Trust, Well-being and Productivity

Summary of the session

Traditional economic thinking elevated GDP per capita to the single-most important indicator of quality of life. However, evidence demonstrates that economic growth does not necessarily improve people's lives. This is exemplified by the case of fast growing countries, where declining subjective well-being and increasing income and wealth inequality accompany the deterioration of social capital. In particular, the erosion of social trust and widening inequalities can jeopardize subjective well-being gains from economic growth. This evidence invites us to go "beyond GDP" as a measure of progress, and to re-orient policy making towards the pursuit of quality of life.

In support of this view, a recent stream of research shows that well-being leads to favourable economic outcomes: well-being and economic development do not need to be alternatives, but they can reinforce each other. In this literature, social capital - and, in particular, trust - emerges as an important factor affecting the relationship between growth and subjective well-being. The socio-economic relevance of trust is widely recognized by scholars. As an example, Arrow describes trust as a key element in commercial transactions, and ascribes economic backwardness, at least in part, to lack of trust (Arrow, K., 1972). Since then, research has shown that trust between people and in institutions, two key aspects of social capital, are critical for the effectiveness of collective actions, and affect many real-life domains including well-being. Trust correlates meaningfully with economic growth, health outcomes, subjective well-being, pro-environmental behaviours, democracy, and predicts compliance with health policy measures for containing the Covid-19 pandemic.

At the same time, international institutions and statistical agencies have steered towards presenting indicators of quality of life alongside traditional measures of economic performance to assess social and economic development and welfare. As a result, the scope of indicators available to policy makers for evidence-based decisions has widened.

This round table discusses the relation between trust, subjective well-being and economic outcomes, and its policy implications.

It follows presentations that cover recent evidence on the named variables. The first presentation uses Eurobarometer data and multilevel methods to investigate the correlates of trust in official statistics, which constitute a key part of the European institutional framework, and provide essential information for evidence-based policy-making. The second presentation focuses on the economic consequences of subjective well-being, and specifically on unemployment. Using data from the German Socio-Economic Panel (GSOEP) during the period 1996-2013 the author shows that higher subjective well-being causally reduces the likelihood of future unemployment. The third presentation analyses at the relationship between productivity and job satisfaction in European industries using combined data from survey and official statistics. The paper shows that industries where workers are on average happier have higher levels of labour productivity. Finally, the last contribution explores the use of nonparametric techniques to characterize the link between determinants of well-being and overall subjective well-being outcomes of societies at the country level. The findings suggest possible venues to construct synthetic indicators that reconcile economic and well-being outcomes.