

# Relational Capabilities and Subjective Well-Being: Influence of Exclusion and Ethnic Polarization

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# Outline

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  - Data
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## Approach

- Novel approach for exploring questions that revealed preferences cannot answer, such as the welfare effects of macro and institutional arrangements (inequality, macroeconomic volatility), and the explanation of behaviors that are driven by norms and expectations.
- Reported happiness as instrument for examining the role of a range of contextual and environmental factors on the welfare of individuals and cohorts, without asking direct questions about these factors - avoids framing bias in the answers.

## Research questions

- How perceptions of exclusion (self-reported discrimination and sense of disenfranchisement) has an impact on SWB and Relational Capabilities?
- Do ethnic tensions (polarization and/or fractionalization) explain this sense of exclusion?
- What policy lessons can be drawn from focusing on exclusion and its implications for SWB and Relational Capabilities?

# SWB and Relational capabilities

- SWB: Four-point Likert-type scale of this form, *“Generally speaking, would you say that you are satisfied with your life?”*
- Relational Capabilities
  - Integration to networks (employment, transport, access to information, telecommunications)
  - Private relations (Family ties, close friends, emotional support, financial support, trust in community)
  - Civic commitment (collective action, political participation, solidarity and interpersonal trust)

## Exclusion as lack of social cohesion

- Exclusion – discriminated and/or disenfranchised (not feeling like a citizen of the country). Exclusion as a lack of social cohesion.
- 2001: *“How do you feel, mainly? Do you feel like a white, a mestizo, a (nationality), an hispano-american, an indigenous, a black or an immigrant?”*
- 2009: *“Would you describe yourself as part of a group that is discriminated in (country) or not?”*
- Ethnic Polarization – Reynal-Querol (2002) and Esteban and Ray (1994).

# Data

- Latinobarómetro (2001, 2009 and 2015 (soon)) values surveys used.
- A representative survey of 18 Latin American countries with a sample size of 20,000 each year.
- Unique to test our hypotheses - social exclusion, ethnic polarization, SWB and relational capabilities etc.

# Approach

- OLS and ordered logit analyses explored
- Reduced form
- Autocorrelation of macro on micro variables controlled for (Moulton bias)
- *Affect* variables not controlled for



## Model

$$RC_{i,c}/SWB_{i,c} = \alpha + X'_{i,c}\beta + Excluded'_{i,c}\gamma + POL'_c\delta + Excluded'_{i,c} * POL'_c\zeta + F_c + \epsilon_{i,c} \quad (1)$$

- $X'$  a vector of socio-economic correlates - age, age squared, sex, education, occupation, marital status, size of the town/city, religious denomination, religiosity, ethnicity and wealth index.
- Country fixed effects included

## Polarization measures (1)

- Fractionalization [Easterly and Levine (1996), Englebert (2000), Fearon (2003)]
- Esteban and Ray (1994) – “On the measurement of Polarization”
- Reynal-Querol (2002) – “Why ethnic fractionalization? Polarization, ethnic conflict and growth”

## Polarization measures (2)

Esteban and Ray (1994):

$$P(\pi, y) = k \sum_{i=1}^N \sum_{j=1}^N \pi_i^{1+\alpha} \pi_j |y_i - y_j|$$

$$k > 0$$

$$\alpha \in (0, \alpha^*] \text{ where } \alpha^* \simeq 1.6$$

Reynal-Querol (2002) and Montalvo & Reynal-Querol (2005):

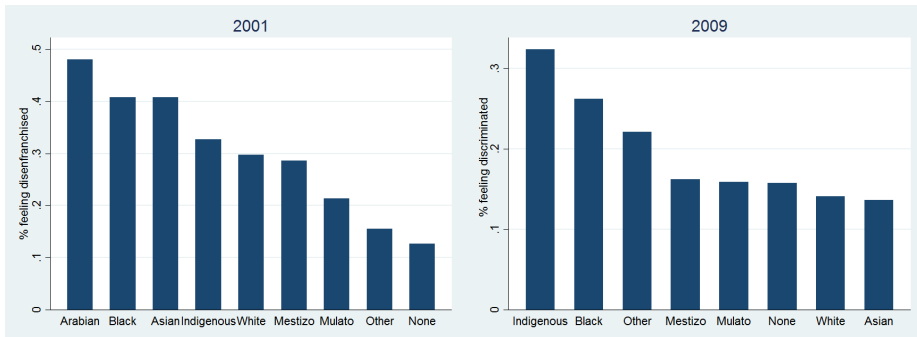
$$RQ = 1 - \sum_{i=1}^N \left( \frac{0.5 - \pi_i}{0.5} \right)^2 \pi_i$$

## Ethnic composition

	2001				2009		
Ethnicity	Freq.	Percent	Cum.	Ethnicity	Freq.	Percent	Cum.
Black	1415.77	7.81	7.81	Black	901.25	4.46	4.46
Indigenous	2073.76	11.44	19.24	Indigenous	1735.81	8.59	13.05
White	5086.19	28.05	47.29	White	5549.59	27.47	40.52
Mulattos	839.52	4.63	51.92	Mulato	1209.40	5.99	46.51
Mestizo	5529.56	30.49	82.41	Mestizo	8701.88	43.07	89.58
Asian	137.99	0.76	83.17	Asian	168.45	0.83	90.41
Others	975.83	5.38	88.55	Others	305.74	1.51	91.92
None	878.06	4.84	93.39	.	1631.89	8.08	100
.	1198.34	6.61	100	Total	20204	100	
Total	18135	100					

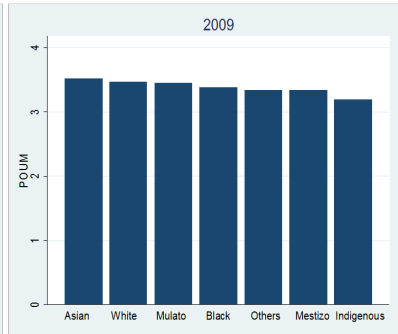
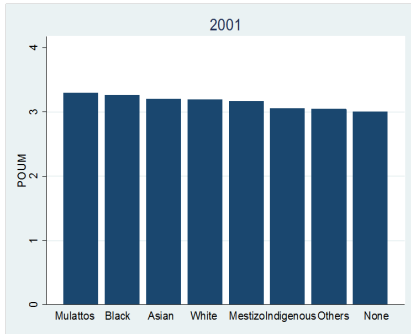
Only increase as a proportion of population found among individuals identifying themselves as Mulato and Mestizo by 1.36% and 12.58% respectively between 2001 and 2009.

## Exclusion perception by ethnicity



Indigenous groups' exclusion perception hasn't changed, whereas it has improved for all other groups between 2001 and 2009.

## Perception of upward mobility (POUM) by ethnicity



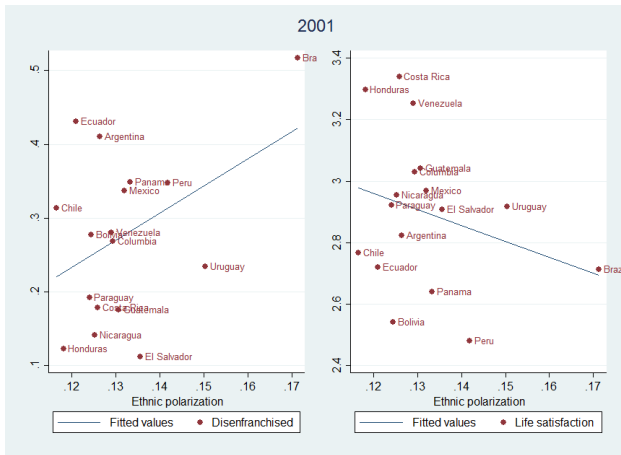
Indigenous groups are edged out by other ethnic groups in their POUM throughout. Concurrently, POUM has marginally improved for all groups between 2001 and 2009.

## Exclusion by size of town

Size of town									
Exclusion	Up to 5'	5'-10'	10'-20'	20'-40'	40'-50'	50'-100'	>100'	Capital	Total
2001									
No	269.57	644.68	1053.96	1762.93	554.50	1486.18	3471.33	3596.36	12839.51
	2.10	5.02	8.21	13.73	4.32	11.58	27.04	28.01	100.00
	68.30	74.50	76.64	77.59	78.72	70.82	65.69	69.96	70.80
Yes	119.86	214.83	295.00	477.01	138.99	562.31	1738.94	1475.83	5022.78
	2.39	4.28	5.87	9.50	2.77	11.20	34.62	29.38	100.00
	30.37	24.83	21.45	20.99	19.73	26.80	32.91	28.71	27.70
2009									
No	803.71	858.66	1698.71	2220.58	890.12	1705.31	5430.15	2319.06	15926.30
	5.05	5.39	10.67	13.94	5.59	10.71	34.10	14.56	100.00
	79.62	77.85	74.29	78.98	77.22	80.54	80.36	78.19	78.83
Yes	172.96	192.54	477.31	476.02	210.42	316.35	1054.89	553.44	3453.93
	5.01	5.57	13.82	13.78	6.09	9.16	30.54	16.02	100.00
	17.13	17.46	20.87	16.93	18.25	14.94	15.61	18.66	17.10

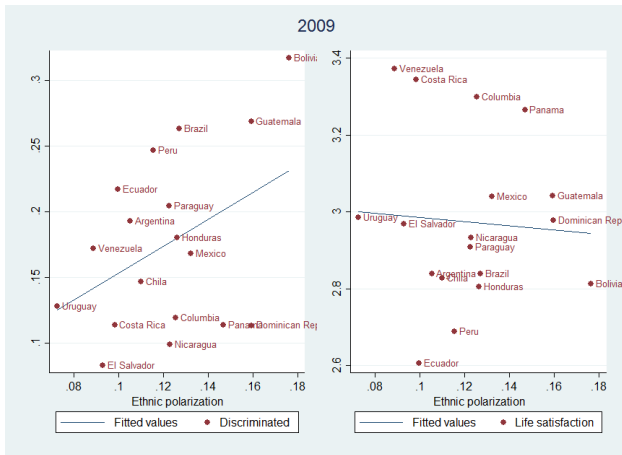
A quick look suggests that size of town doesn't matter for the sense of exclusion in the years 2001 and 2009.

# Exclusion, Ethnic polarization and SWB - 2001





# Exclusion, Ethnic polarization and SWB - 2009

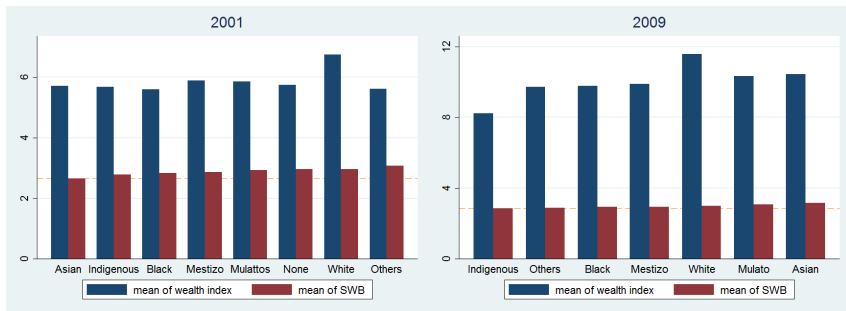


## Exclusion and SWB

SWB	Disenfranchised			Discriminated		
	0	1	Total	0	1	Total
not at all satisfied	572.4	306.8	879.2	465.5	199.5	665.1
	4.48	6.16	4.95	2.93	5.8	3.44
not very satisfied	3,260.3	1,531.4	4,791.7	3,717.1	1,209.8	4,926.9
	25.54	30.75	27	23.41	35.14	25.5
fairly satisfied	5,281.3	1,982.1	7,263.4	6,785.1	1,291.1	8,076.1
	41.36	39.8	40.93	42.73	37.5	41.8
very satisfied	3,653.7	1,159.7	4,813.4	4,911.7	742.1	5,653.8
	28.62	23.29	27.12	30.93	21.56	29.26
Total	12,767.9	4,980.1	17,748	15,879.4	3,442.5	19,322
	100	100	100	100	100	100

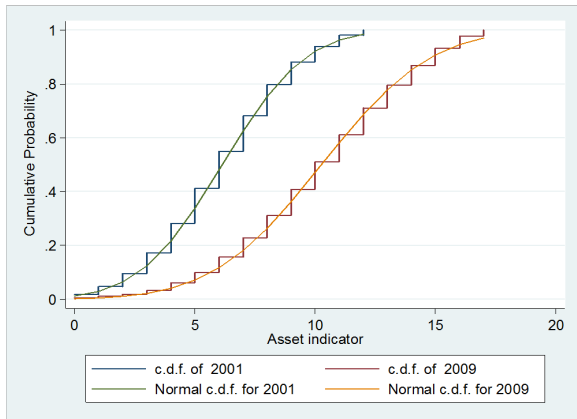
The SWB gap clearly switches signs for excluded and non-excluded populations.

## SWB and Wealth by Ethnicity



Indigenous and black groups are among the lowest on wealth and SWB for 2001 and 2009.

# Wealth index



Increased number and types of assets between 2001 and 2009.

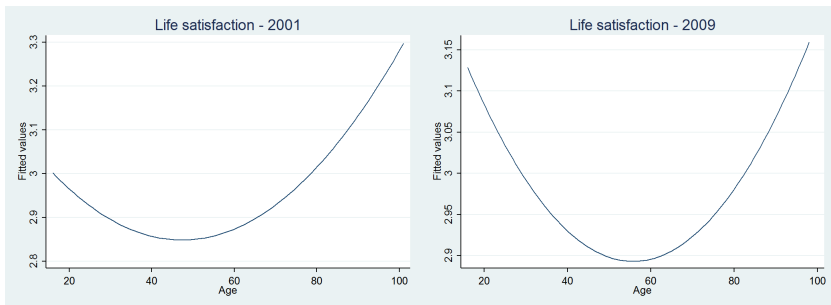
## Easterlin paradox?

Trends: Latin America (2000-2011)	
(n=18, time span = 7-12 years, mean = 11.72 years)	
Annual change in LS (scale 1-4)	0.052
Annual growth in GDP/capita (percent)	2.557

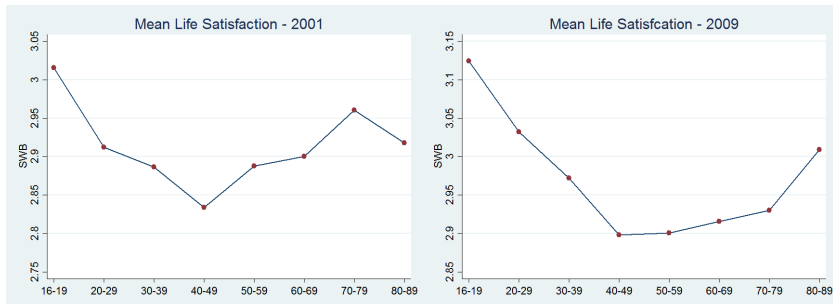
Latin America (n=18, LS=1-4 scale, 11 assets)			
Year	Life satisfaction	Wealth index	GDP/capita
2001	2.90	5.92	\$ 3,523.3
2009	2.97	9.87	\$ 4,290.1

First signs of plateau?

# Life satisfaction and age (1)



## Life satisfaction and age (2)



Cross-sectional evidence of a U-shape relationship.

## Intent to migrate - 2009

Discriminated	No	Yes	Total
0	13008	2738	15746
	82.61	17.39	100
1	2661	711	3373
	78.91	21.09	100
Total	15670	3449	19119
	100	100	100

Discriminated people are more likely to have *seriously considered* to migrate.



# Life satisfaction - 2009

	SWB and social exclusion				
	1	2	3	4	5
Age	-0.018***	-0.017***	-0.018***	-0.018***	-0.018***
Age sq.	0.000***	0.000***	0.000***	0.000***	0.000***
Male=1	0.021*	0.024*	0.02*	0.019*	0.019*
Years at school	-0.011*	-0.011*	-0.010*	-0.010*	-0.010*
Years at school sq.	0.001***	0.001***	0.001***	0.001***	0.001***
Wealth	0.028***	0.027***	0.027***	0.027***	0.027***
Single	-0.027*	-0.023	-0.025	-0.025	-0.025
Seperated/Divorced	-0.106***	-0.104***	-0.103***	-0.103***	-0.103***
Lives in the capital	0.001	0.004	0.01	0.01	0.009
Public wage		0.08***	0.084***	0.084***	0.083***
Private wage		0.019	0.018	0.018	0.017
Unemployed		-0.129***	-0.123***	-0.123***	-0.123***
Retired		0.022	0.016	0.015	0.014
Homemaker		0.009	0	-0.001	-0.002
Student		0.052*	0.043	0.042	0.042
Discriminated=1			-0.179***	-0.275***	-0.425***
Discriminated*FRAC				0.174	
Discriminated*POL					0.337**
Observations	18323	18323	17653	17653	17653
Adjusted R2	0.098	0.1	0.107	0.107	0.107

# Life satisfaction - 2001

	SWB and social exclusion				
	1	2	3	4	5
Age	-0.014***	-0.013***	-0.013***	-0.013***	-0.013***
Age squared	0.000***	0.000***	0.000***	0.000***	0.000***
Male=1	0.03**	0.038**	0.04**	0.04**	0.04**
Years at school	0.013*	0.014*	0.014*	0.014*	0.014*
(Years at school)2	-0.001	-0.001	-0.001	-0.001	-0.001
Wealth index	0.051***	0.049***	0.049***	0.049***	0.049***
Single	-0.018	-0.008	-0.005	-0.005	-0.005
Seperated/Divorced	-0.051*	-0.048*	-0.048*	-0.048*	-0.048*
Lives in the capital	-0.043**	-0.038**	-0.037*	-0.037*	-0.037*
Public wage		0.072**	0.07**	0.07**	0.07**
Private wage		0.013	0.013	0.013	0.012
Unemployed		-0.182***	-0.185***	-0.185***	-0.185***
Retired		0.055	0.057*	0.057*	0.057*
Homemaker		0.014	0.013	0.013	0.013
Student		0.029	0.025	0.024	0.024
Disenfranchised		-0.065***	0.094	-0.403***	
Disenfranchised*FRAC			-0.228		
Disenfranchised*POL				0.481**	
Obs	16201	16201	16017	16017	16017
Adj. R2	0.103	0.107	0.108	0.108	0.108

# Relational capabilities - 2009

	Relational capabilities and social exclusion			
	LC	PR	CV	RCI
Discriminated=1	-0.043*	-0.164***	0.029	-0.055
Discriminated*POL	0.039	0.169***	-0.057	0.015
Observations	14016	16151	16417	12285
Adjusted R2	0.191	0.027	0.063	0.049

## Conclusions

- Disgruntled due to unmet expectations – as a result of income (non)growth? Like the *malaise français*.
- Or feeling of government's misplaced priorities?
- Polarization plays an accentuating role in determining social exclusion (discrimination and not disenfranchisement).
- Expected signs of other standard correlates consistent with the literature.

## Extensions

- Revisit functional forms?
- Same question reappeared (!) in 2015 – providing an opportunity for Propensity Score Matching
- A counterfactual approach – synthetic panel of those who *exit* the sense of exclusion over time
- A natural experiment to explore causality of the relationships found here

# Questions?

*Thank you!*  
*Gracias!*