, income poverty does not fully capture a person's well-being situation.

⁸ The purpose of this investigation is not to study alternative proxies for the definition of income poverty. Rojas (2007d) shows that household per capita income could be a bad proxy for a person's economic satisfaction because economies of scale at the household level are considerable.

Table 4 extends the analysis to the expanded classifications of well-being and income poverty, which incorporate the categories of moderate life satisfaction and moderate poverty. Dissonance emerges in all three income poverty categories.

Table 4 Well-Being and Income Poverty: Expanded Categories Dissonances and Concordances In percentages of total survey population			
Well-Being	Income Poverty		
	Poor	Moderate poor	Non poor
Deprivation	19.9	15.1	11.9
Moderate	57.8	58.9	48.8
High	22.2	26.1	39.3
Total percentage	100.0	100.0	100
Total observations	211	457	805

Why well-being deprivation does not closely follow income poverty? The following section uses a domains-of-life approach to explain the reasons for this dissonance and to show that the well-being-deprivation conception is broader and richer than the income poverty one.

6. A Domains-of-Life Explanation for Dissonances

The domains-of-life literature states that life can be approached as an aggregate construct of many specific domains, and that life satisfaction can be understood as the result of satisfaction in the domains of life. In other words, it is argued that a person is much more than a consumer or an economic agent; and that she is being human not only when she is consuming goods and services but also when she is spending time and other resources in interpersonal relations (either with a spouse, a partner, children, other family members, friends and neighbors), when she is using her leisure time and pursuing her hobbies, and in other human deeds. This investigation has information about a person's satisfaction in seven domains of life: *health*, *economic*, *job*, *family*, *friends*, *self* and *community*; thus, it is possible to study the structure of domains satisfaction, as well as their relationship with life satisfaction.

Rojas (2006, 2007a) has shown that satisfaction in the *family* domain is crucial for life satisfaction. *Health* and *Self* satisfaction are also of great relevance. *Job* and *economic* satisfaction do follow in importance.

6.1 Out of income poverty while remaining in well-being deprivation

This paper has stressed the argument that well-being is a broader and richer concept than income poverty. It is thus possible for a person to get out of income poverty while remaining in well-being deprivation, since a raise in income does not

ensure that her satisfaction in most domains of life will increase. It could be possible for some policies to reduce income poverty while having little or even a negative impact on well-being because they do not impact satisfaction in other domains of life.

Table 5 uses a domains-of-life perspective to further explain why a person may be out of income poverty while remaining in well-being deprivation. All people in Table 5 are in well-being deprivation; however, some are in income poverty and others are not.

Table 5		
Average Satisfaction in Domains of Life		
For People in Well-Being Deprivation		
By income poverty category		
Domain of Life	Income Poverty	
	Poor	Non Poor
<i>Health</i>	43.4	46.7
<i>Economic</i>	39.1	47.4
<i>Job</i>	44.8	51.2
<i>Family</i>	56.8	56.2
<i>Friendship</i>	48.8	51.6
<i>Self</i>	43.6	47.7
<i>Community</i>	42.7	44.9

Table 5 shows poor and non-poor people who are in well-being deprivation. The non-poor do have significantly larger *economic* and *job* satisfaction with respect to the poor people -from 47.4 to 39.1-. However, there is no substantial difference between the poor and the non-poor in *family* satisfaction –a crucial domain for well-being in Mexico- and little difference in domains such as *health*, *friendship*, *self* and *community*. Hence, at a conceptual level, it is possible to imagine a situation where people get out of poverty while remaining in well-being deprivation; in this case income makes an impact in *economic* and *job* satisfaction, but not so in other relevant domains of life.

6.2 Out of well-being deprivation while being in income poverty

Because well-being deprivation and income poverty are not closely related, it is also possible to conceptualize a situation where people get out of well-being deprivation while remaining in income poverty. Table 6 uses the domains-of-life perspective to illustrate this possibility. All persons in Table 6 are in income poverty.

Table 6 shows that for those people classified as poor there are substantial differences in satisfaction in domains of life. Within the income poor, those persons who are not in well-being deprivation do show higher satisfaction in all domains of life. Considerable differences are observed in their *job*, *health*, *self* and *family* satisfaction, as well as in their *economic* satisfaction. It is noteworthy that their *economic* satisfaction is higher even under equal economic conditions; this is clearly a consequence of the

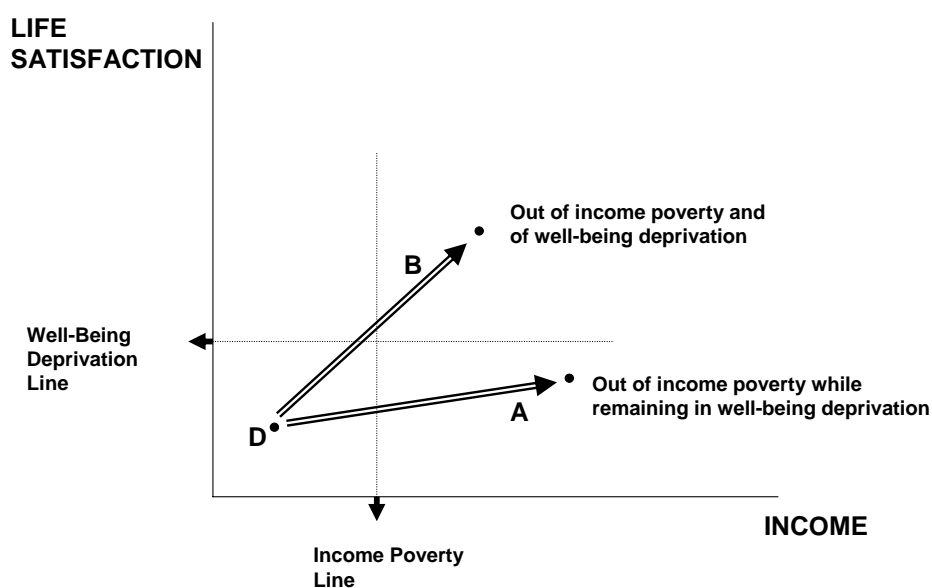
relationship between income and *economic* satisfaction being weak. Rojas (2006d) studies the existence of high disparity in economic satisfaction within income groups and argues for the existence of X-inefficiency in the use of income; however, further study is needed on this issue.

Domain of Life	Well-Being	
	Deprived	Non Deprived
<i>Health</i>	43.4	54.2
<i>Economic</i>	39.1	47.8
<i>Job</i>	44.8	57.1
<i>Family</i>	56.8	66.4
<i>Friendship</i>	48.8	55.7
<i>Self</i>	43.6	54.0
<i>Community</i>	42.7	47.5

In general, a person can be satisfied with her life even if her income is low; as long as she is moderately satisfied in domains of life such as *family, self, health, job, and economic*.

7. Conceptualizing Patterns out of Income Poverty

This paper has shown that it is possible to jump over the income poverty line with little effect in life satisfaction; Pattern A in Graph 1 illustrates this possibility. Pattern B shows a trajectory where a person jumps not only over the income poverty line but also over the experienced poverty line. It is clear that pattern B is superior to pattern A because income is not an end but a mean for well-being.



Graph 1: Patterns out of Income Poverty

What is needed from a person and her society for pattern *B* to take place rather than pattern *A*? The domains of life approach states that in concert with an increase in income it is also important to have an increase in satisfaction in most domains of life; in special in those domains that are crucial for life satisfaction, such as the *family, self, job* and *health* domains.

Table 7 shows the alternative conceptual patterns that can be followed out of income poverty. Column D illustrates what could be considered as the point of departure: the situation of persons who are in income poverty (daily household income less than US\$2 per capita) and in well-being deprivation. Column A shows the situation of people in the sample who are in well-being deprivation but not in income poverty; their income places them in moderate income poverty (household per capita income in between US\$ 2 to 5 dollars), but their life satisfaction places them in well-being deprivation. Column B shows the situation of people who are not in well-being deprivation nor in income poverty; they assess their life as satisfactory or better, and their daily household per capita income is in between US\$ 2 to 5 dollars.

Table 7 Average Satisfaction for Persons in Different Poverty and Well-Being Conditions					
	D	A	B	A / D	B / D
Domain of Life	In Well-Being Deprivation ¹ & Income Poverty ²	In Well-Being Deprivation ¹ & Moderate Income Poverty ³	Not in Well-Being Deprivation ⁴ & in Moderate Income Poverty ³		
Health	43.37	45.13	57.15	1.04	1.32
Economic	39.06	41.18	53.09	1.05	1.36
Job	44.83	49.74	60.66	1.11	1.35
Family	56.81	56.40	69.95	0.99	1.23
Friendship	48.84	49.78	55.99	1.02	1.15
Self	43.65	43.51	54.93	1.00	1.26
Community	42.74	45.49	48.66	1.06	1.14
Life Satisfaction ⁵	3.24	3.19	5.36	0.98	1.65
Average monthly household per capita income ⁶	370.86	968.58	981.86	2.61	2.65

¹ People with life satisfaction level beneath *satisfactory*.
² People with daily household per capita income of US\$ 2 dollars or less.
³ People with daily household per capita income in between US\$ 2 and 5 dollars.
⁴ People with life satisfaction equal to *satisfactory* or better.
⁵ In a 1 to 7 scale.
⁶ In Mexican pesos, exchange rate approximately MN 9.3 Mexican pesos per US\$ 1 dollar.

Pattern *A* in graph 1 can be understood as the situation of a person who moves in Table 7 from column D to column A; she is no longer in income poverty (average income increases 160 percent and places her well above the US\$2 dollars income line), but her life satisfaction remains more or less similar. Her life satisfaction does not increase because her higher income does not translate into greater satisfaction in most

domains of life. On the other hand, pattern *B* can be understood as the situation of a person who moves from column D to column B. Persons in column B are not only out of economic poverty, they are also out of well-being deprivation; their life satisfaction is on average 65 percent higher. It is observed in Table 7 that higher life satisfaction is attained because satisfaction in all domains of life increases dramatically. Hence, the desirable pattern out of income poverty is from D to B, rather than from D to A. It means that the increase in income can have a larger well-being impact if it is accompanied of policies that increase satisfaction in all domains of life, rather than restraining their impact to the *economic* and *job* domains of life.

8. Contribution from the Subjective Well-Being Literature

The subjective well-being literature can provide useful hints to design integrated poverty-abatement programs. For poverty-abatement programs to be well-being enhancing it is desirable for a person not only to have more income, but also to concurrently have some of the following qualities and attributes, among many others:

8.1 The role of leisure

a. Intrinsic value of leisure

The importance of leisure must not be neglected, not even at low income levels. Lloyd and Auld (2001) and Lu and Hu (2005) have shown that leisure is an important source of well-being and that its use in social activities is well-being enhancing. Klumb and Perrez (2004) provide a survey of the importance of leisure for well-being. Furnham (1991) discusses the principles for leisure satisfaction.

b. Leisure and the production of relational goods: From social capital to interpersonal relationships

Furthermore, leisure time allows for the production of relational goods, which have been found to be important for well-being and which are time-intensive in their production. Fostering long-lasting friendship relations requires time. Powdthavee (2005) has found a close and positive relationship between friendship and happiness. Myers (2000) shows that friendship and good partner relationships are closely related to subjective well-being. Rojas (2007a) shows that a satisfactory relationship with partner and children constitutes a main source of happiness. Family and friends provide such important goods as emotional support, care and nurturing, confidence and self-esteem development, and acceptance and correspondence of sentiments. In a study in the United States, Thomas (1990) finds out that leisure time is significantly related to

marriage satisfaction, women value having time to communicate with their partner, while men value family cohesion. Orbuch et al. (1996) found out that couples that manage to reduce their working hours and to spend more time together do achieve higher marriage satisfaction. Better and more gratifying family relations contribute to the reduction of adolescent problem behavior (Suldo and Huebner, 2004). Shapiro and Lambert (1999), Amato (1994) and Vanderwater and Lansford (1998) show that divorce and parental conflict can have a negative impact on the well-being of children; while Wenk (1994) finds out that parental involvement increases children happiness. Huebner et al. (1998) show that a satisfactory marriage relationship is the main explanatory factor for the well-being of children. In a study with Korean data, Yang (2003) found that an increase in economic resources can be associated to greater well-being as long as family relations involve love, care, recognition and acceptance. Evans and Kelley (2004) find out that having a stable and long-lasting marriage does make a significant impact on a person's happiness.

8.2. The importance of education: From human capital to wisdom for life

Little difference has been made between education and human capital. The basic aim of conditioning transfers to school attendance is based on increasing the human capital of beneficiaries. The predominance of income as a proxy for well-being neglects the intrinsic value of education. Rojas (2007a) has shown that a person's education is strongly related to her *family* (partner and children), *self* (personal development, use of leisure time, and so on) and *job* satisfaction. Educated people have more gratifying relations with their partner, children and rest of family; they do also have more satisfactory occupations, and they do pursue more stimulating and gratifying hobbies and interests. Similar findings about the important role of education have been found by Ross and Willigen (1997) who argue that a better education allows for more control over personal life and a better use of leisure time. Briant and Marquez (1986) show that education allows women to socially integrate and to acquire more decision power within families and societies. Kirkcaldy and Furnham (2004) find a strong relationship between education and subjective well-being. Further research should focus on pedagogies for life satisfaction rather than on years of school attendance; this is an understudied area in subjective well-being research.

8.3. The community: From social capital to interpersonal relations

Persons do live in communities. Their well-being also depends on the qualities of their near surrounding. Of special importance is the existence of neighborhoods;

while some social-assistance programs have focused on providing a roof to poor families, subjective well-being research emphasizes the need of providing neighborhoods. Sirgy and Cornwell (2002) found out that community satisfaction is relevant for a person's life satisfaction. There are also well-being costs of migrating to attain additional income. Rokach (2000) discusses these uprooting costs when a person leaves her community and friends.

Palomar (2000) found that access to urban recreational areas substantially increases the well-being of Mexico City's residents. The positive well-being impact of healthy habits -such as exercising- is found by Hayes and Ross (1986).

8.4. Consumer skills

An increase in income does not necessarily ensure having more economic or life satisfaction. It all depends on how this additional purchasing power is spent. If beneficiaries of poverty-abatement programs do lack consumption skills then it is very likely for their additional purchasing power to be used in the satisfaction of desires that contribute little to their well-being. Thus, their additional income does generate little increase in their well-being. Rojas (2007b) shows that there is considerable X-inefficiency in the use of income at all income layers. Thus, well-being enhancing programs should focus not only on raising income but also on providing the knowledge, information and education for people to spend it wisely.

Special attention must be placed on how values are modified as a consequence of the program. Kasser and Ryan (1993) show that there is little gain in well-being if people become more materialistic and focus their life in pursuing economic benefits.

8.5 Enhancing poverty-abatement programs: The scope of public concern

There is a big risk of neglecting and underestimating the importance of well-being enhancing factors when focusing only on income poverty. It is important to worry about getting people out of income poverty, but it is a superior strategy to worry about what additional skills people do need to have a more satisfactory life.

Public policy has recognized that a person's capacity to generate income is a matter of social concern and of social influence. In a similar way, it should be recognized that a person's satisfaction with life is not only a private matter; it depends on social and institutional factors such as the kind of education provided, the values promoted, the way public expenditure and direct transfers are allocated, access to recreational and community services, the nature of the family, migration and demographic patterns, and so on. Social policy and economic development should not

only be concerned about getting people out of income poverty, but also about placing them in a situation that promotes a life that is judged by the person herself as a satisfactory one.

The evaluation of poverty-abatement programs should go beyond income to incorporate a subjective well-being module. It would be very useful to know how life satisfaction, as well as satisfaction in many domains of life, is modified by these programs. Having the appropriate well-being information would be useful to design better programs.

9. Final Considerations

This paper addresses an issue of social relevance; it questions the assumption that raising a person's income automatically improves her well-being. The assumption has been dominant in the design of social policies and in the debate on development strategies. The predominance of a limited conception of poverty that overestimates the importance of income and of the economic domain has led to a neglect of other relevant dimensions of being and could reduce the capacity of social policies to promote personal well-being. The subjective well-being approach is useful to expand our understanding of what means to be human and what means to be in well-being deprivation.

It was shown that subjective well-being is broader and richer than what a person's income can indicate. Some dissonance in the classification of persons as being in income poverty and being well-being deprived do show up. It is possible to find people who are in income poverty while not being in well-being deprivation, as well as people who are in well-being deprivation but not in income poverty. Dissonances are explained on the basis of the domains-of-life literature; which states that a person's satisfaction with life depends on her satisfaction in many concrete areas of life where the person is being a human being.

The paper argues that although helpful, the abatement of income poverty does not ensure the reduction of well-being deprivation. Thus, it is not only important to reduce income poverty, but it is also important to do it in a way that fosters well-being. Any strategy to reduce income poverty must take into consideration its impact on the other domains of life where people are being humans and from which they do attain most of their life satisfaction. It could be possible for some policies to reduce income while having little -or even a negative- impact on well-being. Public policy should

worry not only about getting people out of income poverty, but also about placing them in a situation that fosters their life satisfaction.

The paper shows that to improve the well-being impact of poverty-abatement programs it is imperative to recognize: First, persons are complex and they derive their well-being from satisfaction in many domains of life. Second, even though the economic domain of life is relevant, it does not determine life satisfaction. Third, an increase in income –and, perhaps, in economic satisfaction- is not necessarily accompanied by a raise in satisfaction in other crucial domains of life. Fourth, it is possible to design programs that expand the positive impact of a raising income on life satisfaction. Fifth, in order to enhance these poverty-abatement programs it is necessary to go beyond the economic domain of life to consider the impact of public policies in other domains. Sixth, the sphere of public intervention should not be limited to those factors related to income generation alone.

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