

# Does Democracy Make You Happy? Multilevel Analysis of Self-rated Happiness in Indonesia

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## ABSTRACT

The linkage between democracy and citizen happiness in developing countries is rarely examined. This study examines the link between democracy and citizen happiness in Indonesia, a new emerging democratic country in South East Asia. Data comes from the Indonesian Family Life Survey 2007 ( $N_{\text{individual}} = 29.055$ ;  $N_{\text{household}} = 12.528$ ;  $N_{\text{district}} = 262$ ) and the Indonesian Family Survey East 2012 ( $N_{\text{individual}} = 5.910$ ;  $N_{\text{household}} = 2.546$ ;  $N_{\text{district}} = 55$ ). Results from a three-level ordinary logit model show that democracy as measured by age of direct local democracy is not associated with citizen happiness. Instead of age of direct local democracy, district community social capital and spending public services give benefit for citizen happiness. The results are robust against individual and district characteristics related to happiness. The results highlight the importance of promoting community social capital and improving district capacity in delivering public service to improve citizen happiness in Indonesia.

Keywords: democracy, happiness, three-level ordinary logit model, Indonesia

## INTRODUCTION

During the last two decades, citizen happiness has become an important development agenda in Western countries, particularly rich countries across Europe and North America (Argyle 2001; OECD 2013). The economic crisis in Europe and United States at the end of 2009 have realised that economic welfare or GDP is not the only ultimate goal of development. The government and lead-

ers in these countries have realised that citizen happiness and life satisfaction are more importance. Since 2008 therefore, government and policy makers across European countries have promoted happiness as an indicator to measure national development progress. France and United Kingdom for example have included happiness in their national wellbeing index. The International development organisation such as OECD has also used this indicator for measuring social and development progress in their development program (OECD 2013).

Studies to understand citizen happiness and its factors in Western Europe and United States have been widely documented. Among them conclude that democracy is an important factor of citizen happiness (Frey & Stutzer, 2000; Argyle 2003; Blanchflower & Oswald 2004; Lane 2009). Frey and Stutzer (2000) found that local autonomy and direct democracy both increase citizen happiness, and they suggested that this positive effect could be attributed to two factors: local citizens' feeling of being more closely connected to political outcomes, and the benefits of political participation. However, Veenhoven (2000) found that political and private freedoms exert a positive influence on subjective wellbeing only in countries with well-established democracies. In emerging democratic countries, the linkage between democracy and subjective wellbeing or happiness is still little known.

This study examines the linkage between democracy and citizen happiness in Indonesia. The country is an emerging democratic country in South East Asia as its authoritarian political system was radically reformed in 1999. Since 1999, free and fair national, central elections of parliament and president have been introduced across the country. More than forty new political parties participated in this direct election which, coupled with new media openness, supported a burgeoning country-wide democracy (National Election Committee 2004). From then onwards, citizens experienced

increased freedom to make their voice heard through the press, over which the government has continued to relax its control. Moreover, in 2001, Indonesia embraced local autonomy, a move which transformed the country's local government political system. Local autonomy has given every district or local government the power to perform the key functions of state, including the provision of health, education, environmental and infrastructure services. Further reforms in 2005 allowed citizens to elect their own mayor and parliament through direct local elections: by the end of 2006, more than half of all districts had conducted direct elections (The Ministry of Home Affairs 2007). All these national and political reforms may affect people's lives and their happiness across archipelago.

This study contributes to existing literature on democracy and happiness in the following ways. First, it combines insight from two strands of earlier research on contextual and individual factors of citizen happiness in developed countries (Argyle 2003; Blanchflower and Oswald 2004; Diener and Biswar-Diener 2008; Graham 2009; Lane 2009). Second, by focusing on Indonesian local democracy, this study provides a contrast to the far more extensive work on happiness and wellbeing that draws on data from developed countries and Western country settings (especially the UK, US and Western Europe). Third, prior studies examining the linkage between democracy and citizen happiness used either aggregate data at the individual level (see for example Frey and Stutzer 2002) or ignore the nested structure of data (see for example Bjornskov et al. 2008). It is crucial to distinguish the individual-compositional sources of variation from the place-contextual ones in order to minimize confounding (Subramanian et al. 2001). The three-level ordinary logit model used in this study is able to account for the clustering of individuals within households and districts by separating their variance in happiness from the household and district variance (Rabe-Hesketh and Skrondal 2012). Using this model is thus most appro-

priate for examining the effects of individual and contextual sources of happiness on citizen happiness.

## THEORETICAL FRAMEWORK

Social scientists have long been interested in the study of how and why people are happy and unhappy; they do so by identifying factors associated with happiness. The findings of previous studies suggest that the factors contributing to happiness fall into two broad categories: contextual and individual. Contextual sources of happiness pertain to factors at the community and state level such as democracy, social capital, better environment, good government and per capita GDP (Argyle 2003; Blanchflower and Oswald 2004; Lane 2009). Individual sources of happiness pertain to the socio-demographic characteristics of individuals and their unique economic circumstances. The individual sources include gender, age, marital status, companionship, social ties, religiosity, health, employment status, education and personal or household income (Argyle 2003; Diener and Biswar-Diener 2008; Graham 2009). Figure 1 shows the interrelationships among contextual and individual sources of happiness. The model allows for an interaction effect between individual and contextual factors in the production of happiness.

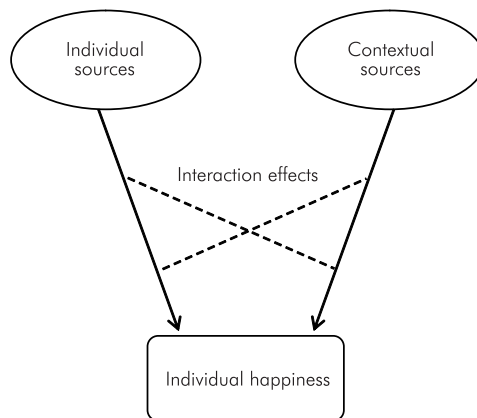


FIGURE 1: INTERRELATIONSHIP BETWEEN INDIVIDUAL AND CONTEXTUAL SOURCES OF HAPPINESS

Contextual sources of happiness have been a consistent topic of interest for sociologists, economists and political scientists. Research shows democracy, social capital, better environment, good government and GDP to be good predictors of happiness. Frey and Stutzer (2000) found that local autonomy and direct democracy both increase happiness, and they suggested that this positive effect could be attributed to two factors: local citizens' feeling of being more closely connected to political outcomes, and the benefits of political participation. However, Veenhoven (2000) found that political and private freedoms exert a positive influence on subjective wellbeing only in countries with well-established democracies. Rodriguez-Pose and Maslauskaitė (2012) found that good government as measured by its capacity to deliver public services is positively associated with citizen happiness. Bjornskov et al. (2008) found that the higher performance of economic and judicial institutions affects happiness in medium- and high-income countries. Studies have also shown the benefit of community social capital for individual happiness (Putnam 1995; Bjornskov 2003). Putnam (1995) explained that social capital provides a channel for the personal and social support that increases individual happiness. Mookerjee and Beron (2005) find that religious fractionalization is associated with reduced happiness. Thao et al (2009) argue that ethnic diversity may relate with less happiness. Some scholars have also found that higher GDP increases citizen happiness. Corruption has a detrimental effect on happiness (Bjornskov et al. 2008). Di Tella et al. (2003) and Helliwell et al. (2013), among others, have shown that people who live in countries with higher GDPs have higher levels of happiness.

Individual sources of happiness have been identified by most psychologists and economists. Studies have found gender, age, marital status, health, companionship, religiosity, social ties, employment status, education and personal or household income to be predic-

tors of individual happiness. Women tend to be happier than men (Graham 2009); one somewhat contentious explanation for this is that women tend to have lower levels of aspiration and, thus, a higher level of happiness (Frey and Stutzer 2002). Age is positively associated with happiness, with older people likely to be happier than younger people (Argyle 2001). Blanchflower and Oswald (2008) posited a U-shaped relationship between age and happiness, demonstrating that both younger and older people tend to be happier than middle-aged people. Marital status and companionship are consistent predictors of happiness, with married individuals and individuals in a partnership likely to be happier than widowed and divorced individuals (Blanchflower and Oswald 2004); loneliness has the effect of decreasing happiness (Lane 2001). Religiosity and social ties are also sources of individual happiness. Abdel-Khalek (2006) found that people who are religiously devout tend to enjoy not only better mental health but also higher levels of happiness. Helliwell (2006) found that social ties are one of the main factors of subjective wellbeing. Physical health is a stable predictor of happiness; a healthy individual is likely to be happier than an unhealthy individual (Graham 2009). Employment is positively associated with happiness, with employed people likely to be happier than those who are unemployed (Clark 2003); unemployment has a detrimental effect on happiness (Clark and Oswald 1994). Prior studies also show that education may contribute to happiness by enabling individuals to better adapt to a changing environment (Clark and Oswald 2004). Household and individual incomes are consistent predictors of happiness (Lane 2003; Blanchflower and Oswald 2004).

## **RESEARCH METHOD**

### **INDONESIAN FAMILY LIFE SURVEY (IFLS) AND OFFICIAL STATISTICS**

To examine the linkage between democracy and citizen happi-

ness in Indonesia, we assembled individual and district level data from various sources. In this analysis, the data possesses a multi-level structure, with individuals nested within households and districts. Data on individuals and households is taken from IFLS 2007 and IFLS East 2011, while district data comes from Indonesian Village Potential Census (PODES), Indonesian Population Census, and official statistics.

Our analysis used the IFLS 2007 and IFLS East 2012 as the happiness question was first asked in both surveys. The sample in the surveys was restricted to respondents aged 15 years and older who gave complete information on the happiness question. The IFLS 2007 sample included 29,055 individuals from 12,528 households living in 262 districts, which corresponds to approximately 99% of the IFLS 2007 sample included in the happiness module. On average, there were 4.5 individuals within each household and 100 households within each district. The IFLS East 2012 sample included 5,910 individuals from 2,546 households living in 55 districts, which corresponds to approximately 99% of the IFLS 2012 sample included in the happiness module. On average, there were 2.3 individuals within each household and 70-100 households within each district.

The IFLS data was linked to a number of other surveys and official statistical datasets using district codes. First, we linked the IFLS data with the local and national election database of the Indonesian Ministry of Home Affairs as the data contains information about districts that by 2007 had elected their major and local parliament through direct election. Next, we linked it with the government Village Potential Statistics (PODES) 2006 and 2011. PODES contains detailed information about the incidence of local conflict and violence as well as the number of community groups within districts, calculating aggregates at village and urban neighbourhood levels to measure their distribution. Third, we linked the IFLS with the ethnic and religious fractionalisation index measured from the

Indonesian Population Census 2010. Fourth, we linked the IFLS data to district fiscal data. Collected by the Ministry of Finance, this dataset provides information about district spending for public services (Indonesian Ministry of Finance 2008). We use fiscal data from 2006 and 2011 (the year prior to the IFLS survey), as district development spending in the Indonesian budgeting system takes at least one year to take effect.

### MEASURE OF DEMOCRACY AND CITIZEN HAPPINESS

Democracy is measured by age of district direct election. It assumes that districts which have older age of local democracy have more mature democracy than district with younger age. Citizen happiness is measured by self-rated happiness (Veenhoven 1984). In the IFLS survey, respondents were asked: “Taken all together, how do you feel these days: ‘very happy’, ‘pretty happy’, ‘not too happy’ or ‘very unhappy?’” This item has been widely used and has been validated during use in previous studies (Frey and Stutzer 2002; Krueger and Schkade 2008; Oswald and Wu 2011).

### CONTROL VARIABLES

Control variables include contextual and individual/household factors of happiness. Contextual factors include district GDP, community social capital, spending for public services, local conflicts and violence, ethnic and religious fractionalisation. Following Putnam (1993), we use the density of community groups active in a district to measure social capital. This provides information about, among others, *kelompok pengajian* and *kelompok kebaktian* (religious groups), *karang taruna* (youth groups), *persatuan kematian* (funeral groups), and *kelompok wanita* (women’s groups), all active community groups found within villages or urban neighbourhoods in Indonesia. We use district spending for public services to measure district capacity to deliver public services. To address whether local



conflicts and violence affect happiness, we include number of local conflicts and violence in the estimation. Ethnic and religious fractionalisation were measured as one minus the Herfindahl index of ethnic or religious group shared, and reflected the probability that two randomly selected individuals from population belonged to different groups (Alesina et al. 2003). Individual and household factors of happiness are also included for control variables. Individual factors of happiness were selected from prior studies. These individual factors include age, gender, per capita household expenditure, poverty status, years of schooling, employment status, marital status, health, social ties, trust, ethnicity, religiosity and social participation, loneliness, parental status, and migration. Meanwhile, household factors include household expenditure, household location in an urban or in a rural area and household size.

### THE THREE-LEVEL ORDINARY LOGIT MODEL

A three-level ordinary logit model is used to account for individual, household and district characteristics on citizen happiness. This model is more appropriate than the use of Ordinary Least Squared (OLS) regression, which aggregates data at the individual level and ignores the nested structure of data; if ignored, this nesting of individuals within household and district units can lead to the underestimation of standard errors regarding the effect of household and district characteristics (Snijders and Bosker 1999). One consequence of failing to recognise hierarchical structures is that standard errors of the regression coefficient will be underestimated, leading to an overstatement of statistical significance. Standard errors of the coefficient of higher-level predictors will be the most affected by ignoring the grouping as does OLS estimation.

Three-level ordinary logit model, or multilevel, analyses combine the regression and the variance component models to account for the nested structure of the data. This model accounts for the clus-

tering of individuals by separating individual variance in happiness from that of household and district variance in happiness. The total variance is partitioned into the variance between households and districts ( $\sigma^2_{\mu}$ ) and the variance within households and districts ( $\sigma^2_{\epsilon}$ ). These variances capture the effects of unobserved heterogeneities, variables that are independent of the covariates in the model (Rabe-Hesketh et al. 2012). We carried out three-level ordinary logit models with generalised linear latent and mixed models commands (GLLAMMs) using Stata 13.0 software. Rabe-Hesketh et al. (2004) explained that GLLAMMs are a class of multilevel latent variable models for (multivariate) responses of mixed type, including continuous responses, counts, duration/survival data, dichotomous, ordered and unordered categorical responses, and rankings. In this analysis, GLLAMM is used with an ordinal logit link as the dependent variable (self-rated happiness) is ordinal. For each of the models, the estimated coefficient, standard errors, individual, household and district variances, and log likelihood as an indicator of model fit are reported. All models were estimated using maximum likelihood estimation.

## FINDINGS

First, we describe the district characteristics of the survey. The surveys reflect the contrast in socio economic development between western and eastern Indonesia, particularly concerning GDP, spending for public services, ethnic and religious fractionalisation, social capital and age of democracy. As IFLS East was collected in 2012, the age of local direct democracy in eastern Indonesia is longer. Levels of district GDP and spending for public services in eastern Indonesia are greater than in western Indonesia. Community social capital in the eastern region is substantially greater than in the western region. Ethnic and religious fractionalisation in eastern Indonesia is higher than in western Indonesia. Poverty as measured by

percentage of households with consumption of less than 2 USD per day is fairly similar in both regions; poverty in the eastern region is slightly higher at 68%.

The mean self-rated happiness score was 3.00 (SD = 3.55-3.58) for both samples, measured on a 1 (very unhappy) to 4 (very happy) scale. Consistent with the Ipsos 2010 and the 2012 Happy Planet Index results, most respondents in the surveys report happy and very happy (94% for IFLS 2007 and 88% for IFLS East 2012). The detailed of socio-demographic variables in both samples are shown in Table 1.

Bivariate ordered logistic regression in Table 1 shows that most variables were statistically significantly associated with happiness at the 5% level. However, age of local democracy is not significantly associated with citizen happiness. Ethnic fractionalisation, community social capital and spending for public services are strongly related with happiness. Religious fractionalisation and GDP have a weak correlation with happiness. Local conflict and violence are negatively associated with citizen happiness. Only a small number of observations were missing. With the relatively small amount of missing data, it is expected that bias and efficiency loss in the estimation of the multivariate models are minimal.

Table 2 shows results of the three-level ordered logit model. To examine the degree of variance in citizen happiness at the individual, household, and district levels, we estimated an empty model before regressing happiness on any predictor. The empty model includes only variance components; it is not reported in the tables. It revealed that the unexplained individual variance in citizen happiness is 0.049, the unexplained household variance in happiness is 0.038, and the unexplained district variance comes to 0.007. Thus, the intra-class correlation (ICC) for individuals within a household is 0.124; for individuals within a district the ICC is 0.101. This means that 12.5% of the variation occurs between households and 10%

TABLE 1 SAMPLE CHARACTERISTICS AND BIVARIATE ORDERED LOGISTIC ANALYSIS

	Ifs 2007			Ifs 2012		
	MEAN ± SD OR %	ASSOCIATION WITH HAPPINESS	% MISSING	MEAN ± SD OR %	ASSOCIATION WITH HAPPINESS	% MISSING
Happy District	3.00 ± 0.39		0.01	3.00 ± 0.48		0.00
GDP (in Trillion rupiah)	18.8 ± 30.2	-0.002*	0.05	13.2±14.2	0.006*	0.00
Social capital	0.29 ± 0.19	0.824*	0.08	0.78±0.73	0.665*	0.00
Age of democracy	1.1 ± 0.96	0.072	0.00	5.6±1.7	0.005	0.00
Spending for public services (in Trillion rupiah)	13 ± 0.66	0.176*	0.00	7.59±6.09	0.154*	0.00
Local conflicts	0.80 ± 0.39	-0.251*	0.00	0.87±0.88	-0.011*	0.00
Ethnic fractionalisation	0.72±0.53	-0.311*	0.00	0.79±0.61	-0.411*	0.00
Religious fractionalisation	0.24±0.21	0.051	0.00	0.26±0.19	0.120	0.00
Household						
Household size	4.30 ± 1.88	0.007	0.00	4.90±2.3	0.029	0.00
Household expenditure (in Million rupiah)	0.62±0.63	0.532*	2.21	0.90±0.82	0.442*	4.12
Urban areas	51%	0.120*	0.03	31%	0.629*	0.00
Individual						
Age	37±17	-0.025*	0.01	37±15	-0.017*	0.00
Female	52%	0.001*	0.01	52%	0.131*	0.00
Poverty status	67%	-0.595*	2.21	68%	-0.575*	4.12
Years schooling	8±5	0.105*	7.36	7±4	0.105*	7.01
Employment status			0.01			0.02
Employed	97%	0.340		96%	0.259	0.00
Unemployed	3%	-0.340		4%	-0.259	
Married	91%	0.917*	0.01	72%	0.159*	0.00
Divorced	2%	-1.222*	0.01	2%	-0.500*	0.00
Widow	6%	-0.728*		5%	-0.654*	
Health status	2.82±0.50	0.689*	0.00	2.80±0.62	.502*	0.00
Social ties	3.10±0.39	0.280*	0.02	3.20±0.44	0.710*	0.03
Trust	2.72±0.19	0.122*	0.02	2.46±0.11	0.243*	0.03
Religiosity	2.90±0.36	0.294*	0.02	2.8±0.37	0.105*	0.03
Social participation	37.92±33.82	0.452*	4.56	32.22±29.61	0.023*	4.58
Muslim	88.8%	0.102	0.00	55.9%	0.021	0.00
Javanese	42.1%	0.132	0.00	0.3%	0.081	0.00
Spouse living outside home	5%	-0.289*	7.14	5%	-0.143*	7.47
Have child	93%	0.256*	0.00	87%	0.474*	0.00
Migration status	86%	-0.210*	0.01	74%	0.100	0.00

Percent missing is calculated from the total number of individual-level observation (N IFLS 2007 = 29,029 and N IFLS 2012 = 5,910). Poverty status is summarised as individual level variables. Reported associations are the coefficients of simple bivariate ordinary logistic regression. \*p < .05.

occurs between districts; ignoring this can lead to inefficient and biased estimates.

Across the models, democracy is not significantly associated with citizen happiness (0.020, \* $p > 5\%$ ). The widespread local conflict and violence following democracy and decentralisation in the local level have detrimental effect on citizen well-being. The negative association of local conflicts and violence on citizen happiness is consistent in the models. The negative association between district GDP and citizen happiness indicates the paradox of economic growth in the country archipelago. This finding signals that district economic development does not go with citizen happiness. As districts across Indonesia are rich with community social capital, this community social capital gives benefit for citizen well-being. Individuals who live in district with richer community social capital are happier than those who live in district with poorer community social capital. Instead of age of direct local democracy, the capacity of district governments in spending for public services gives benefit for citizen well-being. Across the models, spending for public services is significantly associated with happiness. Studies also report that higher ethnic fractionalisation across the Indonesian archipelago often leads to ethnic conflicts, which have detrimental effect on citizen well-being (Kaiser and Hofman 2003; World Bank 2006; Baron et al. 2009). The negative association between ethnic fractionalisation and citizen happiness is shown in this study.

Most of the individual and contextual factors show consistent results with existing studies. Being married, being healthier and richer, being educated and employed, being religious, and having social ties are source of happiness in the individual and household level in Indonesia. However, happiness is beyond ethnicity and religious affiliation. The findings indicate that basic sources of citizen happiness in the country are the same regardless of ethnic and religious differences. Age is positively associated with happiness. Mar-

TABLE 2: REGRESSION RESULTS OF THREE-LEVEL ORDERED LOGIT MODEL

	IFLS 2007		IFLS 2012	
	coef	se	coef	se
<b>District</b>				
Age of democracy	0.020	0.064	0.020	0.060
GDP	-0.053*	0.016	-0.045*	0.014
Social capital	0.227*	0.072	0.330*	0.065
Spending for public services	0.360*	0.055	0.250*	0.041
Local conflicts and violence	-0.114*	0.040	-0.100*	0.020
Ethnic fractionalisation	-0.231*	0.032	-0.323*	0.021
Religious fractionalisation	0.023	0.042	0.050	0.059
<b>Household</b>				
Household size	0.012*	0.007	0.010*	0.005
Household expenditure	0.232*	0.021	0.234*	0.023
Urban areas	0.035	0.262	0.038*	0.261
<b>Individual</b>				
Age	-0.010*	0.001	-0.013*	0.002
Age <sup>2</sup>	-0.000	0.012	-0.000	0.011
Female	0.057*	0.021	0.044	0.016
Poverty status	-0.159*	0.025	-0.051*	0.018
Years schooling	0.024*	0.004	0.022*	0.006
Employed	0.286*	0.084	0.181*	0.056
Married	0.143*	0.030	0.145*	0.026
Good health	0.235*	0.025	0.252*	0.037
Social ties	0.107*	0.029	0.112*	0.022
Trust	0.122*	0.030	0.090*	0.014
Religiosity	0.135*	0.019	0.097*	0.014
Muslim	0.031	0.041	0.067	0.078
Javanese	0.120	0.110	0.141	0.121
Social participation	0.234*	0.034	0.089*	0.020
Loneliness	-0.236*	0.051	-0.127*	0.048
No child	-0.270*	0.056	-0.231*	0.056
Migrate	-0.033	0.037	-0.032	0.031
$\kappa_1$	6.453*	.811	5.522*	.410
$\kappa_2$	7.890*	.814	6.871*	.412
$\kappa_3$	11.031*	.813	8.534*	.416
<b>Variances</b>				
Household	0.016*	0.000	0.010*	0.002
District	0.006*	0.000	0.005*	0.000
ICC	15%		16%	
Log likelihood	-9010.12		-9007.10	

\* $p < .05$

ried individuals are happier than divorced and widowed individuals. Women are happier than men are. Richer household is happier than poorer household. Employed and educated individuals are also happier. Support and good social relationship benefit for happiness. Consistent results are shown from the association of social ties, trust and social participation on happiness. In contrast, loneliness and childlessness have detrimental effect on happiness. Religious individuals are happier, but religious affiliation is irrelevant. Ethnicity affiliation is also irrelevant. In all models, we found being Muslim and being Javanese are not significantly associated with happiness. The null association of being Javanese is not surprising in that little ethnic discrimination, whether *de jure* or *de facto*, has existed in modern, independent Indonesia. Some studies argue that Chinese have been discriminated against Javanese in Indonesia, but considering their large wealth, they are not so much discriminated against as envied (Suryadinata et al. 2003). The significant association of urban residence and happiness is only shown for eastern Indonesia.

The variances at the household and district levels are significant across all specifications. The estimation of these works towards ensuring the remaining estimates is robust against unobserved household and district heterogeneities. Single-level studies, which ignore unobserved heterogeneities at either the household or the district level, may not be as robust. This is worth bearing in mind when comparing these results with those discussed in the current literature.

## DISCUSSION

This paper examines the linkage between democracy and citizen happiness in Indonesia. Indonesia provides an interesting case not only because recent findings show the country to be one of the happiest in the world but also because relatively little research has

explored to examine the relationship between current local democracy development and citizen happiness in the country.

The main findings show that democracy as measured by age of local democracy is not associated with citizen happiness. Instead of democracy, community social capital and district capacity in delivering public services are district factors of citizen happiness. The null association of local democracy on citizen happiness may indicate ineffectiveness of local democracy in the country. Ineffectiveness of local direct democracy has been noted by some studies. Aspinall and Mietzner (2010) note the influence of political elites, patronage and 'money politics' in local elections. Local democracy in Indonesia has also been accompanied by an increasing amount of local conflict, which has not only rendered local democracy less effective (Choi 2004; Nordholt and Van-Klinken 2005), but which is also in itself detrimental to citizen happiness (Sujarwoto and Tampubolon 2014). Under such conditions, the widening participation of political parties and local direct elections may not guarantee effective local leadership, which can provide better local policies and services, which improve wellbeing. The pessimism of citizens on effectiveness of local democracy to bring effective local leadership was also indicated from the increasing number of non-voters in local elections since political reform from 20% in 2005 to 40% in 2013 (The Ministry of Home Affairs 2014).

Although some qualitative studies report such local conflicts were also related to religious tension (Suryadinata et al. 2003; Klinken 2007; Choi 2004), we do not find significant relation between district religious fractionalisation and citizen happiness. Religious affiliation is also not significantly associated with happiness. Similar finding were also shown by the studies of Ferriss (2002) and Sohn (2013). They find that the levels of happiness differ little among Muslims, Protestants, Christians, Catholics and Jews. In our study, the effect of religion on happiness is shown in the form of indi-



vidual religiosity. We find those who do daily prayers are happier than those who do not do daily prayers. Further, the positive association between religious fractionalisation and individual religiosity may signal the way individual religious freedom is expressed and associated with citizen happiness, as suggested by some scholars that the majority of Indonesians harbour tolerant and friendly towards other faiths, especially in the context of the wider Muslim world (Pizani 2014).

Indonesia is a society in transition, but retains many traditional features. Ethnicity still plays important roles in citizen's daily life and therefore may influence citizen happiness (Ricklefs 2001; Suryadinata et al 2003). The importance of ethnicity on happiness is shown in this study. In all models, we find that citizen who live in district with higher ethnic fractionalisation are less happy than those who live in district with less ethnic fractionalisation. The negative association of ethnic fractionalisation may relate with increasing conflict and violence in high ethnic fractionalisation districts in Indonesia since 1998. Nordholt and Van-Klinken (2005) for example show that increasing conflict involving ethnic groups since the fall of the authoritarian regime in 1998 mostly occurred in districts with high ethnic fractionalisation such as Maluku, Kalimantan, and Papua. Ethnic fractionalisation in conflict districts in those islands resulted in social tension and reduced social tolerance, which may also make citizen less happy.

The benefits of indigenous community social capital across Indonesia archipelago such as *kerjabakti* (voluntary labor), *arisan* or *binda* (rotating credit association), *kelompok pengajian* and *kelompok kebaktian* (religious groups), *karang taruna* (youth groups), *persatuan kematian* (funeral groups), and *kelompok wanita* (women's groups) on various aspects of citizen well-being were documented in prior studies. Miller et al. (2006) for example found that these type of community social capital benefits mental health among adults in

Indonesia. Beard (2007) shows the positive role of this indigenous tradition in improving community well-being. Sujarwoto and Tampubolon (2013) explain some benefits of community and individual social capital for well-being, which include support from community and family members, better access to public services and amenities, and sharing knowledge and information. Such channels may link the positive association of social capital and citizen happiness in Indonesia. For example, the importance of family and community support in improving well-being was highlighted in the recent BPS 2013 survey, which found that time spent with family and neighbours are among main factors of household happiness in Indonesia (BPS 2014).

The association between spending for public services and citizen happiness signal that happiness in the country is increased through better capacity of district government to deliver public services. Using the IFLS 2007, Sujarwoto and Tampubolon (2014) found that fiscal decentralisation in Indonesia is significantly associated with citizen happiness. Bjørnskov et al. (2008) explain mechanisms by which fiscal decentralisation leads to citizen happiness. They find that it encourages local governments to provide citizens with the public goods and services that they need. It entails a shift in political decision-making from central to local government, with the implication that local government has a greater potential to tailor its policies specifically to the demands of local citizens. This improved matching of public goods and service delivery to local needs necessarily increases happiness levels of the beneficiaries.

Indonesians living in richer districts as indicated by higher GDP are less happy than those living in poorer districts. This negative association contrasts with previous cross-country analyses, which have shown a positive association (Di Tella et al. 2003; Clark and Senik 2011). In the literature of happiness, this phenomenon is often called the growth paradox (Graham 2009). This enigma may

be explained by the fact that districts with higher GDP tend to experience higher levels of economic growth. Recent studies on Indonesian economic development indicate that despite high growth rates between 2005 and 2011, economic inequality has deepened (Yusuf et al. 2014). The Asian Development Bank (2012) and Euromonitor (2012) report that Indonesia has experienced the highest increases in income inequality levels in the world in the past few years (rising from a Gini coefficient of 0.33 in 2005 to 0.47 in 2011); districts with the highest GDPs also have the highest levels of economic inequality (World Bank 2008). Based on the National Survey Data 1993-2013, Yusuf et al (2014) show the rise in inequality was predominantly visible in the period after the 1999 crisis, or era of political reform and democratisation. This increase of inequality in richer districts may explain why citizens living in richer districts are less happy.

## **CONCLUSION**

In Indonesia, the quality of district administration seems to be more important for citizen wellbeing than the provision of local democracy and the freedoms it implies. This study found that citizens report being happier when their district authorities prove themselves more capable of providing better public services and promoting community social capital. Providing better policies and services that can ensure adherence to basic norms of equity and fairness, as well as promoting social support and collective culture, are essential to increasing citizen happiness in the country. The importance of the role of districts in improving citizen happiness across archipelago is clearly paramount and should not be underestimated by government and policy makers.

The findings have an important implication both for theory linking democracy and citizen happiness and local democracy practice in developing countries. The null association between democracy

and citizen happiness in Indonesia is in contrast with findings in the Western Europe and United States which show strong relationship between democracy and happiness (Frey and Stutzer, 2002; Lane, 2009). This contrasting findings imply that theory linking democracy and citizen happiness in developing countries may have different pathways. In the context of developing countries, local democracy will benefit for citizen happiness if political participation and freedom can be translated into better public services and more cohesive and safer community. From a policy perspective therefore, politicians and government should notice that the ultimate goal of democracy is not enlarging political participation and freedom but achieving citizen wellbeing or happiness through providing better policies and services as well as through promoting social support and collective culture.

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