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RESEARCH PAPER

What Affects Individual Happiness in Indonesia? Evidence from Indonesia Family Life Survey

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Abstract

Despite many studies on factors affecting individual happiness, the relationship is still unquestionable. By employing panel data sources from the Indonesia Family Life Survey (IFLS) Wave 4 (2007) and Wave 5 (2014), we investigate the effect of income, education, health, social capital, and religiosity as well as individual characteristics and demographics on individual happiness in Indonesia. Several interesting findings from the random effects ordered probit estimations are as follows; income, education, and health strongly encourage individual happiness. Social capital, such as safety and participation in general elections, can provide more happiness. People in urban areas are happier when participating in religious activities. Worship obedience can enhance individual happiness. Age has a U-shaped relationship to happiness, the male gender has lower happiness than the female, and people who are married, live in urban areas, and are outside Java Island have higher happiness than others.

Keywords: Determinants, IFLS, Individual Happiness, Indonesia, Random Effects Ordered Probit.
JEL Classification: D10, O12.

1. Introduction

GDP as an economic indicator still has several shortcomings in measuring individual welfare (Bergh, 2009). The approach is monetary, so it merely describes material welfare. In addition, GDP does not consider social costs such as costs of externalities, ignores income distribution, activities outside the market, social

relations, and environmental damage (Fleurbaey, 2009). These weaknesses drive the urgency for alternatives to measure welfare, such as happiness. The emergence of a new measure of well-being encourages interdisciplinary scientists to research well-being or happiness (Frey, 2018). However, in the economics of happiness, using the level of happiness does not mean ignoring GDP as an indicator of welfare yet complementing it by using a combination of economic and psychological aspects (Graham, 2005).

There have been many studies of happiness associated with economic aspects. One of the prominent findings comes from (Easterlin, 1974). He argued that the relationship between happiness and income is a reverse correlation. Thus, the results of Easterlin's study are known as the Easterlin Paradox. Specifically, he explains that income does not fully increase an individual's well-being or happiness (Clark et al., 2008). Furthermore, Gere and Schimmack (2017) emphasized that income status does not moderate the relationship between income and happiness. Hence, the occurrence of the Easterlin Paradox implicitly informs that income is not the only factor affecting individual happiness.

Along with the development of the study of happiness, there are other factors influencing happiness, such as social capital (Ram, 2009; Helliwell and Putnam, 2004), social income (Paul and Guilbert, 2013), education (Fernandez and Kulik, 1981; Diener, 2009; Caporale et al., 2009), health (Mehnert et al., 1990; Pouwels et al., 2008; Gerstenblüth and Rossi, 2013), religion (Bixter, 2015; Ellison et al., 1989), and leisure (Freire, 2012). Nonetheless, the study of the economics of happiness is still rare in developing countries, especially in Indonesia. Some of the studies are in between such as (Shon, 2010; Landiyanto et al., 2011; Rahayu, 2016). They point out the importance of observing individual changes not previously observed over time. Afterward, the study on individual happiness in Indonesia became significant since revealed that Indonesia's Happiness Index is at number 80 out of 146 countries in the world (Helliwell et al., 2021). Meanwhile, in ASEAN, Indonesia ranks 6^{th} out of 9 countries. It reflects that individual happiness in Indonesia is relatively lower both at global and regional levels. Therefore, this paper aims to investigate individual happiness factors in Indonesia by using panel data to capture more individual changes over time which previous studies do not employ. In addition, this paper will contribute to the recent literature on the economics of happiness since there is a research gap in Indonesia.

2. Data and Methodology

2.1 Data Source

Happiness data is a measure of subjective well-being self-reported by individuals. The resulting data is in an ordinal or stratified form. The data source employs a panel from the Indonesia Family Life Survey (IFLS) 2007 and 2014 (Strauss et al., 2016). Hereafter, Klevmarken (1989), Hasio (2000), and Baltagi (2005) clarified some of the advantages of using panel data compared to time series and cross-section data. Panel data can control individual heterogeneity. It shows that individuals are heterogeneous. Research using time series and cross-section data cannot control heterogeneity. There is a risk of obtaining biased results. Hence, panel data estimation techniques can overcome this heterogeneity explicitly by providing individual-specific variables.

Furthermore, combining time-series and cross-section data can provide more informative data where the information is more varied, has more degrees of freedom, is more efficient, and has less collinearity between variables. Afterward, panel data can analyze adjustment dynamics due to repeated cross-sectional observations from year to year. After that, panel data can identify and measure impacts that cannot be analyzed in pure cross-section and time-series data. Next, panel data allows us to build and test behavior models that are more complicated and complex than pure cross-section or time-series data. Finally, by creating more data, panel data can minimize bias if we regress individuals or subjects into large aggregations.

2.2 Research Variable

In this paper, the model used is based on classical utility theory and is formulated by including social variables to answer the research objectives. Thus, the basic equation is as follows.

$$h_{it} = \alpha + \beta_1 y_{it} + \beta_2 edu_{it} + \beta_3 health_{it} + \beta_4 soscap_{it} + \beta_5 religion_{it} + \delta x_{it} + \varepsilon_{it} \quad (1)$$

where h_{it} is the self-reported level of happiness as a proxy for the utility of the individual -i, y_{it} is the natural logarithm of per capita income, edu_{it} is the vector of the variable length of education, $health_{it}$ is the vector of the variable health level, $soscap_{it}$ is a vector of social capital variables, $religion_{it}$ is a vector of religious variables, x_{it} is control variables such as age, gender, marital status, work, place of residence, and others. The list of variables is as follows.

Table 1. Identity of Variables

No.	Variable	Definition	Type of Data
1	Happiness	Welfare condition proxied by happiness level	Ordinal
2	Income	Individual income (IDR)	Numeric
3	Education	Length of formal education (year)	Numeric
4	Health		
	a. Health	1 for good health; 0 for other	Dummy
	b. Insurance	1 for having insurance; 0 for other	Dummy
5	Social capital		
	a. Participation	1 for participating in community activities; 0 for other	Dummy
	b. Help	1 for willingness to help neighbors; 0 for other	Dummy
	c. Neighbor	1 for trusting in neighbors; 0 for other	Dummy
	d. Safety	1 for a safe condition; 0 for other	Dummy
	e. Ethnic	1 for trusting in ethnic; 0 for other	Dummy
	f. Election	1 for participating in a general election; 0 for other	Dummy
6	Religiosity		
	a. Worship	Worship frequency (%)	Nominal
	b. Religious	1 for participating in religious activities; 0 for others	Dummy
7	Individual characteristics		
	a. Age	Individuals aged 15 years or older	Numeric
	b. Male	1 for males; 0 for other	Dummy
	c. Married	1 for married; 0 for other	Dummy
	d. Leisure	16 hours – total work hour	Numeric
8	Household characteristics		
	a. Household	number of household members	Numeric
9	Demographic characteristics		
	a. Urban	1 for urban; 0 for other	Dummy
	b. Java	1 for Java; 0 for other	Dummy

Source: IFLS 2007 and 2014 (processed).

2.3 Estimation Technique

This paper utilizes happiness as the dependent variable, a measure of subjective well-being that is self-reported by individuals. The data form is ordinal or stratified, namely very unhappy, unhappy, happy, and very happy. To examine the determinants of individual happiness, we apply the ordered probit model, which refers to Paul & Guilbert (2013) and Ferrer-i-Carbonell (2005). The equation model is made with panel data that accommodates individuals using random effects.

$$h_{it} = \alpha + \beta_1 y_{it} + \beta_2 edu_{it} + \beta_3 health_{it} + \beta_4 soscap_{it} + \beta_5 religion_{it} + \delta x_{it} + \eta_i + u_{it} \quad (2)$$

where η_i is a random effect and u_{it} is a general error assumed to be uncorrelated with the observed independent variables. Random effects can capture unobservable individual characteristics such as optimism, pessimism, intelligence, depression, and others. These individual characteristics may be correlated with several observable variables such as income and education. For instance, depressed people tend to work less optimally, losing work and income. Meanwhile, less motivated people may decide not to take jobs involving time, income, and intelligence that may affect education.

To overcome this issue, Mundlak (1978) proposed the relationship between random effects and some observable variables by assuming a correlation structure as follows.

$$\eta_i = \omega_i + \sum_j \emptyset_j \bar{z}_{ji} \quad (3)$$

where random effects are explained into two components, namely: (i) a pure random effect, ω_i is not correlated with the explanatory or independent variables that can be observed, and (ii) components that are correlated with the subset, $\bar{z}_{ji}$ is observable explanatory variables, where $\bar{z}_{ji}$ is the average z_{ji} throughout the year. The correlation between $\bar{z}_{ji}$ and random effects is assumed to be the form $\emptyset_j \bar{z}_j$. As described in (Ferrer-i-Carbonell, 2005), where $\emptyset_j$ is a statistical correction, and no special significance must be attached to its sign and magnitude. Furthermore, equation (3) is substituted for equation (2), so the new equation is obtained.

$$h_{it} = \alpha + \beta_1 y_{it} + \beta_2 edu_{it} + \beta_3 health_{it} + \beta_4 soscap_{it} + \beta_5 religion_{it} + \delta x_{it} + \sum_j \emptyset_j \bar{z}ji + \omega_i + u_{it} \quad (4)$$

This model assumes that $E(\omega)=E(u)=0$, and the error is normally distributed. However, the probit estimation results cannot be directly interpreted as in the linear

estimation model. Thus, it is necessary to calculate the marginal effect, namely the change in probability caused by changes in the independent variable.

Afterward, Marginal Effect (ME) calculations that are often used are the Marginal Effect at the Mean (MEM) and Average Marginal Effect (AME). The MEM calculates the marginal effect on χ_k with all variables fixed at the average value, while the AME calculates the marginal effect on χ_k for each observation at the observed x_1 value and then calculates the average effect (Long and Freese, 2006). However, this paper employs the AME as the MEM is rare for conditions to occur where all variables are the same as the average.

However, an endogeneity issue may arise. Wooldridge (2013) explained that endogeneity emerges when a regressor is correlated with the error term, thereby violating the most important OLS estimation assumption, the exogeneity condition, specifying that u has an expected value of 0 given any X (i.e. E ($u \mid X_1$, X_2, ..., X_k) = 0). There are three instances where the exogeneity condition is violated (and thus endogeneity is present): errors-in-variables, omitted variables, and simultaneous causality. Therefore, the most basic test to determine the endogeneity issue can be done with the Hausman test (Hill et al., 2021). After all, the issue of endogeneity is very crucial in determining the appropriate method of carrying out the analysis.

Besides that, in most cases unlikely can explain all of the behavior in the dependent variable by a single explanatory variable. Most problems require two or more right-hand side variables to capture behavior adequately. However, sometimes there is the consequence named cross effect between variables or simply called multicollinearity (Wooldridge, 2013). Somehow, there are solutions when faced with multicollinearity either to get more data (since an increase in N will reduce the standard errors) and get more (uncorrelated) variables as this should reduce the residual variance s^2 and offset the multicollinearity effect. If this fails, then quite often the only solution is to drop one of the original correlated variables (Hayes and Matthes, 2009; Hedeker and Gibbons, 1994). Therefore, with a panel longitudinal data source (more data), this paper is already implementing the solution to avoid cross effects between variables.

3. Result and Discussion

3.1 Descriptive Statistics

Table 2 displays descriptive statistics of the variables, namely, income, education, age, leisure, and the number of household members are continuous data, and other variables are discrete data (Table 3). Individuals who became respondents answered very unhappy (0.72%), unhappy (7.76%), happy (82.21%), and very happy (9.31%). Furthermore, The average income per capita of individuals in Indonesia is IDR1,372,957, or about USD92 per month. 17.78% of respondents have no income as they do other activities such as going to school, homemakers, etc. Meanwhile, the respondent with the highest income is IDR400,000,000 per month, or equivalent to approximately USD27,000. The level of education is dominated by respondents who have studied for 12 years, reaching 6,997 respondents or 24.50% of the total. Furthermore, respondents who feel themselves healthy are 83.37%.

Respondents having health insurance are 38.37%. Social capital in the form of participating in community meeting activities, routine community service, village improvement programs, and group and youth activities is 59.06%. Respondents who have trust and entrust their children or house to neighbors when traveling are 82.42%. In addition, 95.99% of respondents feel the village is safe. Respondents who believe more in the same ethnicity or religion are 77.71%. Respondents' participation in using their voting rights in elections, such as presidents, members of the central and regional house representatives, Governors, Mayors, and village heads, is still relatively low at 28.64%. In comparison, 71.36% have never used their right to vote in elections. The frequency of daily worship based on respondents' beliefs is classified as having a reasonably high level of obedience, which is 71.82%. In contrast, the rest have a lower level of obedience in performing worship.

The frequency of participating in religious activities held in the surrounding area is 64.52%. In addition, 55.24% of male respondents and 44.76% of female respondents. 78.62% of respondents are married, while the rest are unmarried, separated, divorced, etc. 53.09% of respondents live in cities and 46.91% in villages. A total of 58.20% live in the Java region, and 41.80% live in areas outside the island of Java.

Table 2. Descriptive Statistics (Continous Data)

Variable	Obs	Mean	Std Dev
Income	25,781	1372957	4333233
Education	28,561	8.472462	4.433956
Age	28,581	38.65351	13.10033
Leisure	28,586	69.72067	26.99284
Household	28,586	4.255545	1.808791

Source: IFLS 2007 and 2014 (processed).

Table 3. Descriptive Statistics (Discrete Data)

Variable	Frequency	Percentage
Happiness		
Very Unhappy	206	0.72
Unhappy	2,218	7.76
Happy	23,500	82.21
Very Happy	2,661	9.31
Health	23,833	83.37
Insurance	10,967	38.37
Participation	15,502	59.06
Help	28,384	99.29
Neighbor	23,561	82.42
Safety	27,439	95.99
Ethnic	22,213	77.71
Election	8,186	28.64
Worship		
Never	657	2.30
Sometime	1,652	5.80
Often	5,724	20.08
Obey	20,473	71.82
Religious	16,716	64.52
Male	15,790	55.24
Married	22,470	78.62
Urban	15,176	53.09
Java	16,636	58.20

Source: IFLS 2007 and 2014 (processed)

Estimates are carried out in general for all samples. In addition, estimates are executed separately between urban and rural sample groups. This estimate aims to investigate the factors influencing individual happiness between the two community groups with different behaviors and characteristics. Table 3, column 1

displays the entire sample's estimation results, while columns 2 and 3 are separated between urban and rural sample groups. The total number of samples estimated is 17,841 respondents. For the rural group, there are 7,608 respondents, while 10,233 respondents represent the urban group. The estimation results using an ordered probit random effect cannot describe the magnitude of the influence of the independent variable on the dependent variable.

Nevertheless, the results can define the direction of the impact of the independent variable on the dependent variable. The magnitude of the influence of the independent variable on the dependent variable can be explained using the marginal effect, which in this study will be shown in the appendix section. In general, the marginal effect will differ at each happiness level. However, in the analysis, it always refers to the highest category.

3.2 Estimation Result

In general, the estimation results for the entire sample in column 1 inform that the variables of income, education level, health, social capital variables such as security and participation in elections, and religiosity have a positive and significant effect on the level of individual happiness in Indonesia. In addition, individual characteristic variables such as age, gender, marital status, place of residence, and area of residence also significantly affect happiness. Also, column 1 indicates that social capital elements such as community activities, willingness to help, trust in neighbors, and ethnicity affect happiness. Hereafter, individual and household characteristic variables such as availability of free time and the number of household members do not significantly affect happiness. Meanwhile, urban and rural samples show changes in the significance level, such as insurance ownership variables, feeling of security, participation in elections, beliefs held, and attending religious activities. Besides that, the area of residence in rural community groups no longer significantly influences the level of individual happiness in Indonesia. However, these results follow the initial prediction that there are differences in the characteristics and behavior of individuals in rural and urban areas.

Table 4. Estimation Result using Random Effects Ordered Probit

	(1) Full Sample	(2) Urban	(3) Rural
Income	0.161***	0.182***	0.141***
	(0.0118)	(0.0167)	(0.0169)

Education	0.0364***	0.0378***	0.0354***
	(0.00346)	(0.00476)	(0.00516)
Insurance	0.0643**	0.100**	-0.000512
	(0.0249)	(0.0322)	(0.0406)
Health	0.353***	0.283***	0.453***
	(0.0344)	(0.0448)	(0.0554)
Participation	0.0100	0.0300	-0.0125
	(0.0267)	(0.0345)	(0.0425)
Help	0.0110	-0.106	0.324
	(0.165)	(0.214)	(0.187)
Neighbor	-0.00376	-0.00254	-0.00207
	(0.0326)	(0.0410)	(0.0548)
Safety	0.218**	0.288***	0.121
	(0.0674)	(0.0856)	(0.110)
Ethnic	0.0152	0.0218	-0.00301
	(0.0276)	(0.0350)	(0.0460)
Election	0.0646*	0.0728	0.0795*
	(0.0273)	(0.0408)	(0.0384)
Worship_Never	0	0	0
	(.)	(.)	(.)
Worship_Sometime	0.134	0.208	0.0378
	(0.0931)	(0.123)	(0.147)
Worship_Often	0.167	0.143	0.188
	(0.0866)	(0.112)	(0.139)
Worship_Obey	0.299***	0.312**	0.269*
	(0.0836)	(0.108)	(0.135)
Religious	0.0516	0.0824*	-0.00372
	(0.0265)	(0.0343)	(0.0426)
Age	-0.0546***	-0.0524***	-0.0586***
	(0.00632)	(0.00851)	(0.00964)
Age2	0.000502***	0.000457***	0.000561***
	(0.0000717)	(0.0000977)	(0.000108)
Male	-0.114***	-0.113**	-0.125**
	(0.0277)	(0.0357)	(0.0445)
Married	0.463***	0.448***	0.486***
	(0.0357)	(0.0458)	(0.0588)
Leisure	0.000539	0.000991	-0.000140
	(0.000505)	(0.000663)	(0.000797)
Urban	0.0955***		
	(0.0263)		
Java	-0.0643*	-0.0730*	-0.0497
	(0.0255)	(0.0342)	(0.0393)

Household	-0.00127	0.00933	-0.0169
	(0.00712)	(0.00897)	(0.0118)
sigma2_u			
_cons	0.317***	0.318***	0.356***
	(0.0405)	(0.0572)	(0.0724)
N	17841	10233	7608

Source: Research finding.

Note: Dependent variable is Happiness Standard errors in parentheses * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

3.3 Discussion

The estimation results show that income has a positive and significant effect on the level of happiness of the people in Indonesia in all estimation models, both in general and in separate estimates between rural and urban groups. The higher the income level, the probability of being happy increases. Individuals with higher incomes have a more significant opportunity to fulfill their material needs so that, at the same time, they enjoy a higher social status and a higher probability of feeling happy. Therefore, these findings indicate that the Easterlin paradox does not occur in Indonesia. This result is common in developing countries where income is still substantial in determining happiness (Clark et al., 2008). In addition, Indonesia is categorized as a middle-income country with per capita income ranging from $1,046 to $12,695 according to the classification by (Hamadeh et al., 2021). In addition, according to (Statistics Indonesia, 2015), the average per capita income of Indonesians in 2014 was IDR41,81 million per year or $3,531 per year. Hence, it emphasizes to group Indonesia in the category of developing countries.

Education is expected to have a positive and significant relationship with the level of happiness. The higher a person's education level, the probability of being very happy will increase. Education that is taken longer will have a higher level of knowledge and more skills—making it more convenient for someone to establish a more comprehensive relationship or network, making it easier to get a job (Chen, 2012). In developing countries such as Indonesia, education is often used as a benchmark to get a decent job, which will undoubtedly affect the amount of income received. This previous study explained that income still has a considerable influence on the happiness level so that people with a higher level of education will have the opportunity to earn a higher income which will increase happiness. These

findings align with the previous research conducted by (Frey and Stutzer, 2002) in developed countries such as Switzerland and (Shon, 2010) in Indonesia.

Health has a positive and significant impact on happiness. Someone who judges themselves to be healthy has a higher probability of being very happy than someone who judges themselves to be unhealthy. These results are consistent with previous research such as (Oswald and Powdthavee, 2008) and (Gerstenblüth and Rossi, 2013). The physical and mental health status considered good can support them to do more activities, so they are more productive in exercising activities. In addition to health status, this study also uses the variable of ownership of health insurance to examine the effect of health on happiness. Insurance is part of an effort to maintain health to improve a better life (Michalos et al., 2000). The estimation results reveal that the ownership of health insurance positively and significantly affects happiness. Individuals with insurance are more likely to be very happy compared to individuals who do not have health insurance. These results illustrate that people with insurance feel calmer because if they experience health problems in the future, they can quickly access health facilities without thinking about the costs incurred for treatment, so this situation can make individuals happier.

Several variables used as proxies for social capital have a positive and significant effect on happiness. Security has a positive and significant influence on happiness. It means that someone who considers their location safe tends to report higher happiness levels than someone who considers their environment unsafe. However, there are differences in the effect of security on happiness in the urban and rural sample communities. A sense of security in rural areas does not impact happiness. Arguably, in rural areas, a sense of security has little meaning for individuals since individuals perceive that the quality of the environment is always good, life is peaceful, and the crime rate is relatively low, in contrast to the sense of security felt in urban areas. The sense of security they feel in urban areas may reflect being free from the poor environmental quality, harsh life, and high crime rates usually occurring in big cities.

A positive and significant relationship is also found in community participation in general election activities on the level of happiness. Someone who participates in the general election has a higher probability of being very happy than people who do not participate in the general election, which is in line with (Frey and Stutzer, 2000). The direct election conducted by the people makes it possible that political decisions are more in line with the citizens' wishes.

Politicians provide public services and make rules according to the people's wishes so they can be re-elected for the next term. There are different results between election participation and happiness in rural and urban areas. In urban areas, participation in elections has less impact on happiness. Plausibly, in the urban sample, participation in democracy is no longer in the electoral process yet is oriented towards the results of direct democracy (Veenhoven, 2000).

This study also found that belief in the same ethnicity or religion does not affect happiness. It indicates that religious and ethnic factors are not a barrier for individuals to believe in others in the social life of Indonesian society. However, Indonesian people generally do not have confidence in their neighbors to entrust their children and houses to their neighbors. Participating in community activities does not affect happiness; helping other people when needed also has no significant effect on happiness. It may help if needed for Indonesians has become an obligation no longer meaning of choice. There are 99.29% of respondents in this study willing to help if needed. Thus, it describes that the Indonesian people have a high level of social capital.

The religiosity variable in this study is proxied by the frequency of daily worship and attendance or participation in religious activities. This study found that the frequency of daily worship that is more frequent (obedient) positively and significantly affects happiness. However, the frequency of worship that is carried out is not routine or only done occasionally, and even those who never did daily worship (do not obey) are found not to affect happiness. In other words, individuals who perform daily worship more frequently have a higher probability of feeling happiness. People who are obedient to worship provide a sense and meaning in everyday life (Ellison et al., 1989) so that it can contribute to the satisfaction of life that is lived and affect the level of happiness. Meanwhile, people who are disobedient in performing daily worship do not obtain that sense and meaning, so it does not affect happiness. These results follow the research by (Ferriss, 2002) and (Helliwell and Putnam, 2004).

Attendance in religious activities, in general, does not affect happiness. In the urban sample group, attendance in religious activities positively and significantly affects happiness. It means that people who attend religious activities have a higher probability of happiness than individuals who do not attend religious activities in urban areas. This result aligns with the findings (Taylor and Chatters, 1988). People who live in urban areas can become stressed due to the high intensity of

activities and work. Thus, attending religious activities will expand social networks consisting of people with the same attitudes and values and can encourage mutual assistance, motivation, and advice to each other. Hence, they are better able to overcome problems, and it will have an impact on increasing levels of happiness.

The variables of individual, household and demographic characteristics used in this study provide a fascinating picture of the characteristics of Indonesian society. A married person has a higher probability of happiness than someone who is not married (unmarried, divorced, dead, or alive). The characteristics of Indonesian people assume that their life will be perfect after getting married. Arguably, marrying a person will encourage financial, emotional, and other support to be able to face various problems in life. This finding is in line with (Coombs, 1991; Stack and Eshleman, 1998; Shon, 2010; Rahayu, 2016; Eren and Aşıcı, 2017). After that, consistent results in the literature establish a U-shaped relationship between age and happiness (Ferrer-i-Carbonell, 2005; Caporale et al., 2009). This study's results align with previous findings, with the lowest point of happiness at age 54 and within the range of previous findings. In developing countries such as Latin America shows that the lowest point of happiness is at age 51 (Graham and Felton, 2006) and other findings in Indonesia using cross-sectional data found that the lowest point of happiness is at age 55 (Shon, 2010). This relationship is because someone at a young age tends to feel very happy. They are optimistic and believe they can achieve everything in their life. People will be very unhappy in the next phase as they realize that not all their wishes can be achieved. Apart from that, they are under tremendous pressure to have a successful career and, simultaneously, have the responsibilities of a family life to live with. People will again become happier since they have learned not to try to achieve something that they feel is impossible. They try to enjoy what they already have so that it contributes to their life satisfaction (Frey, 2018).

In addition, this study found that the male gender has a lower probability of saying very happy than the female. Arguably, men must meet family needs to have higher incomes than women. Thus, men feel they have to work outside the home with more extended hours to get additional income, negatively affecting their happiness. These results are in line with the research by (Alesina et al., 2004; Caporale et al., 2009; Shon, 2010). Afterward, people who live on the island of Java have a lower probability of happiness than people who live outside of Java. The island of Java has a high density inhabited by 60% of Indonesia's population,

resulting in more severe problems such as social and mental problems. Besides that, the variables of leisure time and the number of household members are found to have no significant effect on happiness. Free time is considered a reduced opportunity to earn additional income, so it does not significantly affect happiness for people in Indonesia. As with leisure time, the number of household members does not significantly affect happiness. This result is different from (Caporale et al., 2009). Indonesians think that everyone has the sustenance that the creator has arranged. Hence, it does not hinder the satisfaction of other people's lives and has no significant effect on happiness.

3.4 Robustness and Marginal Effect

The results of the variable test used in this study are robust. In general, the variables used show that the standard error is statistically significant, and there is no change in the coefficient in the estimate after using robust estimates. In general, estimates using the probit model and the significance of the coefficients are the primary focus. Nevertheless, the magnitude of the marginal effect is vital for policy purposes. In the random effect ordered probit model, the marginal effect will generally differ at each level of happiness, yet it always refers to the highest category in the analysis, namely "very happy." In the appendix, it lists the marginal effects of each variable. An average 1% increase in an individual's income increases the probability of saying very happy by 2.24%. People who take one more year of education have the probability of saying they are very happy to increase by 0.51%. People who say their health is good, have a 4.92% higher probability of saying they are very happy than people who say they are not in good health.

Insurance enhances the probability of being very happy by 0.90% higher than not having insurance. The feeling safe has a higher probability of feeling insecure by 0.30%, and this marginal effect increases in urban areas. Participating in the general election encourages the probability of being very happy, which is the same as having insurance for individuals who do not participate. This effect is also significant in rural areas. Individuals with a more frequent (obedient) daily worship frequency say the probability of being very happy was 0.87%. However, there seems to be a qualitative difference among people who never worship happiness daily. Married has more marginal effect than unmarried with a probability of saying very happy by 6.45% than not married. People living on the island of Java

have a lower probability of saying they are very happy than those living outside of Java by 0.89%.

4. Conclusion

This study reveals some interesting determinants of individual happiness in Indonesia as follows. Firstly, income positively affects happiness, so the Easterlin paradox does not occur in Indonesia. Secondly, education has a positive effect on happiness in that higher education is associated with the opportunity to get a better job, so such conditions affect the level of happiness. Thirdly, the health variables used in this study, namely health conditions and ownership of health insurance, affect happiness. Good health conditions can increase productivity in carrying out many activities. Insurance ownership in rural areas does not affect happiness due to inadequate health service provision in rural areas. Fourthly, social capital variables that affect the probability of people's happiness in Indonesia are security and participation in general elections. There are differences in results in rural and urban communities, where security in rural areas has no effect on happiness levels, and participation in elections in urban areas has no effect on happiness.

Fifthly, the two religiosity variables used, namely the frequency of daily worship and attending to participate in religious activities, affect the probability of happiness. The frequency of daily worship performed regularly (obedient) has a positive effect on happiness, while people who have never performed worship (disobedient) do not affect happiness. Thus, more religious people have a higher probability of reporting happiness since this activity is a form of love and gratitude for the life that God has given. Also, attending and participating in religious activities positively affects the urban sample group. Furthermore, individual, household, and demographic characteristics that affect happiness are age, gender, marital status, and area of residence. Age has a U-shaped relationship to happiness, and the male gender has a lower probability of happiness than the female, married people report a higher probability of happiness than unmarried people, living outside Java has a higher probability of happiness than living in Java, but in rural areas both in Java and outside Java no longer has an effect on happiness.

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Appendix

Table A1. Random Effects Ordered Probit Estimation Result

	(1) Full	(2) Urban	(3) Rural
Happiness			
Income	0.161***	0.182***	0.141***

	(0.0118)	(0.0167)	(0.0169)
Education	0.0364***	0.0378***	0.0354***
Insurance	(0.00346)	(0.00476)	(0.00516)
Health	0.0643**	0.100**	-0.000512
	(0.0249)	(0.0322)	(0.0406)
Participation	0.353***	0.283***	0.453***
Help	(0.0344)	(0.0448)	(0.0554)
Neighbor	0.0100	0.0300	-0.0125
	(0.0267)	(0.0345)	(0.0425)
Safety	0.0110	-0.106	0.324
Ethnic	(0.165)	(0.214)	(0.187)
Election	-0.00376	-0.00254	-0.00207
	(0.0326)	(0.0410)	(0.0548)
Worship_Never	0.218**	0.288***	0.121
Worship_Sometime	(0.0674)	(0.0856)	(0.110)
Worship_Often	0.0152	0.0218	-0.00301
	(0.0276)	(0.0350)	(0.0460)
Worship_Obey	0.0646*	0.0728	0.0795*
Religious	(0.0273)	(0.0408)	(0.0384)
Age	0	0	0
	(.)	(.)	(.)
Age2	0.134	0.208	0.0378
	(0.0931)	(0.123)	(0.147)
Male	0.167	0.143	0.188
Married	(0.0866)	(0.112)	(0.139)
Leisure	0.299***	0.312**	0.269*
	(0.0836)	(0.108)	(0.135)
Urban	0.0516	0.0824*	-0.00372
Java	(0.0265)	(0.0343)	(0.0426)

Household Income	-0.0546***	-0.0524***	-0.0586***
	(0.00632)	(0.00851)	(0.00964)
Education	0.000502***	0.000457***	0.000561***
	(0.0000717)	(0.0000977)	(0.000108)
Insurance			
	-0.114***	-0.113**	-0.125**
Health	(0.0277)	(0.0357)	(0.0445)
Participation	0.463***	0.448***	0.486***
	(0.0357)	(0.0458)	(0.0588)
Help			
	0.000539	0.000991	-0.000140
Neighbor	(0.000505)	(0.000663)	(0.000797)
Safety	0.0955***		
	(0.0263)		
Ethnic			
	-0.0643*	-0.0730*	-0.0497
Election	(0.0255)	(0.0342)	(0.0393)
Worship_Never	-0.00127	0.00933	-0.0169
	(0.00712)	(0.00897)	(0.0118)
cut1			
_cons	-0.620*	-0.333	-0.951*
	(0.264)	(0.352)	(0.372)
cut2			
_cons	0.707**	0.954**	0.444
	(0.263)	(0.351)	(0.372)
cut3			
_cons	4.024***	4.253***	3.851***
	(0.272)	(0.365)	(0.390)
sigma2_u			
_cons	0.317***	0.318***	0.356***
	(0.0405)	(0.0572)	(0.0724)
N	17841	10233	7608

Marginal effect

	(1) Full	(2) Urban	(3) Rural
Income			

1._predict	-0.00242***	-0.00256***	-0.00224***
	(0.000253)	(0.000355)	(0.000364)
2._predict	-0.0171***	-0.0176***	-0.0165***
	(0.00128)	(0.00166)	(0.00202)
3._predict	-0.00289***	-0.00794***	0.00242**
	(0.000589)	(0.00108)	(0.000793)
4._predict	0.0224***	0.0281***	0.0163***
	(0.00163)	(0.00255)	(0.00197)
Education			
1._predict	-0.000548***	-0.000532***	-0.000565***
	(0.0000686)	(0.0000902)	(0.000106)
2._predict	-0.00387***	-0.00365***	-0.00416***
	(0.000368)	(0.000462)	(0.000603)
3._predict	-0.000654***	-0.00165***	0.000610**
	(0.000137)	(0.000256)	(0.000208)
4._predict	0.00507***	0.00583***	0.00412***
	(0.000473)	(0.000717)	(0.000590)
Insurance			
1._predict	-0.000967*	-0.00141**	0.00000816
	(0.000381)	(0.000474)	(0.000646)
2._predict	-0.00683**	-0.00969**	0.0000601
	(0.00264)	(0.00312)	(0.00476)
3._predict	-0.00115*	-0.00437**	-0.00000881
	(0.000503)	(0.00147)	(0.000698)
4._predict	0.00896**	0.0155**	-0.0000595
	(0.00347)	(0.00496)	(0.00471)
Health			
1._predict	-0.00531***	-0.00399***	-0.00722***
	(0.000666)	(0.000758)	(0.00122)
2._predict	-0.0375***	-0.0274***	-0.0531***
	(0.00371)	(0.00437)	(0.00659)

3._predict	-0.00634***	-0.0123***	0.00779**
	(0.00134)	(0.00228)	(0.00258)
4._predict	0.0492***	0.0437***	0.0526***
	(0.00476)	(0.00685)	(0.00642)
Participation			
1._predict	-0.000151	-0.000422	0.000199
	(0.000402)	(0.000489)	(0.000678)
2._predict	-0.00107	-0.00290	0.00146
	(0.00284)	(0.00333)	(0.00499)
3._predict	-0.000180	-0.00131	-0.000214
	(0.000482)	(0.00152)	(0.000736)
4._predict	0.00140	0.00463	-0.00145
	(0.00372)	(0.00533)	(0.00494)
Help			
1._predict	-0.000165	0.00150	-0.00517
	(0.00248)	(0.00300)	(0.00304)
2._predict	-0.00117	0.0103	-0.0381
	(0.0175)	(0.0206)	(0.0220)
3._predict	-0.000197	0.00463	0.00558
	(0.00296)	(0.00933)	(0.00357)
4._predict	0.00153	-0.0164	0.0377
	(0.0230)	(0.0330)	(0.0218)
Neighbor			
1._predict	0.0000566	0.0000357	0.0000330
	(0.000489)	(0.000576)	(0.000874)
2._predict	0.000400	0.000245	0.000243
	(0.00346)	(0.00396)	(0.00644)
3._predict	0.0000675	0.000110	-0.0000356
	(0.000585)	(0.00179)	(0.000943)
4._predict	-0.000524	-0.000391	-0.000240
	(0.00453)	(0.00632)	(0.00637)
Safety			

1._predict	-0.00327**	-0.00405**	-0.00194
	(0.00105)	(0.00129)	(0.00177)
2._predict	-0.0231**	-0.0278***	-0.0143
	(0.00718)	(0.00831)	(0.0129)
3._predict	-0.00391**	-0.0125**	0.00209
	(0.00140)	(0.00389)	(0.00201)
4._predict	0.0303**	0.0444***	0.0141
	(0.00937)	(0.0132)	(0.0128)
Ethnic			
1._predict	-0.000229	-0.000307	0.0000479
	(0.000415)	(0.000492)	(0.000733)
2._predict	-0.00162	-0.00211	0.000353
	(0.00293)	(0.00338)	(0.00540)
3._predict	-0.000273	-0.000951	-0.0000517
	(0.000500)	(0.00153)	(0.000792)
4._predict	0.00212	0.00337	-0.000349
	(0.00385)	(0.00539)	(0.00534)
Election			
1._predict	-0.000971*	-0.00102	-0.00127*
	(0.000415)	(0.000584)	(0.000619)
2._predict	-0.00686*	-0.00704	-0.00934*
	(0.00290)	(0.00394)	(0.00449)
3._predict	-0.00116*	-0.00317	0.00137
	(0.000546)	(0.00181)	(0.000756)
4._predict	0.00899*	0.0112	0.00924*
	(0.00381)	(0.00630)	(0.00446)
Worship_Never			
1._predict	0	0	0
	(.)	(.)	(.)
2._predict	0	0	0
	(.)	(.)	(.)

3._predict	0	0	0
	(.)	(.)	(.)
4._predict	0	0	0
	(.)	(.)	(.)
Worship_Sometime			
1._predict	-0.00290	-0.00402	-0.000903
	(0.00218)	(0.00270)	(0.00359)
2._predict	-0.0170	-0.0237	-0.00535
	(0.0122)	(0.0146)	(0.0210)
3._predict	0.00495	0.000700	0.00289
	(0.00464)	(0.00407)	(0.0117)
4._predict	0.0149	0.0270	0.00336
	(0.0100)	(0.0153)	(0.0129)
Worship_Often			
1._predict	-0.00351	-0.00293	-0.00391
	(0.00208)	(0.00258)	(0.00334)
2._predict	-0.0209	-0.0167	-0.0250
	(0.0115)	(0.0138)	(0.0197)
3._predict	0.00538	0.00183	0.0105
	(0.00461)	(0.00356)	(0.0109)
4._predict	0.0191*	0.0178	0.0184
	(0.00914)	(0.0131)	(0.0124)
Worship_Obey			
1._predict	-0.00559**	-0.00549*	-0.00522
	(0.00207)	(0.00257)	(0.00331)
2._predict	-0.0353**	-0.0338*	-0.0346
	(0.0112)	(0.0133)	(0.0193)
3._predict	0.00394	-0.00363	0.0120
	(0.00462)	(0.00368)	(0.0108)
4._predict	0.0370***	0.0429***	0.0278*
	(0.00872)	(0.0126)	(0.0118)

Religious			
1._predict	-0.000775	-0.00116*	0.0000593
	(0.000403)	(0.000497)	(0.000679)
2._predict	-0.00548	-0.00796*	0.000437
	(0.00282)	(0.00331)	(0.00500)
3._predict	-0.000925	-0.00359*	-0.0000640
	(0.000509)	(0.00153)	(0.000733)
4._predict	0.00718	0.0127*	-0.000432
	(0.00370)	(0.00528)	(0.00495)
Age			
1._predict	0.000821***	0.000737***	0.000933***
	(0.000116)	(0.000145)	(0.000188)
2._predict	0.00580***	0.00507***	0.00688***
	(0.000678)	(0.000832)	(0.00114)
3._predict	0.000980***	0.00228***	-0.00101**
	(0.000217)	(0.000432)	(0.000348)
4._predict	-0.00761***	-0.00809***	-0.00680***
	(0.000879)	(0.00131)	(0.00112)
Age2			
1._predict	-0.00000754***	-0.00000643***	-0.00000894***
	(0.00000124)	(0.00000155)	(0.00000202)
2._predict	-0.0000533***	-0.0000442***	-0.0000659***
	(0.00000766)	(0.00000950)	(0.0000127)
3._predict	-0.00000901***	-0.0000199***	0.00000965**
	(0.00000214)	(0.00000468)	(0.00000346)
4._predict	0.0000699***	0.0000705***	0.0000652***
	(0.00000998)	(0.0000150)	(0.0000126)
Male			
1._predict	0.00171***	0.00159**	0.00199**
	(0.000434)	(0.000528)	(0.000735)
2._predict	0.0121***	0.0109**	0.0147**
	(0.00295)	(0.00345)	(0.00526)

3._predict	0.00204**	0.00493**	-0.00215*
	(0.000629)	(0.00164)	(0.00102)
4._predict	-0.0158***	-0.0175**	-0.0145**
	(0.00386)	(0.00550)	(0.00517)
Married			
1._predict	-0.00697***	-0.00631***	-0.00775***
	(0.000776)	(0.000944)	(0.00131)
2._predict	-0.0492***	-0.0433***	-0.0571***
	(0.00383)	(0.00449)	(0.00693)
3._predict	-0.00832***	-0.0195***	0.00837**
	(0.00169)	(0.00274)	(0.00276)
4._predict	0.0645***	0.0692***	0.0565***
	(0.00491)	(0.00691)	(0.00677)
Leisure			
1._predict	-0.00000810	-0.0000139	0.00000223
	(0.00000761)	(0.00000944)	(0.0000127)
2._predict	-0.0000572	-0.0000957	0.0000165
	(0.0000537)	(0.0000642)	(0.0000936)
3._predict	-0.00000967	-0.0000432	-0.00000241
	(0.00000924)	(0.0000293)	(0.0000137)
4._predict	0.0000750	0.000153	-0.0000163
	(0.0000703)	(0.000102)	(0.0000926)
Urban			
1._predict	-0.00144***		
	(0.000409)		
2._predict	-0.0101***		
	(0.00279)		
3._predict	-0.00171**		
	(0.000586)		
4._predict	0.0133***		
	(0.00367)		
Java			

1._predict	0.000967*	0.00103*	0.000793
	(0.000395)	(0.000499)	(0.000636)
2._predict	0.00683*	0.00705*	0.00584
	(0.00271)	(0.00330)	(0.00461)
3._predict	0.00115*	0.00318*	-0.000856
	(0.000505)	(0.00152)	(0.000731)
4._predict	-0.00895*	-0.0113*	-0.00578
	(0.00355)	(0.00527)	(0.00456)
Household			
1._predict	0.0000191	-0.000131	0.000270
	(0.000107)	(0.000127)	(0.000191)
2._predict	0.000135	-0.000902	0.00199
	(0.000757)	(0.000867)	(0.00139)
3._predict	0.0000228	-0.000407	-0.000291
	(0.000128)	(0.000394)	(0.000224)
4._predict	-0.000177	0.00144	-0.00197
	(0.000991)	(0.00138)	(0.00137)
N	17841	10233	7608

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