



Agency, Human Dignity, and Subjective Well-being



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SUMMARY

In the last decades, our understanding of human well-being and development has shifted from a traditional focus on income and consumption toward a richer multidimensional approach. This shift has been strongly influenced by a body of research in subjective well-being (SWB) and the capabilities' approach, which emphasizes the role of freedom, opportunities, and social inclusion on well-being. Using a novel nationally representative survey of Chilean households, this paper explores the relationship between life satisfaction and two "hidden dimensions" of development, agency, and human dignity. Human agency refers to the capability of an individual to control her destiny and make choices to fulfill goals set autonomously. Human dignity is associated with the absence of feelings of shame and humiliation, and is ultimately related to social inclusion. We use a method that allows to isolate the impact of personality traits affecting both SWB and capabilities' perceptions. Our results show that agency and shame are important predictors of life satisfaction, comparable in magnitude to the effect of income variables. The fact that capabilities that measure freedoms and social inclusion are aligned with well-being measures lends support to the view of human development as integral process. Policies to advance agency, and reduce shame and discrimination are discussed. In the case of shame and discrimination we emphasize the role of interventions that influence stigmatization and group boundaries.

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1. Introduction

In the last two decades, the understanding of human well-being and development has evolved substantially. The traditional focus on income, consumption, and material measures of well-being has shifted toward a much richer notion, characterized by a multidimensional approach. There are many reasons for this shift, from the realization that traditional theories and welfare measures fall short to describe and interpret societies, to access to more and better data. Two strands of theoretical and empirical advancements have been especially influential: the study of subjective well-being (SWB) and Amartya Sen's capabilities' approach to human development (Sen, 1992, 1995, 1999).

In contrast to traditional welfare measurement in economics, based on observed choices and indirect utility estimates that relate to individual resources, SWB measures are a direct indicator of psychological well-being. The study of SWB measures has shown that these measures are correlated but not fully determined by access to material resources or the satisfaction of basic *functionings* such as income, feeding, or sleep. For example, life satisfaction correlates systematically with affects and emotions experienced by an individual (Diener, Inglehart, & Tay, 2012). Importantly,

conditional on income, SWB seems to be systematically affected by policies and institutions.¹ In sum, while SWB measures require a careful interpretation, they provide information about a subjective dimension of well-being that is not entirely captured by income and other material measures, providing additional information to evaluate policies and institutional changes (Frey & Stutzer, 2002; Di Tella & MacCulloch, 2006).

On the other hand, a central axiom of the capabilities' approach is that individual well-being increases with the expansion of freedoms and opportunities that individuals have a reason to value (Sen, 1999).² Some capabilities such as income, education, and health are easier to measure and have been incorporated in the

¹ Di Tella, MacCulloch, and Oswald (2003) provide an interesting illustration of this issue by looking at the impact of an economic down term on SWB. Using a panel of individuals in European countries, they show that—controlling for income and employment status—the drop in SWB is significantly lower in countries with a stronger social insurance institutions. Another example is Inglehart and Klingemann (2000), who find an association between SWB and measures of political freedom at the country level.

² The capability approach has influenced different fields of economics. A list of important contributions include Alkire (2002), Atkinson, Cantillon, Marlier, and Nolan (2002), Alkire, (2007) Heckman (2007), Basu and Kanbur (2008), Stiglitz, Sen, and Fitoussi (2009), among others.

UN's Human Development Index (HDI), now widely used to assess development levels. Others such as *agency* and *human dignity* require richer datasets but can be equally or more fundamental.

In Sen's tradition, human agency or agency freedom refers to the capability of an individual to control her destiny and make choices to fulfill goals set autonomously (Alkire, 2002). On the other hand, human dignity is associated with the absence of discrimination, feelings of shame, and humiliation.³ Human dignity is ultimately related to social inclusion and freedom from social relations that deny equal treatment (Sen, 1999; Gauri, 2004). Alkire (2002, 2007) argues that agency and human dignity are two key dimensions of human development, largely missing in the assessment of development.⁴ Since human agency and human dignity are often times at the basis of general justifications of rights (Gauri, 2004), it seems relevant to explore their connection with well-being.

This paper explores the importance of human agency and human dignity in explaining subjective well-being. Our work uses a novel dataset representative of Chilean households, the "Other Dimensions of Household Quality of Life" (ODHQL) survey, especially designed by the Oxford Poverty and Human Development Initiative (OPHI) to gather internationally comparable indicators on employment quality, empowerment, physical safety, human dignity, and psychological and subjective well-being (Alkire, 2007).

Our hypothesis is that agency is positively correlated to SWB as it reflects the capacity of an individual to do what she values. The measure we use for agency is related with an individual's perception of freedom to decide for herself how to lead his life. A natural interpretation of the hypothesis is that the more freedom an individual has to decide how to lead her life, the more well-being she experiences. On the other hand, we focus on two aspects of human dignity: shame proneness and discrimination. Our hypothesis is that individuals that experience shame or feel discriminated more regularly should report lower levels of well-being.

Our first set of results provides correlational evidence on the importance of agency, shame, and discrimination in explaining SWB. The results are consistent with our hypothesis. However, since SWB and the perceptions of agency and dignity are subjective measures, an important concern is that the results would be potentially biased if we do not account for personality traits. Specifically, it has been shown that genetic factors are strongly correlated with happiness (Inglehart & Klingemann, 2000; Lykken & Tellegen, 1996). Moreover, personality traits such as repressive-defensiveness, trust, emotional stability, desire for control, hardiness, positive affectivity, private collective self-esteem, and tension have been linked to SWB (DeNeve & Cooper, 1998; Diener, Oishi, & Lucas, 2003). Indeed, Verme (2009) shows that SWB is strongly predicted by a measure of freedom of choice and locus of control, suggesting that individuals who believe more strongly that the outcome of their actions depends on internal factors (rather than external ones) appreciate more having freedom of choice than people who believe that the results of their actions are determined by external factors.

Using a method introduced by Van Praag and Ferrer-i Carbonell (2008), our data allow us to construct a measure of personality traits that we include as a control. After controlling for personality traits the OLS parameters associated with agency and shame decrease their magnitude in nearly 50% in the life satisfaction estimates. The parameter associated with discrimination decreases in magnitude and becomes statistically insignificant.

³ As Adam Smith described it, to have the *the ability to appear in public without shame*.

⁴ In addition to agency and human dignity, Alkire identifies employment quality, empowerment, and physical safety as the other dimensions that deserve more attention.

Overall, our results show that agency and human dignity are strong predictors of life satisfaction. The difference in life satisfaction levels between individuals who feel they have freedom to decide for themselves how to lead their life in comparison with the individuals that do not is roughly the same as the difference between people from the highest and the lowest income quintiles. Also, moving from highest to the lowest quintile of the shame proneness index increases life satisfaction the same as moving from the second to the highest income quintile. Finally, after including our proxy of personality traits, perceived discrimination is not associated with life satisfaction in our sample.

This study contributes to the growing literature emphasizing the importance of measuring capabilities that are central to human development and well-being but have been relatively understudied in empirical work. Previous work exploring the relationship between subjective well-being and different measures of freedom perceptions, autonomy, and attitudes toward emancipative values include Veenhoven (2000), Inglehart, Foa, Peterson, and Welzel (2008), Verme (2009), Fischer and Boer (2011), Victor *et al.* (2013). With the exception of Victor *et al.* (2013), all of these papers provide cross-country evidence of showing a positive association between SWB and freedom perceptions and attitudes. While none of these papers account for the importance of personality traits, our results on the impact of agency on SWB are consistent with previous findings. An important finding in Inglehart *et al.* (2008) is that countries that have expanded democratic freedoms and social inclusion have rising levels of SWB, which suggests that SWB in a country is affected by institutional changes that impact agency and human dignity. The negative relationship between perceived discrimination and health has received significant attention in the health literature (see, for example, Pascoe & Smart, 2009) but much less so in the SWB literature.⁵ To our knowledge the association between measures of SWB and shame proneness has not been widely studied.

More closely related to our paper are Graham and Nikolova (2015), Anand *et al.* (2009), and Anand, Krishnakumar, and Tran (2011). Graham and Nikolova (2015) use Gallup World Poll data from a large number of countries and explore the relationship between opportunities and SWB. An interesting contribution of their work is the attempt to decompose the contribution of actual capabilities and means (e.g. education, income) and perceived opportunities (e.g. autonomy). They find that both objective and subjective capabilities explain SWB measures and seem more important for life evaluations than hedonic well-being. The authors acknowledge that these relationships could be partially driven by "unobserved heterogeneity across personalities". Our analysis is complementary to theirs. We also investigate the impact of subjective perceptions of opportunities (controlling for a large number of actual or material capabilities) and place special attention in controlling for personality traits, confirmed to matter by our findings.

Anand *et al.* (2009, 2011) also aim to assess the empirical relationship between SWB and capabilities using surveys that were specifically designed to capture capabilities in different life domains. The main contribution of Anand *et al.* (2009) is to introduce suitably designed statistical indicators to measure human capabilities. Anand *et al.* (2011) propose a method to take into account the effect of personality traits, which requires specific data on personality traits (e.g. Big Five personality measures), and aggregates capabilities into a summary score or capabilities index. The method is applied to a survey of individuals from five Argentinian cities. The personality traits' battery of questions is not available in our survey nor many others. Instead, we use the

⁵ An exception is Werkuyten and Nekuee (1999) who study the relationship between discrimination and SWB for a population of Iranian immigrants in the Netherlands.

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