

Economic Factors Affecting Life Satisfaction in Iran

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Abstract:

The subject of the life satisfaction is one of the important issues in development economics literature. In this paper, the main determinants of life satisfaction such as economic factors have been considered. For data analysis, the indices of life satisfaction have been collected among 400 people in Tehran and neighbouring provinces by applying stratified random sampling method. Then, data field method and questionnaire have been used for data analysis. The empirical results of this paper reveal that GDP and HDI index have positive and other explanatory variables such as income inequality, population growth have positive and negative significant impact on the life satisfaction in Iran respectively.

JEL Classification: C23; O11

Keywords: Life Satisfaction, Economic Indices, Welfare and productivity, human's subjective Indices, Government Policy

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1. Introduction

The life satisfaction can be defined as an understanding of lives and feeling about the future, a kind of measuring well-being. Initially, the model was forwarded by Adrian g, white and analysis of the political scientists at the University of Leicester. The theory are very diverse in areas of life satisfaction as well, to the extent of the objective factors and impacts and how to improve the material conditions of people's satisfaction levels .The results of their studies have shown the objective conditions had a decisive role on the level of people's satisfaction.

Widespread discrimination , wealth and income disparities , and the pursuit of machine life, affects satisfaction and happiness in the nuclear age .In fact, wealth is assumed to increase with the increase of happiness and satisfaction .Many researches on this topic indicate satisfaction of living in the different scientific disciplines in the new phase of the changes.

Thinking of economic growth as a main factor of satisfaction and thinking to a better life dominated on the classical literature of economics. Better life means not only to increase revenue, but also the means to increase quality of life. In fact, tends to increase the satisfaction of the individual's life or well-being is forwarded to the higher, and both of these two things are completely different.

The subject of the economic satisfaction pays attention to the economic objective indices, which lead to wellbeing and economic productivity, associated with human's subjective indices. So the concept of sustainable development and life satisfaction has significant compatibility by changing the people's consumption model and the change in government policy. According to this theory, suggesting gross domestic product, the human development index and reducing inequalities in income distribution had a positive effect on life satisfaction. With regard to the effect of economic prosperity on the consent of the life of these factors should be considered as the economic condition of the State plan.

2. Theoretical Framework

The American economist Richard Easterlin, years ago in 1974, paid his attention to the phenomenon of life satisfaction and attractive revenue. Today we may call it as so called Easterlin economic paradox. Easterlin not only in America but also in other industrial nations also observed that today's generation of very wealthy parents, compared to the past, are not more satisfied and happy. According to the findings of the Easterlin and other researchers, in poor countries only in the general, life satisfaction along with the average revenue growth increases. As soon as a person's income level reaches a minimum livelihood, positive correlation quickly disappears. The latter is an important factor for explaining the paradox. Easterlin paradox may be interpreted that each person gradually receives diminishing marginal satisfaction from income at higher level of income to be used along with the increased income, in accordance with the needs and demands of its perceptual time increases. In this way, we may assume initial wealth can bring social security and improve health, and reduce miseries and unhappiness.

After explaining the concept of life satisfaction and the necessity of measuring it and the mutual relation between people's satisfaction with income during the various stages of income growth, the theoretical hypothesis are examined i.e. the economic factors and non-economic factors affecting the satisfaction of living. We'll pay attention according to the hypothesis of this research, i.e. the positive and negative impact on the life satisfaction of individuals:

2.1- GDP: The theoretical basis of a person's life or community consent should be assessed using the compliance functions, but compliance is a subjective concept that may not be easy to be converted into quantitative measures. Therefore, in order to calculate the level of well-being of the individual and the community can use the realization of the income from the production.

The first part of the research on the life satisfaction i.e. GDP considered a valuable target. This is especially true for developed countries that most

of the population's living standards high. In the poorest countries life satisfaction of human quality and revenues is different. This study is an analysis of the relationship between gross domestic product and the satisfaction of life in Iran. It also will show that the use of more precise results in a sensitive indicator of satisfaction will be presented.

2.2- Human development index (HDI)

Combined human development index to gauge success in any country in three basic criteria of human development: Long and healthy life, access to knowledge and wisdom and the appropriate level of life. Development indices including life expectancy, literacy, education and the standards of living of a country are used in this research. This is a standard for measuring the well-being and life satisfaction. Moreover, these indices are used to measure the impact of economic policies on quality of life. These indicators are relying on this simple but powerful concept that development and life satisfaction are beyond making money.

2.3- The cost of health

However, there are a number of issues that dispose of in creating health and effect on life satisfaction. Health expenditure is one of the things that people would pay in order to get higher level of life satisfaction. For improving health and wellness and to keep them healthy, they have to pay the cost. If these costs are increased or with the status of the person are not receiving adequate income, People will feel discontent. In fact, part of the purpose of this study was to demonstrate it. Rising costs of health care will make people healthier but on the other hand the higher cost of improving the health care make them discontent and will appear dissatisfaction in the life of society.

2.4- The cost of families

The question that will be discussed here is to what extent the costs and The level of consumption and the template is determined by household income compared with other household combined variables, family type and where to stay or the status of the employment of family members as the structural description of the factors determining the satisfaction of

living costs. This study intends to examine the household's factor and limitations in terms of the budget.

2.5- Unequal income distribution (Gini coefficient):

Many analysis shows that income inequality and life satisfaction are significantly negative correlated. This is the result of a strong and estimation of choice and as well as in different income groups across the country in the midst of a variety of different countries.

2.6- Population growth:

The relationship between the populations of each country with the amount of economic prosperity and social security is a usual attention of international organizations and democratic governments the existing facts and figures shows the inverse relation of population figures, the density of population, annual population growth, with the national per capita and human development indices in developing countries. In this paper we try to examine the relationship between the demographic indicators and development indicators and life satisfaction. With the explosion of the population, limited natural resources may hamper the existing shortages.

3. Empirical Studies

The relationship between GDP And the life satisfaction in the EU, has been examined in an article by Mindaugas, Degutis, Sigitas , Urbonavičius , Algis Gaižutis, at the University of Vilnius Lithuania. The result of their study indicate that the national wealth in the form of increasing the level of life satisfaction remain constant. Results shows that in the process of regression analysis, the level of gross domestic product has a positive correlation with the consent of the person's life.

Tobias Pfaff, Johannes Hirata (2013) in an article entitled the dynamic relationship between the life satisfaction and economic growth in Germany and the United Kingdom examined the hypothesis of Easterlin in different developed and developing countries. The innovation of this research is the use of the fixed effects estimates data combination and the individual in the long run. The results of this study indicate that the

happiness and life satisfaction and national income are affiliated to each other at some point during the time.

The paradox relationship between the income and the satisfaction in article Eduardo Lora, Juan Camilo Chaparro (2008) has been reviewed. Accordingly, the findings of this research are relationship of the lack of satisfaction with the growth. On an individual level although the process of high earnings is reflected more satisfaction, but, an increase in revenue of social groups that the person belongs to, creates the opposite effect.

4. Research hypothesis

4.1- Increase in GDP and human development indices have a positive effect on the life satisfaction.

4.2- Increase the cost of Iranian family and health costs have a negative impact on the life satisfaction.

4.3- Reducing coefficient of Gini positively effects on life satisfaction.

4.4 - Population growth further reduced the life satisfaction.

5. Model Specification and Empirical Results

In this research, we used six variables. The structure of this study is a cross-sectional study. All variables affecting the function were confirmed at the possible level of 95 percent. In the model:

(LS) Life satisfaction, (GDP) gross domestic product (welfare indicators), (HDI) human development, (HEL) the cost of health,(GINI) Gini coefficient (income inequality),(POP) population growth rate.

$$LS = \alpha_0 + \alpha_1 GDP + \alpha_2 HDI + \alpha_3 FEXP + \alpha_4 HEL + \alpha_5 GINI + \alpha_6 POP \quad (1)$$

The above model has been estimated by Eviews software within the framework of data cross-sectional (In the year 2012)

Table 1. The results of Unit Root Test for Variables

LS	GDP	HDI	HEL	FEXP	GINI	POP
-4.877088	-6.295368	-4.988058	-6.763848	-6.26480	-5.336166	-6.927113

Source: Authors Calculations

Table 2. Results of Model Estimation

Method: Least Squares			
Sample: 1 50			
Included observations: 50			
Variable	Coefficient	t-Statistic	Prob.
C	2.331342	3.921784	0.0003
GDP	2.84E-05	2.431704	0.0188
HDI	6.083648	4.422638	0.0001
HEL	-0.286044	5.743027	0.0000
FEXP	-0.014585	-4.641653	0.0000
GINI	-0.026596	-2.417671	0.0199
POP	-0.150624	-2.852497	0.0048
R-squared		0.65	
F-statistic		9.143142	
Prob (F-statistic)		0.000002	
Durbin-Watson stat		2.182281	

Source: Authors Calculations

The results of model estimation reveal that, GDP and human development indices have positive and other explanatory variables such as cost of health, the cost of household, income inequality and population growth have negative and significant impact on the life satisfaction. But it should be noted that there is no any unconditional relationship between changes in these independent variable and life satisfaction. Although most countries indicate a strong relationship between this variable, but in our case may be considered as an exceptions.

6. Discussion

In some countries, can be seen clearly the existence of a positive relationship between GDP (welfare indicators) and life satisfaction. But some other countries show against this event and perfectly the emphasis

on Easterlin theory. Countries such as, Panama, Mexico, Thailand among the countries are that with the increase in the level of GDP, the satisfaction rate is also increasing. Serbia, Tunisia, Bolivia are countries that despite the negative GDP growth, observed a substantial satisfaction level. Iran, Qatar, Yemen and Iraq despite the positive growth in gross domestic product, life satisfaction level did not increase dramatically. In these countries life satisfaction levels did not increase. In countries with negative economic outlook, other factors rather than GDP growth effect on life satisfaction.

One of the other factors that impact on the life satisfaction is the human development index. According to the estimation of the model, there is a strong relationship between the HDI and the life satisfaction. With a little rise in the human development index, the level of satisfaction in developing countries including Iran is significantly increased. Human development index of positive communication had significant effect for many developing countries that shows enhancement of potential opportunities for health, educational quality necessary to prevent any unequal opportunity.

The cost of health had a negative relationship and meaningful with life satisfaction. In Countries with less health costs on society, there is also considerable satisfaction.

In this study, we found that a significant relationship and negative between life satisfaction index and the cost of households, according to the report obtained in the table expression. It should be to point out that the countries that have less household spending would have higher level of satisfaction. For example, the State of Qatar in selected countries in this research shows the lowest level of the household expenses, while the level of life satisfaction is the same as countries of higher ranks.

The main part of the income are spent on basic needs and living expenses in most of the developing countries and relatively poor states. The cost of living of members of society are reported more than the actual income for them. The main problem is taking over the size of

the people in these communities that need to change people's consumption behavior. Because of excessive consumption, the states have to bear excessive debt burden. With proper planning and rising of development oriented governments we may observe reverse trend of rising costs and boost the level of satisfaction of life in developing countries.

Our findings show negative effect on the income inequality on life satisfaction in selected countries including Iran. There is emphasis on this subject that countries that have a more fair income distribution entitled are to a high satisfaction level among selected countries .It is assumed more increase the welfare gap between rich and poor in developing countries as compared to developed countries. it seems that we should pay more attention to this truth and consider the relationship between income and life satisfaction in countries with different stages of development .The effects of income distribution describe the countries how to convert the economics growth in to welfare benefits. Enhancing the life satisfaction aims to expedite economic growth policies in a country with a total income distribution.

The structure of the population age groups representing the general status of any country or territory. The high percentage share of young in total population, indicating the shortage of production factors and capacity countries. In terms of the age group cost and in terms of non-productive economy, can devote significant amounts of national income into nonproductive sectors and hinder its progress. So increase in volumes of manpower may have positive effect when the economic benefits of larger population are necessary for building new economic capacity . If no extra net benefits are achieved, with the increasing population rates, the existing sources may not be used fairly .

7. Conclusion

In this paper, the effects of economic factors on life satisfaction in developing countries like Iran have been investigated. The results of model estimation show that the economic growth affects life satisfaction.

In some developing countries, including Iran, increase in the GDP has a significant impact on life satisfaction. In this research we discovered that income inequality has a negative effect on life satisfaction index; because poor and low income groups compare themselves with richer segment of people. Our finding shows that population growth does not lead to an increase in productive ability of the countries. More population growth and especially the state intervention in this matter will increase the social and economic burden of governments and all these problems will reduce the life satisfaction of population. Also in this study, we found that increase human development index in a significant amount will increase life satisfaction index, increasing the opportunities for health of people, educational range. More equal income distribution are necessary to prevent any gender inequality and dissatisfactions. Changing consumer behavior would be a way people consume more satisfactory. As a result, reduction of households expense and also planning to introduce standard behavior and economize the costs of members of society in the context of health will smoothly track to increase life satisfaction index. Increased life satisfaction in society, will raise life expectancy and may support societies for more sustainable development.

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Appendix: The HDI value of selected developing countries

Rating	country	HDI*(0-1)	Rating	country	HDI*(0-1)
1	Qatar	0.834	29	Macedonia	0.652
2	Hungary	0.831	30	Philippines	0.652
3	Chile	0.819	31	Syria	0.648
4	Argentina	0.811	32	Indonesia	0.648
5	Belarus	0.793	33	Kyrgyzstan	0.622
6	Uruguay	0.792	34	Tajikistan	0.622
7	Russia	0.788	35	Vietnam	0.617
8	Panama	0.780	36	Iraq	0.590
9	Mexico	0.775	37	Ghana	0.558
10	Malaysia	0.769	38	India	0.554
11	Serbia	0.769	39	Butane	0.538
12	Venezuela	0.748	40	Swiss	0.536
13	Iran	0.742	41	Bangladesh	0.515
14	Peru	0.741	42	Pakistan	0.515
15	Ukraine	0.740	43	Madagascar	0.483
16	Azerbaijan	0.734	44	Nigeria	0.471
17	Brazil	0.730	45	Nepal	0.463
18	Armenia	0.729	46	Yemen	0.458
19	Turkey	0.722	47	Zambia	0.448
20	Colombia	0.719	48	Malawi	0.418
21	Tunisia	0.712	49	Sudan	0.414
22	Republic Dominican	0.702	50	Mali	0.344
23	Jordan	0.700			
24	China	0.699			
25	Thailand	0.690			
26	Bolivia	0.675			
27	Egypt	0.662			
28	Moldova	0.660			