

## Chapter 8

# **QUALITY OF LIFE, LIFE SATISFACTION AND HAPPINESS IN CROATIA IN COMPARISON TO EUROPEAN COUNTRIES**

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## **ABSTRACT**

The aim of this paper is to analyse various dimensions of subjective well-being in Croatia: life satisfaction, happiness, personal and national well-being, to compare some of these dimensions between 2003 and 2005, and to compare our data with available data from other European countries. The data used were obtained from two national surveys (2003 and 2005). In both surveys participants were representative samples of Croatian citizens. Comparisons with other European countries were based on the data set from the project on monitoring quality of life in Europe conducted in 2003 by the European Foundation for the Improvement of Living and Working Conditions. Results of analyses showed that Croatia's subjective well-being rates fit at the bottom of the EU-15 or at the top of the 13 acceding and candidate countries, according to their status in 2003. Happiness ratings in Croatian citizens were rather high and increased between 2003 and 2005. Satisfaction with personal life domains showed that the standard of living is the least satisfying, while relationships with family and friends were

the most satisfying. When rating national domains, Croatian citizens were the most satisfied with national security and the state of the environment and the least satisfied with social conditions in the country.

**Key words:**

subjective well-being, life satisfaction, happiness, domain satisfaction, Croatia

## INTRODUCTION

Growing evidence suggests that subjective well-being should be taken seriously into account when measuring national welfare. For decades, economic indicators played a central role in policy decisions, under the assumption that money is the prime generator of well-being. Nowadays, as some authors argue, societies are growing wealthier and differences in well-being are due less frequently to income and more often to factors such as social relationships, emotions and satisfaction (Diener and Seligman, 2004). Measuring subjective indicators of well-being became quite common in the last decade and there are many survey-based data sets gathered in the EU, USA, Australia and elsewhere that enable international comparisons at least with some of indicators and instruments that are used widely. The most commonly used measures of subjective well-being are life satisfaction, happiness and satisfaction with different life domains as indices of quality of life<sup>i</sup>.

Besides psychology, which has a long tradition of studying subjective well-being and its correlates (Diener, 1984; Diener, Lucas and Socollon, 2006), extensive contributions on this topic come from economics, starting with the work of Easterlin (1974; 2001; 2005) and others (Frey and Stutzer, 2000a; 2000b; Namazie and Sanfey, 2001; Layard, 2005). In most of these studies happiness, defined as a “subjective” measure of individual well-being, was analysed in relation to objective variables such as unemployment, income, education, and marital status (Layard, 2005). Recently, literature from both disciplines indicates that there is no constant global happiness set point that remains stable over time. Instead several set points and different forms of well-being exist (i.e. pleasant and unpleasant emotions, life satisfaction) and they can change in different directions (Diener, Lucas and Socollon, 2006; Easterlin, 2001; 2005).

Reviews of various subjective well-being measures have shown that individuals reporting higher life satisfaction, happiness or satisfac-

tion with different life domains have better social relationships, a better marriage, perform better at work and have higher resilience to stress (Car, 2004; Diener and Seligman, 2004). There are also data showing that life satisfaction is positively related to longevity since it affects health-related behaviour (Koivumaa-Honkanen [et al.], 2000).

In a comparison of subjective well-being measures across nations and cultures, the situation is more complex. Evidence shows that some forces can increase subjective well-being at the cultural level; these include gross national product (GNP), political freedom, social equality, social security, satisfactory citizen-bureaucrat relationships, high levels of trust and efficient public institutions. Some forces however can lower subjective well-being at the cultural level: civil and international conflicts (war), oppression of the political opposition and undemocratic government (Triandis, 2000). According to the Economist Intelligence Unit report (2005) more than 80% of the variance in national levels of well-being could be explained by nine determinants: GNP per person, life expectancy at birth, political stability, divorce rate, community life, climate, unemployment rate, political liberties and gender equality. Of all these forces, the most frequently researched in relation to subjective well-being is GNP. There are many studies comparing GNP with life satisfaction or happiness across countries. Although the results are controversial, a common finding in the majority of such studies is that there are no linear relationships between these two measures of “national well-being”, however high the correlation tends to be. The usual figure of such a relationship shows an almost linear increase of subjective well-being with increase of GNP at the lower end of the scale, but this relationship weakens up the economic scale. Inglehard and Klingeman (2000) compared GNP with happiness and life satisfaction (measured in the World Value Study 1997) in 65 countries. They found out that above GNP per capita of 13,000 US dollars there was no significant linkage between wealth and subjective well-being. Similar results were repeated in some other studies reviewed in Boarini, Johanson and D’Ercole (2006). After analyzing this relationship Inglehard and Klingeman (2000) concluded that varying levels of well-being were more closely linked with society’s political institutions than with economic development.

It is clear that the well-being of individuals does not depend on economic prosperity alone and therefore some authors argue that policy decisions at the organizational, corporate and governmental levels should be more heavily influenced by issues related to people’s evaluations and feelings of their lives (Diener and Seligman, 2004). As monitoring

of subjective well-being became standard procedure in the majority of developed countries, the European Foundation for the Improvement of Living and Working Conditions launched a project on monitoring the quality of life in Europe in 2003. The survey included the EU-15 (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, UK), the EU-10 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) as well as the CC-3 (Turkey, Romania and Bulgaria). The survey was aimed at analyzing trends in quality of life on a comparative basis, identifying emerging issues and areas of concern within the enlarged Europe and providing EU policy-makers with a solid basis from which to promote improvements in the coming years (Fahey, Nolan and Whelan, 2003).

In 2003 Croatia did not take part in the study as it was not considered a candidate country. In February 2003 Croatia officially applied for EU membership and obtained the status of candidate country in June 2004. Since March 2005 Croatia has been in the process of accession negotiations. It would be interesting to see the possible changes in the indicators of subjective well-being between the years 2003 and 2005 (pre- and post-EU accession negotiations) and to compare the position of some indicators with other European countries. Surveys on subjective well-being in Croatia were conducted in November 2003 and June 2005 on representative samples of Croatian citizens.

Therefore, in the first part of this paper we will describe and analyze various dimensions of subjective well-being in Croatia 2005: life satisfaction, happiness, personal well-being and national well-being. In the second part we will compare life satisfaction, happiness and personal well-being scores obtained in 2003 and 2005 surveys. In the third part we will compare subjective well-being variables obtained in Croatia 2003 with quality of life in Europe survey data (Bohnke, 2005; Delhey, 2004).

## **METHODS**

### **Participants and procedure**

The data used in this study were obtained from two national surveys. The first survey was conducted in November 2003 and second one in June 2005. In both surveys participants were chosen as a mul-

ti-stage probability-based sample of Croatian citizens. The surveys were conducted at 125 sample points in 2003, and 102 sample points in 2005 by in-person interview at the respondent's home. In the 2003 survey there were 1,242 participants with ages ranging between 18 and 89 (mean age = 47.5, sd = 17.34). In the 2005 survey there were 913 participants with ages ranging between 18 and 85 (mean age = 44.56, sd = 17.09). Demographic characteristics of the samples are presented in Table 1.

*Table 1 Characteristics of the representative samples of Croatian citizens from 2003 and 2005 surveys*

	Frequency (%)	
	2003	2005
Age groups		
18-29	236 (19)	232 (25)
30-39	198 (16)	167 (18)
40-49	223 (18)	148 (16)
50-59	212 (17)	172 (19)
60 +	373 (30)	193 (21)
Gender		
Female	684 (55)	482 (53)
Male	558 (45)	429 (47)
Education (in years of schooling)		
less than 8	364 (29)	134 (15)
9-12	646 (52)	513 (56)
13 and more	231 (19)	254 (28)
Monthly income (in euros)*		
less than 70	103 (8)	40 (4)
70-130	238 (19)	119 (13)
130-270	479 (39)	303 (33)
270-400	186 (15)	258 (28)
400-530	105 (8)	107 (12)
530 and more	116 (9)	69 (8)

\* *Monthly income: Both surveys provided income information in kuna (Croatian currency) so the values are converted according to the exchange rate list from the Croatian National Bank<sup>ii</sup>*

*Source: Pilar Croatian Survey (2003; 2005)*

## Measures of subjective well-being

There are numerous measures of subjective well-being from global measures to more specific indicators of well-being that have been shown to be useful in describing well-being of a nation (Diener and Seligman, 2004). In our study we used measures of both cognitive and affective components of subjective well-being as well as specific domain satisfactions.

As a cognitive measure of subjective well-being the *Satisfaction with life scale* (Diener [et al.], 1985) was used. It captures one's appraisal of life as a whole and consists of five items that subjects have to rate in accordance with how much they agree with particular statement. The rating is done on the 5-point scale ranging from 1 "strongly disagree" to 5 "strongly agree". Scores were calculated as the mean of 5 items as recommended by the scale's authors. A higher result means greater life satisfaction.

The affective component of subjective well-being was examined by using the *Happiness* measure from the Fordyce (1988) scale. The question *In general, how happy or unhappy do you usually feel?* was rated on a 10-point scale ranging from 1 "extremely unhappy" to 10 "extremely happy".

Subjective well-being in specific life domains was assessed by the *International Wellbeing Index* (IWI) (Cummins, 2002) which consists of two parts. The first part is the *Personal Wellbeing Index* (PWI) which measures satisfaction with life domains. Participants have to rate how satisfied they are with seven life domains: material status, personal health, achievement in life, relationships with family and friends, feelings of physical safety, acceptance by the community and future security. The second part is the *National Wellbeing Index* (NWI) which measures satisfaction with living conditions in the country. It consists of six different national domains with participants being asked to rate how satisfied they are with: the economic situation, state of the environment, social conditions, government, business and national security. Both indices use an 11-point rating scale ranging from 0 "not at all satisfied" to 10 "extremely satisfied" and are scored for separate domains, as well as the average scores of each group of domains (personal, national). Within the framework of the same study a short demographic questionnaire was also administered consisting of several questions about gender, age, education level, living arrangement and income.

## Data analyses

In order to get a descriptive account of various dimensions of subjective well-being in Croatia data from 2005 are presented describing overall life satisfaction, happiness and satisfaction with specific personal and national domains. To examine the possible changes in subjective well-being between the years 2003 and 2005 we compared the data from these surveys in those variables that were repeated: overall life satisfaction, happiness and satisfaction with personal domains. The statistical significance of the level of mean differences between the 2003 and 2005 samples was tested by independent samples t-test. The null hypothesis was that there were no significant differences between the means. Finally, from a cross-country comparison perspective, we compared the existing data on subjective well-being in European countries obtained in 2003 (Delhey, 2004; Bohnke, 2005) with our data set from 2003. We examined the differences in level of happiness and specific personal domains satisfaction between Croatia and different groups of European countries.

## RESULTS AND DISCUSSION

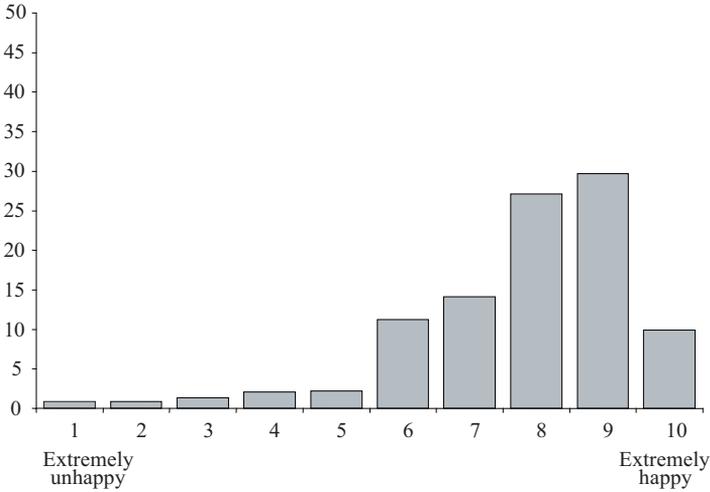
### Subjective well-being in Croatia in 2005

Croatian citizens in 2005 rated their life satisfaction as moderate (mean = 3.0, sd = 0.85)<sup>iii</sup>, indicating that their evaluation of their life as a whole is neither extremely high nor extremely low. On the other side, the average Happiness ratings (mean = 7.8, sd = 1.69) found its place at the higher end of the distribution (Figure 1). Almost 30% of participants rated themselves as being pretty happy and 27% as mildly happy.

According to Ott (2005) the distribution of happiness among nations appears to be very different in terms of level, measured as an average response, and inequality, measured as a standard deviation (i.e. a low standard deviation indicates low inequality in happiness ratings while a high standard deviation indicates high inequality). He finds that in nations where the average happiness is high, the standard deviation tends to be low, which speaks in favour of harmony in society instead of tension. If we apply that finding to our data, Croatia can be viewed as a country with a relatively high level and low inequality of happiness. Most of the happiness ratings concentrated around categories 6 to

10, while the frequency of scores of 5 and less were rather small which resulted in relatively high mean and low standard deviation.

*Figure 1 Distribution of happiness ratings in Croatia 2005 (%)*

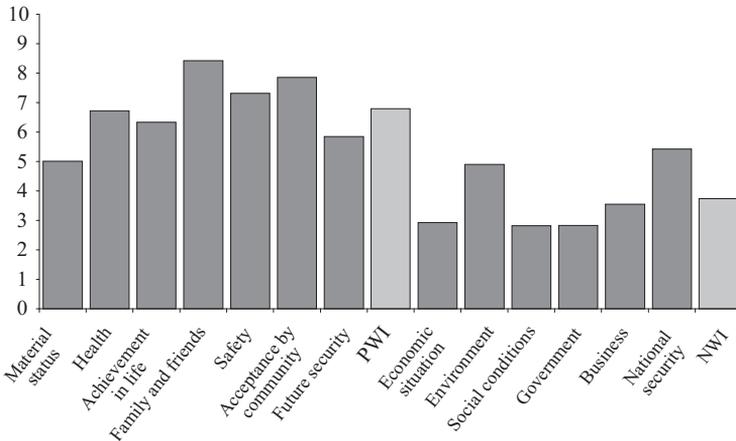


*Source: Pilar Croatian Survey 2005 (N = 913; M = 7.8; sd = 1.69)*

To explore further the domain-level representation of subjective well-being, the International Wellbeing Index was employed. This index is widely used in other countries to monitor national well-being (Cummins [et al.], 2003). It covers two subsets of domains, the first set related to one's personal life and the second to national living conditions. The average satisfaction ratings of each domain, as well as their average score for each scale are presented in Figure 2. Our data confirmed the trend found in other studies, that the average NWI is normally lower than PWI (ibid, 2003; Tiliouine [et al.], 2006).

With regard to personal domains level, Croatians were the most satisfied with the domains of family and friends, followed by acceptance by the community and feelings of physical safety. The three first variables were found to lie above the PWI mean score. Satisfaction with their health status and achievement in their life shared the fourth rank followed by satisfaction about future security. Respondents reported being the least satisfied with their standard of living (i.e. material status).

Figure 2 Average satisfaction ratings for personal and national domains in Croatia 2005



Source: *Pillar Croatian Survey 2005* ( $N = 913$ )

When rating national domains, Croatian citizens were the most satisfied with national security and the state of environment. Both variables were rated above the average NWI score. Their satisfaction with the status of business in the country, economic status, government and social conditions was below the average. The last two were given the lowest ratings. Since NWI mirrors perceived external conditions of living in Croatia, these findings reflect some objective circumstances in the country. The relatively high satisfaction with national security might be the consequence of relative stability (peace) after the long years of war as well as the prospects of accession to the EU and the NATO. However, high satisfaction with the environment is, in our opinion, more probably the consequence of the fact that the people are unaware of the problems, or even ignorant, than of really good environmental conditions in the country. Low satisfaction with social conditions and government shows concerns about fulfilling basic needs, and obviously, the government is blamed for such a situation.

## Comparison of subjective well-being in Croatia between 2003 and 2005

To examine the differences in mean levels in subjective well-being within the period 2003-2005 we compared those variables that were used in both surveys: overall life satisfaction, happiness and satisfaction with personal domains (PWI). Since in the 2003 survey subjects rated their satisfaction on PWI domains on a 10-point scale (Kaliterna Lipovcan and Prizmic-Larsen, 2006a; 2006b) and in 2005 on an 11-point scale, a linear transformation to the 11-point scale was performed to the 2003 data to make direct comparison possible (Aiken, 1987).

Results of the t-test analysis, presented in Table 2, show that the rank of satisfaction with life domains stayed the same in the compared years, with satisfaction with family and friends at the top and material status at the bottom.

*Table 2 Descriptive statistics for subjective well-being indices 2003 and 2005*

	Survey 2003 M (SD)	Survey 2005 M (SD)	t-test sig.
Satisfaction with specific domain:			
material status	4.98 (2.70)	5.03 (2.46)	n.s.
health	6.59 (2.86)	6.76 (2.76)	n.s.
achievement in life	6.51 (2.39)	6.37 (2.47)	n.s.
relationships with family and friends	8.37 (1.88)	8.44 (2.04)	n.s.
safety	7.80 (2.07)	7.34 (2.37)	p<.01
acceptance by the community	8.13 (1.92)	7.87 (2.28)	p<.01
Happiness	7.12 (1.86)	7.80 (1.69)	p<.01
Life satisfaction	3.03 (0.86)	3.03 (0.86)	n.s.

*Source: Pilar Croatian Surveys 2003 (N = 1242) and 2005 (N = 913)*

When average ratings of domain satisfaction in the two surveys were compared, significant differences were found for satisfaction with physical safety and acceptance by the community. Both variables declined from 2003 to 2005. A possible explanation for the relative decline in physical safety and acceptance by the community rankings can be that the 2003 survey was conducted in the pre-election period, when people were expecting positive changes that did not happen subsequently, which resulted in feelings of alienation and insecurity.

Overall life satisfaction stayed exactly the same in the compared years, while happiness ratings significantly increased. It is difficult to explain the increased happiness when most of the other indices of subjective well-being stayed the same and some of them – satisfaction with safety and acceptance by community – decreased. One possible reason can be that people feel optimistic about the country's position as a prospective EU member state, and at this point it is expressed more by the affective (happiness) than cognitive (life satisfaction and domain satisfaction) component of subjective well-being. Some authors argue that happiness, as affective component, is more strongly related to the emotional climate in a given culture than to changes in specific life areas (Gundelach and Kreiner, 2004). As shown in another study (Kaliterna Lipovcan and Prizmic-Larsen, 2006b) and documented by this analysis, happiness ratings in Croatian citizens have been constantly increasing since 1995. It can be concluded out of this evidence that the emotional climate in Croatia has been improving since the war ended 1995 and that enthusiasm for a better life is captured by people's happiness ratings.

On the other hand, life satisfaction ratings have not changed in the observed period. Previous research has shown that life satisfaction is moderately stable over time, as the variability of that measure is relatively small (Eid and Diener, 2004). The authors argue that life satisfaction, as a global judgment of well-being, should not be sensitive to mood and affect variability but rather to changes of living conditions. Some other studies showed that at the individual level, circumstances like unemployment alter people's ratings of life satisfaction (Lucas [et al.], 2004). Similar results are found in the economics literature, showing that unemployment is associated with a lower level of subjective well-being (Frey and Stutzer, 2000b). Recent reviews of Diener and others (2006; Easterlin, 2005) indicate that different components of well-being can change in different rates or in different directions, and the extent of adaptation varies for different life events (i.e. widowhood, divorce, unemployment, marriage).

In other words, life satisfaction does not assess short-term fluctuation in subjective states, but rather the significant changes that take place in an individual's life or national well-being. The results of our study could thus imply that in the period 2003 to 2005 there were no significant or radical changes in the living conditions of the Croatian population capable of affecting life satisfaction ratings. It is also possible that the time lapse between two surveys (i.e. two years), was not long

enough to detect a significant change in living conditions. Nonetheless, this finding confirms that, in assessing a nation's well-being one should take into account both components (affective and cognitive) of subjective well-being in order to get a real picture.

## **Comparison of subjective well-being in Croatia and other European countries**

A comprehensive study on quality of life in 28 European countries gave valuable data on various aspects of living conditions and quality of life, both objective and subjective. The survey was carried out by Intomart GfK which assigned national institutes to draw random samples and conduct the interviews in each country. Around 1,000 persons aged 18 and over were interviewed in each country. The questionnaire was developed by a research consortium and covers a broad spectrum of life domains (Saraceno and Keck, 2004). Due to the limited financial resources available for our study we have to limit our comparisons to evaluations of happiness and satisfaction with specific life domains like standard of living, family life and health, as these are the variables that are comparable in the European and in our study.

A general finding from the European study was that subjective well-being was quite unequally distributed across the enlarged Europe in 2003. Besides the observed gap between the north and the south, a huge gap appeared in subjective well-being between the east and the west. This was more or less a gap between the member states of the EU-15 and the EU-10 as well as the CC-3 countries (Bohnke, 2005). What would be the position of Croatia in that respect?

Table 3 presents the average happiness ratings for 28 European countries. Happiness ratings showed that there were differences between the EU-15, EU-10 and CC-3, the EU-15 being happier on the average. The average happiness rating for the EU-15 was 7.6, for the EU-10 6.9 and for the CC-3 6.6. Scandinavian countries rated their happiness the highest (with Denmark on the top) while Portugal was the least happy country among the EU-15. In the EU-10 and CC-3, the happiest were Malta and Cyprus, which were exceptions because their average happiness scores were higher than those of some of the EU-15 countries, while the most unhappy were Bulgaria, Turkey, Lithuania and Latvia.

With a score of 7.1 on happiness ratings obtained in the same year (2003) Croatia fits within the top EU-10 and CC-3 countries, ranked 12<sup>th</sup> when all the 28 studied countries are taken together (Hungary and Romania had the same ratings as Croatia).

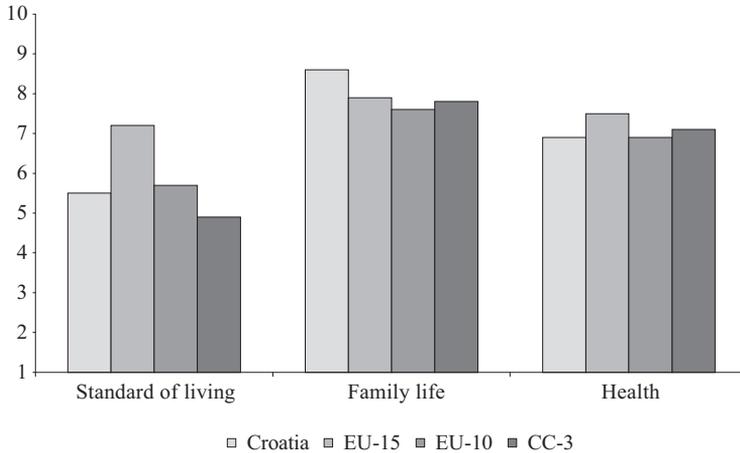
*Table 3 Average happiness ratings of European countries on a scale from 1-10 with rank number for each country<sup>1</sup>*

1	Denmark	8.3	13	Germany	7.6	25	Turkey	6.4
2	Finland	8.1	14	Greece	7.6	26	Lithuania	6.4
3	Ireland	8.1	15	Italy	7.5	27	Latvia	6.4
4	Luxembourg	8.0	16	Slovenia	7.4	28	Bulgaria	5.8
5	Sweden	7.9	17	France	7.3			
6	Malta	7.9	18	Czech R.	7.2		EU-15	7.6
7	Austria	7.9	19	Hungary	7.1		EU-10	6.9
8	Spain	7.8	20	Romania	7.1		CC-3	6.6
9	United Kingdom	7.8	21	Poland	6.9		EU-25	7.5
10	Cyprus	7.8	22	Portugal	6.8			
11	Belgium	7.7	23	Estonia	6.8			
12	Netherlands	7.7	24	Slovakia	6.5			

<sup>1</sup> Sources for average happiness ratings in European countries are from *European Quality of Life Survey (Bohnke, 2005)*

Ratings of specific life domains in EU countries showed a similar trend in happiness ratings, with the EU-10 and CC-3 being less content with their material and social living standards compared with the population in the EU-15. On the other hand, family life was evaluated as the most satisfying life domain in all countries. With its results, Croatia fits well into this trend. Family life was also evaluated as the most satisfying, while the standard of living was the most unsatisfying. In Figure 3 we compare average satisfaction ratings of certain life domains in 2003, in Croatia, EU-15, EU-10 and CC-3 countries. Satisfaction with standard of living and health turns out to be more similar to that in the acceding countries (EU-10) than in EU member states (EU-15). However, satisfaction with family life in Croatia exceeds the average ratings of all the other three country groups. In our previous research (Kaliterna Lipovcan and Prizmic-Larsen, 2006b) Croatian people rated relationship with family and friends as the second most important life domain, the most important being health.

Figure 3 Average ratings of satisfaction with the standard of living, family life and health domain<sup>1</sup>



<sup>1</sup> Sources for satisfaction ratings of life domains in European countries are from European Quality of Life Survey (Bohnke, 2005) and for Croatia – Pilar Croatian Survey, 2003

When evaluating domain satisfaction scores to explain happiness within the European countries, standard of living appears to have a high impact, but not as high as satisfaction with family and social life. However, the results were different for life satisfaction scores. The European study showed a different impact of domain satisfactions on life satisfaction within the EU-15 than in the EU-10 and CC-3 countries. The best predictor of life satisfaction in the EU-10 and CC-3 was a satisfactory standard of living. On the other hand, within the EU-15 countries, especially the Scandinavian countries with highest levels of life satisfaction (Denmark, Finland and Sweden), family life impacted most on the outcome of life satisfaction. This is in line with other research that showed that family and social life are important when the overall economic prosperity in a country is high and basic needs are satisfied (Delhey, 2004). Thus, it could be expected that in Croatia the standard of living would have greater impact on life satisfaction scores than satisfaction with family and friends, as Croatia's economic prosperity at

the moment is more similar to that in the EU-10 and CC-3 than the EU-15 countries.

## CONCLUSION

“Promoting people’s well-being is a primary goal of European social policy: happy, satisfied, fulfilled and engaged citizens nurture flourishing European societies. In the course of European enlargement, the interest in living conditions and the distribution of life chances in different European countries has grown considerably. Subjective well-being is one of many subjects that need to be explored from this perspective.” (Bohnke, 2005:1).

Our study attempts to improve the European data set on happiness and life satisfaction by adding Croatian data as a (hopefully) new country in the EU. There are various sources of cross-country data on subjective well-being indices, such as World Value Survey, Eurobarometer, World Database on Happiness, but we have chosen the European monitoring of quality of life data, since it was conducted in the same year as our national survey, using the same sample size (about 1,000 respondents in each country, aged 18 and over) and was carried out by the conducting of separate national surveys with the same methodology applied (Saraceno and Keck, 2004). In that respect we do hope that the data are comparable at least on the descriptive level.

Generally speaking, our data show that Croatia’s subjective well-being rates fit at the bottom of the EU-15 or at the top of EU-10 and CC-3 countries, as of 2003. Happiness ratings were rather high and showed an increase in the past ten years, which leads us to the conclusion that the subjective well-being in the country is improving.

This study also shows that monitoring of subjective well-being can provide valuable data, especially at the time when a society expects substantial changes and reforms, as Croatia is expecting to become an EU member. Recently, the literature on the effects of transition on peoples’ subjective well-being has been growing, especially in ex-communist countries, (Namazie and Sanfey, 2001) although some authors argue that the majority of such studies hold good for individual countries only and therefore do not provide a good overall picture (Sanfey and Teksoz, 2005). Analysing the data on life satisfaction from the World Value Survey (1999-2002) Sanfey and Teksoz (2005) concluded that “people are generally happier in countries that have made more pro-

gress in transition than those where transition has lagged". The evidence from our study shows that the level of happiness in 2003 in Croatia was higher than in most of the transition countries that were included in the pan-European survey on quality of life. Should we also conclude that the transition process in Croatia made substantial progress? Surely, for such a conclusion more work is needed in this field, especially targeted surveys comparing objective (economic) and subjective indices of the nation's well-being. Only regular monitoring at certain points in time can yield a clear picture of the impact of social change on people's perceptions and experience (Kim-Prieto [et al.], 2005). In this respect, this study can serve as a starting point to monitor the position of Croatia as an acceding country and follow how economic and social changes influence the quality of life and the satisfaction with particular domains of people's everyday life.

Policy interventions to increase the subjective well-being of a population are important as, on the one hand, it feels good to be happy, and on the other hand, happy people tend to volunteer more, have more positive work behaviour and are successful across multiple life domains, including marriage, friendship, income, work performance, and health (Diener, Lucas and Oishi, 2002; Lyubomirsky, King and Diener, 2005). The recent work of Lyubomirski [et al.] (2005) suggests that happiness is not only associated with successful outcomes but may also be the cause of success. In that respect subjective well-being should not only be a subject of scientific interest, but should be seriously considered in policy making as an increase in the happiness and life satisfaction of individuals benefits the society as a whole.

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\* *The authors would like to thank the referees who anonymously reviewed this paper.*

i *Subjective well-being refers to all of the various types of subjective evaluations, both good and bad, of individuals' lives. It includes reflective cognitive evaluations, such as life satisfaction and work satisfaction, interest and engagement, and affective reactions to life events, such as joy and sadness. Thus, subjective well-being is an umbrella term for the different valuations people make regarding their lives, events they face, and the circumstances in which they live. Life satisfaction represents a report of how a respondent evaluates or appraises his or her life taken as a whole. It is intended to represent a broad, reflective appraisal the person makes of his or her life. Happiness has several meanings in popular discourse, as well as in the scholarly literature, but it is usually used as a measure of the affective component of subjective well-being. Happiness refers to the feeling of more pleasant than unpleasant emotions most of the time. Quality of life usually refers to the degree to which a person's life has desirable versus undesirable characteristics, often with an emphasis on external components, such as environmental factors and income.*

*Quality of life when measured subjectively usually includes domain satisfactions, i.e. judgments people make in evaluating major life domains, such as health, work, leisure, social relationships, and family. People indicate how satisfied they are with various areas, but they might also indicate how much they like their lives in each area, or how important to them each area is (Diener, 2005).*

- ii *The exchange rate for 2003 was 1 euro = 7.66 kuna (according to the November exchange rate list 210/2003) and in 2005 the exchange rate was 1 euro = 7.31 kuna (according to the June exchange rate list 125/2005).*
- iii *sd is standard deviation.*

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