Abstract for “Poverty and Life Satisfaction – Evidence from Switzerland”

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The present paper analyses the influence of poverty on general life satisfaction in Switzerland. Poverty is operationalized both as conventional income poverty and as capability deprivation, a concept suggested by Sen (1992). So far only two studies scrutinised this link and both used German panel data. While Suppa (2012) has a focus on poverty as capability deprivation, Clark et al. (2013) adopt conventional income-poverty measures. Both studies employ the common empirical life satisfaction framework and pay particular attention to the issue of adaptation to poverty.

Data and Methods

For analysing poverty in Switzerland, the present study employs the first eleven waves of the Swiss Household Panel and draws on both conventional income-poverty and poverty as capability deprivation. Income poverty is measured as 60% of the median net equivalence household income. Following Suppa (2012), poverty as capability deprivation first requires non-consumption of certain goods, which are pivotal for functioning achievements. For instance, inviting friends for dinner can be conceived as important means for the functioning of 'participating actively in social life'. Moreover, the information of non-consumption is augmented with the self-reported reason, i.e. 'I cannot afford' and 'other reasons' help to discriminate between a seriously contracted capability set and a reasonable preference for other consumption patterns. Specifically, the non-consumption of a good, pivotal for some functioning achievement, together with the respondent reporting 'I cannot afford' is argued to indicate an insufficient income---a concept the capability approach of Sen (1992) provides a profound meaning for; see also Suppa (2012) on this. Goods or activities considered as pivotal are a subset of those items, which are frequently used within the material deprivation literature in the tradition of Townsend (1979). For instance, inviting friends at least once a month for dinner, going to the dentist if needed, or a one-week holiday away from home once a year.

For the econometric analysis, I apply the widely-used empirical life satisfaction framework, i.e. I control for the common socio-demographic variables (e.g., age, education, employment and marital status) and unobserved heterogeneity alike. For analysing adaptation to poverty, I adopt the approach suggested by Clark et al. (2008). Specifically, poor individuals are partitioned according to the time of being exposed to the adverse conditions. Thus, explicit use is made of the data\'s panel structure. The analysis of adaptation is constrained to six out of eight items due to data limitations.

Results

The results suggest, that an income below the common poverty thresholds (50% or 60% of the equivalence net household income), in fact, reduces general life satisfaction (in line with Clark et al., 2013). This effect, however, vanishes once a non-linear effect of household income is allowed for. This finding is in contrast to results for Germany, see Suppa (2012).
However, the results also suggest that poverty as capability deprivation bites, i.e. it reduces life satisfaction significantly. More specifically, for seven out of eight items I find that their non-consumption reduces life satisfaction significantly, if the respondent reports she 'cannot afford'. Thus, affected respondents face, indeed, a painful dilemma. Instead, non-consumption for other reasons is found to have only a small or no impact on life satisfaction (as expected). The effects incur in addition to the employment status and the simple (non-linear) influence of income. Moreover, owing to the linear framework, the respective costs can be added easily. This implies larger psychic distress for multiple deprivation than for being unemployed. Moreover, I can reject adaptation to the adverse conditions during the two subsequent years after entrance for four out of six deprivations. Thus poverty as capability deprivation due to an insufficient income seems, indeed, to rank among those conditions individuals fail to adapt to.

The results lend support to the importance of the reason for non-consumption, originally introduced by Mack and Lansley (1985). However, a need for their improvement is demonstrated as well. Finally, the results help to relate the work on the capability approach and the life satisfaction literature more closely to each other. The present study demonstrates that subjectively provided information can be used to detect deprivation---contrary to a generic distrust of scholars from the capability approach field. On the other hand, life satisfaction research receives thorough conceptual underpinnings from the capability approach. More generally, this study therefore contributes to a more comprehensive and compelling approach to human well-being; and a better understanding thereof.