

ECONOMIC PROSPERITY AND SUBJECTIVE WELL-BEING: COMPARING THE AGED IN AUSTRALIA AND URBAN CHINA

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The literature on the relationship between per capita income and life satisfaction indicates there is only marginal correlation between the two. This article explores measures of life satisfaction amongst persons aged 60+ in China and Australia where there is a vast gulf in per capita income. On most of the measures examined, the Chinese indicate similar levels of life satisfaction to their richer Australian counterparts.

SECTION 1: INTRODUCTION

There have been many studies demonstrating that the link between economic well-being and life satisfaction is, at best, weak. A recent study by Eckersley¹ indicates, for example, that when asked in 1999, most Australian did not think that their lives were getting better, despite the fact that economic growth had been delivering rising real incomes for several years. Further, while there was an upward trend in reported happiness between 1983 and 1995, both life satisfaction and satisfaction with overall standard of living declined.² Results from the survey by the Social Policy Research Centre's *Coping with Economic and Social Change* (CESC) survey (also conducted in 1999) reveal a similarly weak relationship between income and life satisfaction, although there is again a stronger impact of income on reported happiness.³ Some have interpreted these findings as casting doubt on the ability of economic growth and rising prosperity to deliver acknowledged improvements in life satisfaction among the population, using this to mount a case for focussing less on policies that generate increased economic growth and more on improving the quality of life directly.⁴

At the same time, election results indicate that many people who report unchanged levels of life satisfaction in social surveys vote for political parties that are seen as most likely to deliver

improved economic conditions. This may reflect the view that, since politicians cannot be expected to improve our happiness or subjective well-being, we may as well vote in those who can at least improve our material prosperity. Or it may be that improvements in life satisfaction proceed in very small steps that require very large increases in real income. On this latter argument, income — the most commonly used indicator of economic prosperity, despite its many limitations — does produce longer-term increases in both the standard of living and life satisfaction, even though both are highly stable in periods of rapid short-run income growth.

The weak relationship between material prosperity and well-being has also led to a questioning of the economists' conventional emphasis on income as a measure of the standard of living. Thus Sen⁵ has argued that 'income — properly defined — has an enormous influence on what we can or cannot do' and is thus a natural starting point when discussing issues of poverty and affluence. However, he goes on to note that there is also 'an equally good case for not *ending* with income analysis only', focussing instead on 'the freedoms generated by commodities, rather than on the commodities seen on their own'.⁶ At the very least, these arguments suggest that we must look beyond the extra income generated by economic growth in order to

understand the dynamics of well-being and life satisfaction.

One of the problems with using trend data to examine the relationship between income (or other measures of economic prosperity) and indicators of life satisfaction is that the data become entangled in a process of changing aspirations and adjustments that conceal the links that exist. People become adjusted to the circumstances in which they find themselves (rather than imposing unhappiness on themselves because of perceived failings), so that the satisfaction indicators become immune from changing economic conditions. One way to minimise this problem is to make comparisons not over time within countries, but between countries at a point in time. Many factors are likely to influence the cross-national relationship between economic prosperity and levels of life satisfaction and happiness, including how well economic (market) and democratic (political) institutions are developed. Factors such as demographic structure, the level of unemployment and the rapidity of economic and social change are also likely to exert an influence. However, one should nonetheless expect to find evidence of a (positive) relationship between income and life satisfaction, particularly when comparing countries that have large differences in their economic circumstances.

This paper presents evidence related to this thesis by comparing levels of life satisfaction, happiness, ability to manage financially and subjective health status among older people (aged 60 and over) living in Australia and urban China.⁷ Restricting the analysis to older people avoids some of the problems alluded to above, such as differences in unemployment rates and demographic structure. Adding to the relevance of the comparisons in the current context, the two coun-

tries examined vary greatly in their levels of mean income (expressed in purchasing power terms). But while it can be claimed that the years examined (1999-2000 in Australia and 2000 in China) were in the midst of periods where both countries were undergoing considerable change, its impact was far more profound in China, which is undergoing a radical transformation from centralised control to an open market economy 'with Chinese characteristics'.⁸ The uncertainties resulting from this are likely to impact on perceptions of well-being in ways that may affect the comparisons with Australia (where the reform agenda is far less radical), and these considerations should be kept in mind. Even so, it is of interest to compare differences in subjective indicators and examine whether and how they are related to the huge differences in the objective economic circumstances of older people in these two very different countries.

After briefly describing the data (in Section 2), Section 3 compares the mean incomes of older people in the two countries by gender, age and living arrangements. Section 4 compares four subjective indicators of well-being among the aged in the two countries and relates them to the observed income differences, while the main conclusions are briefly summarised in Section 5.

SECTION 2: DATA SOURCES

Most of the Australian data have been taken from the CESC survey that was conducted in 1999 by a research team at the Social Policy Research Centre. The data have been described elsewhere.⁹ Previous analysis has shown that the sample is broadly representative of the general population and has been weighted by age, gender and labour-force status to better reflect the overall population. Out of 2,403 responses to the CESC survey, 399

fall within the age range (60 and over) discussed and analysed here.¹⁰ Given the relatively small size of the CESC sample, data from the *Survey of Income and Housing Costs* (SIHC) conducted in 2000-01 by the Australian Bureau of Statistics have been used to estimate the mean income profile of aged Australians.¹¹

The data for China have been derived from the *Sample Survey of the Aged Population in Urban and Rural China*, undertaken in December 2000 under the sponsorship of the All China National Working Commission on Ageing, the China National Committee on Ageing and the China Research Centre on Ageing (CRCA). The survey was conducted by the CRCA in coordination with local ageing committees in selected provinces, municipalities and autonomous regions and the urban sub-sample contains 10,249 urban respondents aged 60 or over. Data from the Fifth National Census have been used to weight the survey data so that it is representative of the overall aged population.

One limitation of the data for China is that it relates primarily to the circumstances of the respondent only, with relatively little information provided about other co-habiting family members (including other aged people), other than their relationship to the respondent. This means that information on household income is not available for the 60 per cent of those aged 60 years and over who live with other people (mainly with relatives).¹² Complete information is, however, avail-

able on the 10 per cent or so of those aged over 60 years who live alone, and for the other 30 per cent living with their spouse, it has been assumed that each have the same income so that they can be included in the analysis.

SECTION 3: COMPARING MEAN INCOMES

It will come as no surprise to discover that the average income of older people in Australia greatly exceeds that of older people in urban China. For example, the mean monthly income of all Australian aged people living by themselves was A\$1132, while the corresponding figure for China in purchasing power parity terms is just over A\$84.¹³ When expressed in US\$, the mean monthly income figure for urban China is equal to US\$64.2, or just over US\$2 per day, the benchmark used by the World Bank¹⁴ to estimate poverty in medium-income developing countries. These calculations imply that, whereas the average single aged person in urban China has just enough to avoid subsistence poverty, the average monthly income of single aged people in Australia is 13.5 times higher — a very significant difference in purchasing power resources and hence in the standard of living that those resources can support.

Table 1 provides a breakdown of

Table 1: Mean aged incomes, by gender, age and living arrangements (A\$ per month)

	Age group			Total
	60-69	70-74	75+	
<i>Australia (1999-2000)</i>				
Single males	1516.3	1179.7	1127.8	1278.5
Single females	1116.3	962.2	1079.6	1064.7
Couples	2307.2	1815.1	1939.4	2115.9
<i>China (2000)</i>				
Single males	130.6	99.4	106.2	114.1
Single females	83.6	79.9	53.8	72.0
Couples	246.6	228	197.4	235.4

Sources: *Survey of Income and Housing Costs, 2000-01*, confidentialised unit record file (for Australia) and *Sample Survey of the Aged Population in Urban and Rural China* (urban sub-sample, for China).

mean incomes by gender and age, and distinguishes between single aged people (living alone) and aged couples. The figures for China have been converted to A\$ using the conversion factor described above.¹⁵ Despite the huge differences in the absolute levels of income, there are some similar patterns in the income profiles of older people in the two countries. Thus, male incomes exceed female incomes at all ages in both countries, but whereas the male-female income differential declines with age in Australia, it increases with age in China. Couples have higher incomes than either single men or single women in both countries, but the difference is more marked in China.¹⁶

Overall, the figures reflect the size and relative importance of different sources of income of older people in the two countries. Thus, in Australia, the principal source of income for many people aged 60 and over (and the majority of those aged 65 and over) is the age pension that is provided on a flat-rate means-tested basis payable at equal rates to both men and women.¹⁷ The pension is often supplemented by interest income and income from occupational pensions, although coverage of such schemes favours men, which explains the gender income differences, particularly among the younger age groups.

In China, in contrast, state pensions are a far less important source of income

for the aged, who are more reliant on enterprise-based pensions, interest on private savings and transfers from other family members.¹⁸ Where pensions exist, they reflect contributions made whilst at work, thus reproducing in old age earlier labour-market inequalities in employment and earnings. The critical point, however, is that the incomes received by older Australians massively exceed those received by the average older person in urban China. We now examine whether this difference is reflected in the subjective indicators of well-being.

SECTION 4: SUBJECTIVE INDICATORS OF WELL-BEING

Table 2 presents a gender breakdown of how well people are able to manage on their incomes.¹⁹ Within each country, these figures confirm what the data in Table 1 imply in relation to gender income differences: women are far more likely than men to say that they do not have enough, or find it difficult to manage, even though the differences are smaller than the actual income levels (a possible reflection of women's superior budgeting skills). However, despite the very low level of mean income in China, almost one quarter (22.8 per cent) indicate that they have more than enough to meet their needs. While the percentage who say they have more than they need in Australia is twice as high (45.3 per

Table 2: Ability to manage on income by gender, per cent

	More than I need	Enough for a few extras	Just enough	Not enough
<i>Australia (1999)</i>				
Males	1.4	43.2	51.8	3.5
Females	2.1	43.7	46.3	7.9
Total	1.8	43.5	48.8	5.9
	Have a surplus	Just enough	Rather difficult	Very difficult
<i>China (2000)</i>				
Males	27.7	56.8	12.9	2.7
Females	18.2	56.8	19.3	5.7
Total	22.8	56.8	16.2	4.2

Sources: *Coping with Economic and Social Change Survey, 1999* (for Australia) and *Sample Survey of the Aged Population in Urban and Rural China* (urban sub-sample, for China).

cent), most Australians indicate that they are only just managing, with less than two per cent stating categorically that they have more than they need.

While over 20 per cent find it difficult to manage in China compared with six per cent who say they do not have enough in Australia, most of those in China say that they find managing rather difficult, with very few saying that it is very difficult. Finally, despite the fact that the incomes of older women are well below those of older men in both countries, Australian women are no less able to manage financially than Australian men, although the very low incomes of older women in China clearly restrict their ability to manage. Overall, while the ability of older people to manage varies with how much income they have, the relationship between the two is relatively weak: people tend to manage with what they have.

We turn next to a comparison of the degree of satisfaction with the overall standard of living, or what is often referred to as life satisfaction. The results in Table 3 indicate that the patterns of life satisfaction are remarkably similar in the two countries, despite the very large income differences that exist. Thus, when the categories are combined, 11.9 per cent of Australians are dissatisfied with their overall standard of living, while 72.0 per

cent are satisfied. The corresponding figures for China are 9.2 per cent and 69.8 per cent, respectively. Whereas women are more satisfied than men in Australia, the reverse is the case in China, but these gender differences are small (and explicable given the gender income gaps described above).

Table 4 provides a breakdown of reported happiness among older people, although a note of caution must be applied to these results. Whereas the Australian survey asked people how happy *they* were, the Chinese survey asked how happy they were *compared with other old people*. This difference makes the comparisons somewhat problematic, although the results are included because they show that the country differences are again rather small. The vast majority of Australians (87 per cent of both men and women) report being happy or very happy, while close to two-thirds of older people in China say that they are happier than other old people (and most of the rest think that they are about the same as others). Around one in ten Australians are unhappy but few are very unhappy, with similar numbers saying they are unhappier than others in China. In Australia, older men tend to be happier than older women, while the reverse is the case in China, but the gender happiness gap is small in both countries

Table 3: Life satisfaction by gender, per cent

	Very satisfied	Fairly satisfied	Neither	Fairly dissatisfied	Very dissatisfied
<i>Australia (1999)</i>					
Males	15.6	56.1	17.1	8.6	2.7
Females	20.1	52.2	15.4	7.3	5.1
Total	18.0	53.9	16.1	7.9	4.0
	Very satisfied	Fairly satisfied	So-so	Fairly unsatisfied	Totally unsatisfied
<i>China (2000)</i>					
Males	18.5	53.2	19.7	4.4	4.3
Females	20.1	48.0	22.3	4.9	4.7
Total	19.3	50.5	21.0	4.7	4.5

Sources: *Coping with Economic and Social Change Survey, 1999* (for Australia) and *Sample Survey of the Aged Population in Urban and Rural China* (urban sub-sample, for China).

Table 4: Happiness by gender, per cent

	Very happy	Happy	Unhappy	Very unhappy
<i>Australia (1999)</i>				
Males	8.6	78.8	10.9	1.7
Females	11.6	75.3	10.5	2.6
Total	10.3	76.9	10.7	2.2
	Happier than others	Almost the same as others	Unhappier than others	
<i>China (2000)</i>				
Males	67.1	28.7	4.1	
Females	63.2	29.9	6.9	
Total	65.1	29.3	5.6	

Sources: *Coping with Economic and Social Change Survey, 1999* (for Australia) and *Sample Survey of the Aged Population in Urban and Rural China* (urban sub-sample, for China).

Table 5 compares the subjective health status of older people in the two countries. Again, there are differences in the wording of the survey questions that make it difficult to draw precise comparisons, although the general trends are clear. Here, there are substantial differences between the two countries, with Australians far more likely to report their health as excellent or good (58.8 per cent in total) than urban Chinese are to say that their health is either very or fairly good (29.5 per cent). At the other end of the scale, while only 6.2 per cent of Australians regard their health as poor, 21.2 per cent do in China, of which four per cent say that their health is very bad. And whereas Australian women report better health than Australian men, the reverse is the case in China.²⁰

Just as some of the income differences

in Table 1 were explicable in terms of the differences in the role and structure of pension systems in Australia and China, the differences in health status shown in Table 5 reflect differences in the availability and cost of health care. Thus, in Australia, all older people receive free access to treatment in public hospitals, access to free doctors and, in most cases, free or heavily subsidised medication under Medicare. In addition, the frail aged can use a range of community care services at modest cost, and gain access to a hostel or nursing home as their health deteriorates. In contrast in China, health care services are far less readily available and, where they are, the cost can be prohibitive: in a recent study Saunders²¹ uses the data described here to show that health service availability and affordability are major causes of

Table 5: Subjective health status by gender, per cent

	Excellent	Good	Fair	Poor	
<i>Australia (1999)</i>					
Males	10.0	46.1	37.5	6.4	
Females	13.8	47.2	33.1	6.0	
Total	12.1	46.7	35.1	6.2	
	Very good	Fairly good	So-so	Fairly bad	Very bad
<i>China (2000)</i>					
Males	7.6	27.0	48.6	13.7	3.0
Females	4.3	20.4	49.8	20.4	5.0
Total	5.9	23.6	49.2	17.2	4.0

Sources: *Coping with Economic and Social Change Survey, 1999* (for Australia) and *Sample Survey of the Aged Population in Urban and Rural China* (urban sub-sample, for China).

deprivation among the aged in urban China. Thus, the differences shown in Table 5 are explicable in terms of differences in the nature of the health care systems in the two countries.

SECTION 5: CONCLUSION

Comparative research provides a lens through which it is possible to observe national characteristics and gain an insight into the factors that underlie them. In comparing the circumstances of older people in two very different countries — Australia and urban China — the aim has been to illustrate the value of the comparative method by showing how a set of relatively straightforward comparisons raises questions about the nature and causes of observed similarities and differences. Given the enormous gulf between economic development in Australia and China, as well as differences in national custom and institutional arrangements, it is important that the basis of the comparison is carefully selected.

By focusing attention on the material and subjective circumstances of those aged 60 and over, the analysis avoids differences in employment and family status that are important determinants of the overall standard of living in a country. In both Australia and China, older people are no longer expected to be economically independent, instead depending on financial arrangements made earlier in the life cycle, or on economic assistance provided by the state, by employers, or by family members. But the two countries currently have very different ways of supporting their older citizens, and of meeting their needs. In particular, state programs are far more extensive in Australia than in China, where informal (often family-based) support remains more important for many of the aged.

These differences are brought out in the

initial comparisons showing that the income differences that existed in these two countries at the end of the millennium are huge: on average, the incomes of older men living alone in Australia are 11.2 times higher than older men living alone in China, while the corresponding relativities for women who live alone and aged couples are 14.8 and 9.0, respectively. These differences reflect the differing generosity and structure of pension provisions in the two countries, and are thus likely to decline as the Chinese pension system expands. Yet the observed differences in aged incomes do not translate into similar differences in the ability to manage financially, life satisfaction or happiness. While some of the differences between the two countries favour those living in Australia, others reveal little difference or suggest that older people in China are better-off subjectively. The results in Table 3, for example, indicate that very large differences in income levels in the two countries co-exist alongside remarkably similar reported levels of life satisfaction in each country.

The differences within each country are revealing, showing that the large gender income gap in China does not translate into a similar gap in either life satisfaction or happiness. These within-country comparisons are more likely to be based on a common point of reference than the between-country differences described earlier, which suggests that the observed differences are influenced less by different reference points. However, even with this qualification, the evidence suggests that a higher level of material well-being, as reflected in higher income, is associated with only small differences in subjective well-being. To this extent, therefore, the results confirm other studies in showing that a high level of economic prosperity does not

automatically equate with a high level of life satisfaction.

The one area where there is a substantial gap between the two countries is in relation to subjective health status. This seems explicable in terms of the problems of coverage and cost of the health care system in China. Like pensions, this is an area that requires urgent reform, aimed at increasing access and easing the affordability problems faced by many older people in urban areas. (These problems are even more acute in rural China.) Thus, the two areas where the differences are most marked — average incomes and subjective health status — are both amenable to policy intervention, and social policy in most western countries has developed with these issues very much to the fore.

References

- ¹ R. Eckersley, 'Quality of life in Australia: an analysis of public perceptions', *Discussion Paper 23*, The Australia Institute, Canberra, 1999
- ² *ibid.*, Table 2
- ³ P. Saunders, *The Ends and Means of Welfare. Coping with Economic and Social Change in Australia*, Cambridge University Press, Melbourne, 2002, Tables 5.10 and 5.11; P. Saunders, C. Thomson, and C. Evans, 'Social change and economic prosperity: attitudes to growth and welfare', *Just Policy*, vol. 23, 2001, pp. 4-15
- ⁴ R. Eckersley, *Well and Good: How We Feel and Why It Matters*, Text Publishing, Melbourne, 2004; M. Pusey, *The Experience of Middle Australia: The Dark Side of Economic Reform*, Cambridge University Press, Cambridge, 2003
- ⁵ A. K. Sen, *Development as Freedom*, Anchor Books, New York, 1999, p. 72
- ⁶ *ibid.*, p. 74
- ⁷ The analysis has not been extended to those living in rural areas of China, in part because of data comparability issues, but also because many parts of rural China are simply not comparable with Australia using conventional measures like (cash) income. These factors apply with much less force in urban areas, where China's economic development is concentrated.
- ⁸ N.S.W. Chow, *Socialist Welfare With Chinese Characteristics: The Reform of the Social Security System in China*, Centre of Asian Studies, University of Hong Kong, 2000
- ⁹ T. Eardley, P. Saunders, and K. Evans, 'Community attitudes towards unemployment, activity testing and mutual obligation', *Australian Bulletin of Labour*, vol. 26, 2000, pp. 211-35; Saunders, *op. cit.*, 2002, appendix
- ¹⁰ Aged households have been identified as those where either member is aged 60 or over (for comparability with the Chinese data). Where results are presented on an age basis, they refer to the age of the male in couples.
- ¹¹ The CESC survey did include an income question, but information was only provided in broad income brackets, making the estimates less reliable than those derived from SIHC — the standard source of income estimates used by Australian researchers.
- ¹² P. Saunders and L. Sun, 'Pension reform in China: imperatives, constraints and opportunities', in R. Smyth, O. K. Tam, M. Warner and C. J. Zhu (Eds.), *China's Business Reforms. Institutional Challenges in a Globalized Economy*, RoutledgeCurzon, London, 2005, pp. 157-76

Social policy reform in China will be necessary to ensure that the gains achieved by its spectacular economic performance benefit all of its citizens. Although the aged in China currently lag far behind their counterparts in Australia in terms of real income, the two groups are much closer together in terms of perceived well-being. The comparisons presented here have identified areas where action is needed in China.

Notes

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- ¹³ Mean incomes for the urban aged in China have been converted to US\$ using the fixed yuan/USdollar exchange rate of 1US\$ = 8.27yuan. A further conversion to A\$ has then been applied using the A\$/US\$ purchasing power parity estimate of 1.31 in 2000 (OECD, *Purchasing Power Parities (PPPs) for OECD Countries, 1980-2004*, OECD, Paris, 2005), implying that the yuan/A\$ conversion rate is 1A\$ = 6.31yuan.
- ¹⁴ World Bank, *World Development Report. Attacking Poverty*, Oxford University Press, New York, 2000
- ¹⁵ Income has been measured on an after-tax basis in Australia. A breakdown of age by decades, i.e. 60-69, 70-79, and 80+ has not been possible for Australia, where the data compresses all those aged 75 and over into a single 75 and over category.
- ¹⁶ In Australia, the couple/single person income differential is close to the relativity implicit in the rate of pension paid to couples and single people. In China, the close to two-to-one relativity reflects the assumption made about the incomes of spouses in couples (see Footnote 13).
- ¹⁷ In 1999, the age of eligibility for the age pension for women was 61.5 years, although it is being gradually raised to reach parity with that for males (age 65) by 2013.
- ¹⁸ Saunders and Sun, 2005, op. cit., Table 10.2
- ¹⁹ Unless otherwise indicated, the survey questions from which the subjective indicators have been derived are very similar in the two countries.
- ²⁰ The average age of older women exceeds that of older men in both countries because of their greater longevity.
- ²¹ P. Saunders, *Poverty, Hardship and Isolation Amongst the Urban Aged in China* mimeo, Social Policy, Research Centre, University of New South Wales, 2005