

# Missing Dimensions of Well-being and Respect for Individual Preferences: How Affected is Equivalent Income?

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## Abstract

It has become increasingly recognized that in order to measure individual well-being, a wide range of life dimensions should be considered. Recent studies have highlighted the importance of using individual valuations to determine the weights of the different dimensions in order to define a measure of well-being that respects individual preferences. Equivalent income has been proposed as a measure of individual well-being respecting individual preferences over different life dimensions. However, this recent strand of the literature has considered only a limited number of life dimensions in the analysis, most likely due to data limitations. Our analysis makes use of a rich dataset from Ecuador, which allows us to account for a broader range of life dimension, such as social isolation, gender-based violence, unfair treatment, political participation and empowerment. Our analysis shows that these additional dimensions are significant determinants of life satisfaction. Moreover, considering this wider range of dimensions changes the picture of those considered the most deprived. Only around 39 percent of those considered the most deprived when all life dimensions are included are among the most deprived based on equivalent incomes including only the basic dimensions (income, health, unemployment and housing quality). Additionally, a noticeable degree of reranking is observed between equivalent incomes with and without the additional life dimensions, with a Spearman correlation coefficient of 0.78. The inequality within each additional outcome dimension, and to some extent preference heterogeneity, account for an important part of re-ranking.

JEL Classification: D60, H23, I31

Key Words: equivalent income, life dimensions, life satisfaction, missing dimensions