

SHOULD HAPPINESS BE A KEY MEASURE OF DEVELOPMENT? AN INTRODUCTION IN LITERATURE REVIEW

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Abstract:

Human development approach is focused on improving the people lives rather than assuming that economic growth will lead to greater opportunities for everybody. Researchers try to find new indicators to measure human development. Also, they consider that Human Development Index (HDI) is not enough to measure the human development level. Furthermore, it is believed that happiness has a positive impact on development. There were introduced two indexes for happiness: Happy Planet Index (HPI) and Gross National Happiness Index (GNH). Happy Planet Index is one of the indices developed to make up for deficiencies and limitations of HDI.

Keywords: Happiness Index, Human Development Index, Gross National Happiness Index, Happy Planet Index

JEL classification: C01, C40

1. INTRODUCTION

Human development approach is about giving people more freedom in order to live the lives they value. Furthermore, this means developing people's abilities, respectively to give people a chance to use them. Fundamentally, human development is about more choice. It refers in providing people opportunities. Nobody can guarantee human happiness, respectively the choices that people make are their own concerns. The process of human development should try to create an environment for people in order to have a reasonable chance of leading creative and productive lives that they value, and to develop to their full potential.

Starting with 1960, the main idea was that a high increase in national income of countries was an insufficient indicator to measure development. Some studies pointed out that even the highest economic growth rates from the most developed countries of the world aren't sufficient to bring happiness.

In the economical literaturere view, there are many studies that are trying to find different indicators to measure human development. The most representative measure is considered Human Development Index. Researchers argue that the HDI should not be rejected, but it is needed to better describe well-being. In these conditions, appeared new measures: GINI, HPI, GNP. Happy Planet Index has been examined as opposed to Human

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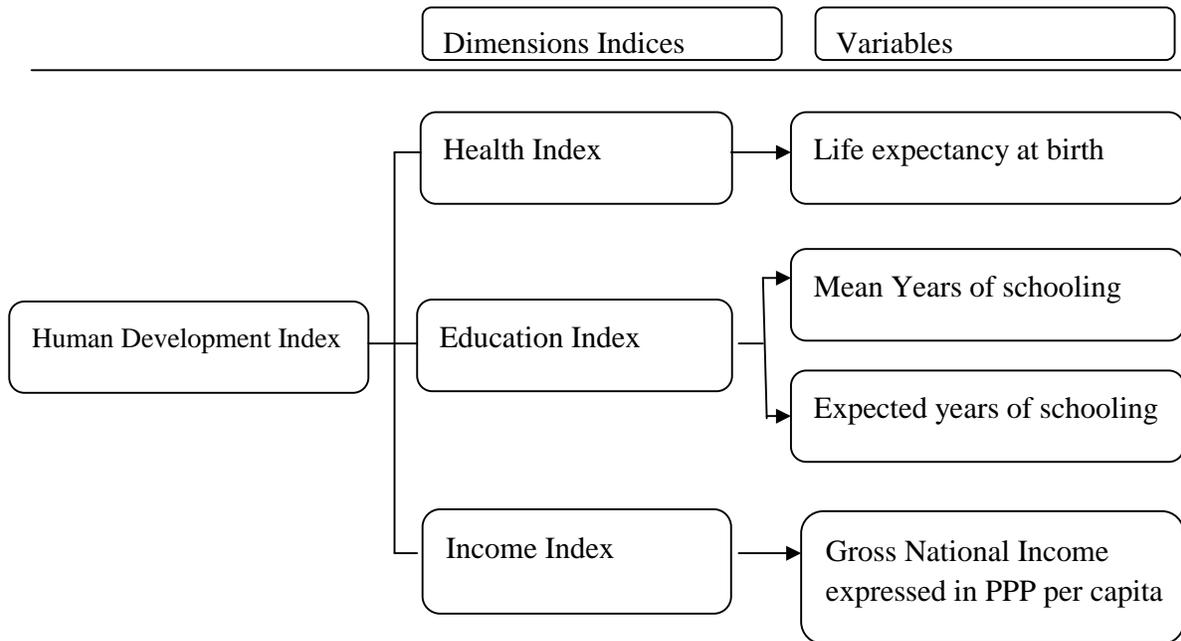
Development Index only in a few academic papers. Some countries are using Gross National Happiness Index as a development indicator rather than Gross National Income.

In our days, the whole world is going through a paradigm while trying to shift in the concepts of human development and economic development in terms of how it should define the growth. Happiness is considered to have a positive impact on human development, and it is desirable not only as a final goal but also because of its beneficial side-effects— especially, that happier citizens live longer, are more productive, contribute more to society and earn more.

2. HUMAN DEVELOPMENT INDEX

The values of Human Development Index (HDI) are published every year since the first Human Development Report from 1990 year. The index became a widely accepted benchmark for progress in human development by using only three dimensions: education, health and income (figure 1).

Figure 1: Structure of Human Development Index



Source: Authores` processing

The formula used in calculating this index is a geometric average of these three dimensions.

$$HDI = \sqrt[3]{LEB \times MYS \times GNIPPP}$$

The HDI values ranges on a scale between 0 and 1, where a value close to one indicates a high level of human development, respectively a value close to zero indicates a low level of human development.

3. HAPPY PLANET INDEX

The Happy Planet Index (HPI) was published for the first time in July 2006 and it was created by Nic Marks, which is the founder of Centre for Well-being at NEF. HPI is considered to be a global measure for sustainable well-being.

High scores of HPI can be achieved only when the targets from the index (high life expectancy, high life satisfaction, respectively a low ecological footprint) are fulfilled. Furthermore, HPI includes experienced well-being (measured by happy life years, which is obtained by multiplying life expectancy and life satisfaction) and resource consumption (measured by ecological footprint).

HPI scores lies on a scale between 0 and 100. The general formula used to calculate the index is:

$$Happy\ Planet\ Index \approx \frac{Experienced\ well - being * Life\ expectancy}{100} \quad 2$$

Alternatively, using its three primary components, the formula for HPI can also be expressed as:

$$Happy\ Planet\ Index = \theta * \frac{[(Ladder\ of\ life + \alpha) * Life\ expectancy] * \pi}{100} \quad 3$$

where: a = 2.93, b = 4.38, p = 73.35, φ = 0.60

There is a target for nations in order to aspire to by 2050 of 89. The present results confirm that people are still not living on a happy planet.

Experienced well-being is measured by asking respondents to imagine a ladder, where 10 represents the best possible life and 0 the worst possible life. Life expectancy refers to life expectancy at birth, and the data is obtained from UNDP Human Development Report. Ecological Footprint is a per capita measure of the amount of land required to sustain a country's consumption patterns. It is measured in terms of global hectares (g ha).

4. GROSS NATIONAL HAPPINESS INDEX

Gross National Happiness Index (GNH) was introduced in 1972 by Jigme Dorji Wangchuck, the former King of Bhutan. This index is calculated in order to reflect general wellbeing and happiness of Bhutanese population. The measure included first only four domains: conservation of natural environment, sustainable development, preservation and promotion of cultural values, respectively establishment of good governance. Since 2010, the Gross National Happiness index is designed to include nine domains that are selected as well

as statistical grounds, respectively are equally weighted. The nine domains are presented in table 1:

Table 1: Structure of Gross National Happiness Index

	Dimensions	Indicators	The weight of indicator
1.	Psychological wellbeing	Life satisfaction	1/3
		Positive emotion	1/6
		Negative emotion	1/6
		Spirituality	1/3
2.	Health	Self-reported health status	1/10
		Number of healthy days	3/10
3.	Time use	Disability	3/10
		Mental health	3/10
		Work	1/2
		Sleep	1/2
4.	Education	Literacy	3/10
		Schooling	3/10
		Knowledge	1/5
		Value	1/5
5.	Cultural diversity & resilience	Artisan skills	3/10
		Cultural participation	3/10
		Speak native language	1/5
		Code of conduct	1/5
6.	Good Governance	Political participation	2/5
		Services	2/5
		Governance performance	1/10
		Fundamental rights	1/10
7.	Community vitality	Donation (time and money)	3/10
		Safety	3/10
		Community relationship	1/5
		Family	1/5
8.	Ecological diversity & resilience	Wildlife damage	2/5
		Urban issues	2/5
		Responsibility to environment	1/10
		Ecological issues	1/10
9.	Living Standard	Income	1/3
		Assets	1/3
		Housing	1/3

Source: Survey Findings Summary of 2015 GNH Index

The formula to calculate the GNH Index is:

$$\text{GNH} = 1 - H * A \quad (4)$$

where:

H – it is the headcount and it represents the weight of people who do not enjoy sufficiency in six or more domains.

A - it is the average percentage of domains where people who are not yet happy still lack sufficiency.

GNH Index ranges between 0 and 1. A higher number of the index reflects the percentage of Bhutanese who are happy, respectively the percentage of domains in which notyet-happy people have achieved sufficiency.

5. LITERATURE REVIEW

Fillipe (2010) proposed in his paper a new index for human development, the happiness index. The study was applied to 130 countries in the period 1997-2005. The empirical results show that countries with the highest values of Human Development Index or GDP per capita are not the ones with the higher happiness index.

Schepelmann et al. (2010) said that economic performance is generally measured through Gross Domestic Product. However, Gross Domestic Product does not properly account for environmental and social costs and benefits. They use in their study the SWOT analyses and they find some alternative progress indicators such as HDI and HPI to be used together with GDP in order to express development.

Lang (2012) used three indicators of national happiness in order to build three regressions. He used life satisfaction as a dependent variable in these models that was measured according to HPI, World Database of Happiness and Satisfaction with Life Scale. The independent variables were GINI index, Human Development Index, Ethnic Group Diversity Percentages, Unemployment rate, Corruption Perceptions Index and Average Precipitation. The three models showed a linear and positive relationship between HDI and life satisfaction.

A positive and significant correlation between Human Development Index and Happy Planet Index was found by Pillarisetti and Van Den Bergh (2013), too. In their paper, they have attempted to identify sustainable nations from five aggregate indices by examining some index data including HPI and HDI.

Gonda and Rozborilova (2013) studied the problems related to the long term revaluation of economic growth in 28 EU countries. These European countries were listed based on their HDI and HPI values, respectively on Legatum Prosperity Index. Their propose was to find the determinants that have a positive effect on sustainable economic growth rate.

Huq (2013) studied the relationship between Development and Social progress. He tried to find the relationship between Happiness Index and HDI. The research was realized based on the data from World Happiness Report and Human Development Report from 2013. Using the mean, correlation, frequency distribution and regression analysis, the empirical findings show high correlation between HDI and HPI. This means that both indexes must be used for analysis of social and economic progress of a society.

Murat and Gursakal (2015) used a multivariate statistical method in order to examine the relation between Human Development Index and Happy Planet Index for 150 countries. The empirical results of the study revealed a very strong and meaningful canonical relation between happiness and development levels of the countries.

6. CONCLUSIONS

In general higher values of HDI go hand in hand with higher life evaluations. There were strong links between several key measures of human development (higher job satisfaction, more effective government) and higher life evaluation, respectively moderately strong links between greater freedom of choice and higher life evaluations and lower inequality.

Most studies from economic literature review show a high positive and significant correlation between happiness and human development. In our further research, we propose to use a regression model to analyse the relationship between these two dimensions.

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