
Does choice improve subjective well-being?

The case of German Long-term Care Provision

**2nd International Conference on Evidence-based Policy
in Long-term Care**

6th September 2012 - London

Valentina Zigante, European Institute, LSE

v.a.zigante@lse.ac.uk

Outline

- Questions
- Background
- Data and empirical model
- Results
- Conclusions

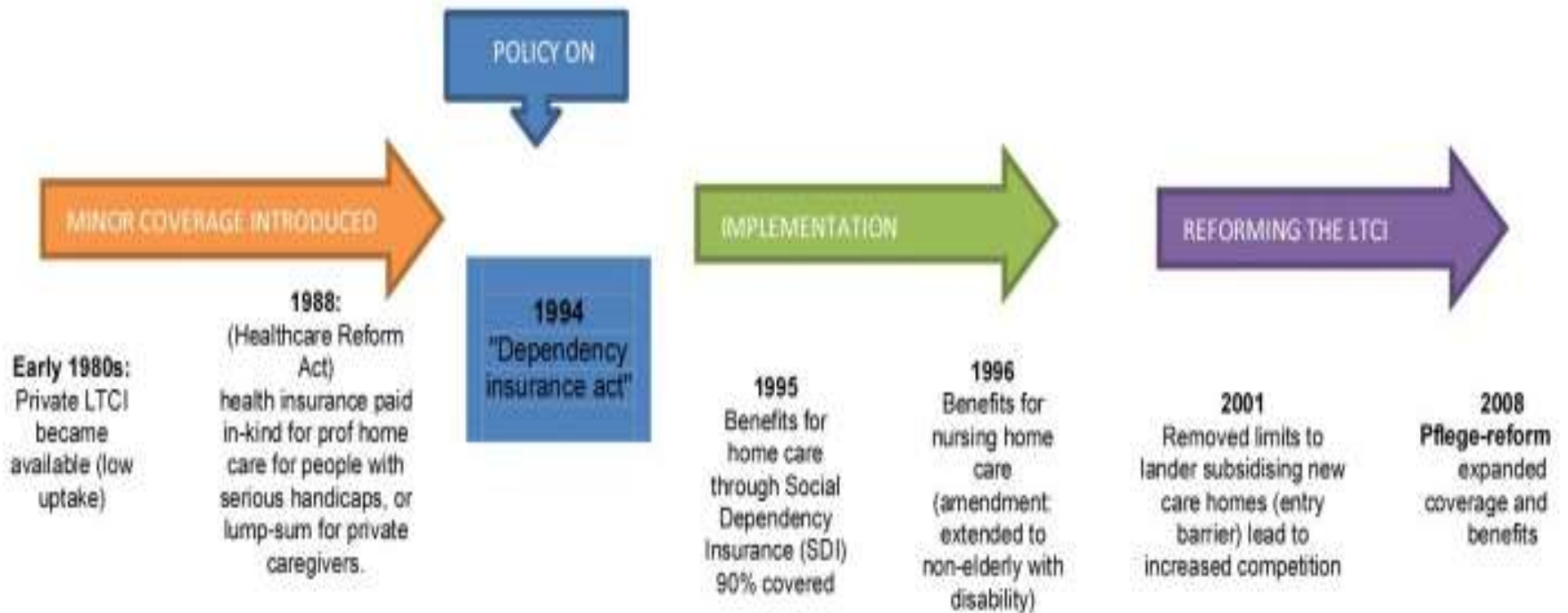
Research questions

- Did the German LTCI's choice of provision component improve welfare (measured as subjective well-being) among users?
- Are welfare effects dependent on socio-economic characteristics such as income and education?

Background

- Using subjective well-being to measure welfare
 - Procedural utility (Frey & Stutzer 2004)
- Why does choice matter?
 - Instrumental and intrinsic benefits
- Is choice equitable?
 - Choice for all or unequal ability to make use of choice? (Le Grand 2007, Dixon 2006)

Reform timeline



Data: GSOEP (Panelwhiz)

- Dependent variable: Life satisfaction
- Control variables
 - *gender, age, marital status, employment status, income, level of education, household size, health status*
- Pooled data: 'Before' 1990-1993,
'After' 1996-1999
- Excluding implementation years: 1994 & 1995

Model and identification:

Difference-in-difference

$$(\text{SWB}_{\text{treatgroup-post}} - \text{SWB}_{\text{treatgroup-pre}}) - (\text{SWB}_{\text{controlgroup-post}} - \text{SWB}_{\text{controlgroup-pre}})$$

■ Treatment group:

- previously uninsured, public system (T)

■ Control group:

- private insurance (no change in status) (C)

■ DDD: added control group:

- public- but severely disabled before policy (already in policy) (C)

$$\text{SWB}_{it} = \beta_0 + \beta_1 G_i + \beta_2 T_t + \beta_3 G_i \times T_t + \beta_4 X_i + \varepsilon_{it}$$

Results DD and DDD

	Difference-in-difference		DDD	
Treatment group (after)	0.846***	0.836***	2.258***	1.974**
After	-1.227***	-1.191***	-1.081**	-1.064**
Treated	-0.511	-0.523	-1.601**	-1.509**
Individual controls	Yes	Yes	Yes	Yes
Lander dummies		Yes		Yes
Year dummies		Yes		Yes
Constant	2.053	0.753	2.058	0.787
Number of observations	755	755	755	755
Adjusted R square	0.334	0.34	0.332	0.337

Equity effects: (diff-diff)

	2nd quartile		2+3		Education >9 years	
Post treat	1.371*	1.640*	1.952***	2.068***	1.369**	1.463**
Post	-0.758	-0.79	-2.046***	-2.110***	-1.978***	-2.044***
Treat	-0.574	-0.682	-1.296***	-1.412***	-1.089*	-1.176*
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Lander dummies		Yes		Yes		Yes
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes
Constant	1.993	0.802	3.863***	3.043**	0.488	-0.485
Number of observations	203	203	403	403	379	379
Adjusted R square	0.378	0.396	0.35	0.353	0.382	0.398

Conclusions

- Positive SWB effect of the LTCL introduction
 - 'System' effect
 - Choice effect
- Stronger life satisfaction effect for income quartile 2 and 3 and for individuals with higher education

Thank you!



v.a.zigante@lse.ac.uk