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THE EASTERLIN PARADOX IN ASEAN: WELFARE AND ECONOMIC GROWTH

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Abstract:
A country's ultimate goal is to achieve prosperity. Welfare serves as a benchmark for evaluating a country's progress. This article aims to analyze the economic welfare of ASEAN (Assotiation of Southeast Asian Nations) countries by examining key indicators, such as happiness, gross domestic product (GDP) per capita, unemployment, dependency ratio, and human development index (HDI). Although welfare has been objectively measured using the GDP, in recent research, happiness is rather used as a subjective indicator of well-being. This study analyzes components affecting 9 ASEAN countries' welfare from 2006 to 2023 using the System Generalized Method of Moments (SYS-GMM). The data were obtained from the World Happiness Report, World Bank, and the United Nations Development Program. The results show that GDP per capita and the dependency ratio have a strong and positive effect on the happiness index. The Easterlin Paradox theory of happiness is relevant in ASEAN, since GDP per capita positively affects happiness. Nevertheless, the happiness index is unaffected by the HDI and unemployment. To achieve inclusive prosperity, ASEAN governments must strengthen and expand regional collaboration in ASEAN's major industries and in technology, health, and education.

Keywords:
happiness, GDP per capita, unemployment, dependency ratio, HDI, SYS-GMM.

JEL Classification:
D6, H53, I31

INTRODUCTION

Community welfare is a key measure of a country's progress. Considering that welfare is the ultimate goal of economic development, it plays a crucial role in a country's development. When people meet their basic needs physically and spiritually, it indicates a prosperous country. Welfare is typically measured economically, through factors such as gross domestic product (GDP) (Gehringer & Kowalski, 2024). Prior studies have found a favorable correlation between GDP and welfare (Lin *et al.*, 2024; Song & Jin, 2024). A rising GDP suggests improved people's wellbeing. According to Marquez *et al.* (2024), there is a positive correlation between GDP and life satisfaction.

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Despite global economic uncertainty, the Asian Development Bank (2022) predicts continued Asian economic expansion. Economic growth in Asia-Pacific countries outpaces other regions (World Bank, 2024). Southeast Asia is poised for accelerated economic growth, emerging as a future economic powerhouse (CNBC Indonesia, 2023). East Asia boasts the fastest economic growth at 3.45%, followed by Southeast Asia with 1.78% expansion (World Bank, 2023b). However, does economic growth guarantee prosperity? To address this problem, alternative indicators, beyond mere GDP, are crucial for subjective well-being assessment (Gehringer & Kowalski, 2024). Objective economic measures alone fail to capture comprehensive well-being. This is due to their inability to assess individual welfare (Ng, 2003). Therefore, the happiness index was developed to measure the collective happiness and well-being of a nation (Liu, 2024). Külekçi's (2024) research shows a direct link between economic well-being and happiness. Richard Easterlin's theory, the Easterlin Paradox, suggests that income affects happiness (Easterlin, 1974). East Asian nations have higher average happiness indices than Southeast Asian nations, though several Southeast Asian nations are happier than East Asian nations. Singapore, for example, has a happiness index score of 6,523, making it 30th in the world for happiness (World Happiness Report, 2023). Meanwhile, Taiwan is 31st with a score of 6,503 (World Happiness Report, 2023). Cambodia ranked 119th with an index value of 4,341, and Hong Kong ranked 86th with an index value of 5,316 (World Happiness Report, 2023).

This phenomenon shows that economic growth and happiness are not always linked. Despite the higher happiness index in East Asia compared to Southeast Asia, the latter ranks 30th. Societal pressure, cultural norms, and socioeconomic inequality or gaps may explain this. This present research identifies factors affecting South Asian welfare, using GDP per capita, unemployment, dependency ratio, and human development index (HDI) as metrics. This research seeks answers to "How do GDP per capita, unemployment, dependency ratio, and HDI affect happiness in Southeast Asia?" This study offers insights for inclusive development and policy projections in Southeast Asia to support its growth as an economic powerhouse with a focus on human welfare. This article is divided into several sections: Section 1 Introduction, Section 2 reviews literature and develops hypotheses; Section 3 presents variable measurements and analysis techniques; Section 4 elaborates the findings; and Section 5 presents the conclusions, limitations, and recommendations for further research.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The Economics of Happiness

Happiness is the main goal for all people and countries (Agrawal *et al*., 2023). It consists of well-being in material, emotional, and self-development areas (Wang *et al*., 2021). According to Veenhoven (2024), happiness is an individual's evaluation of the quality of life. Economic studies examine happiness through the economics of happiness. Since happiness is a subjective measure of well-being, the economics of happiness is a multidisciplinary field that examines the connection between welfare and economic conditions from micro and macro perspectives (Susanti & Fitri, 2024). The economics of happiness has the potential to meet current needs and future involvement in building better economic systems and happier societies (Agrawal *et al*., 2023).

Richard Easterlin's 1974 study "Does Economic Growth Improve the Human Lot? Some Empirical Evidence" introduced the Easterlin Paradox. It explains that short-term income and happiness are positively correlated, but not in the long run (Easterlin, 1974).

The equation model built on the Easterlin Paradox can be written as follows:

$$HI_t = F(GDP_t) \quad (1)$$

Note:

HI: Happiness index

GDP: GDP per Capita (Income)

t: Time

This equation explains that in the Easterlin Paradox, happiness is a function of income. The influence of GDP per capita on happiness index is $\frac{\partial Ht}{\partial Yt} = 0$ in the short term and $\frac{\partial Ht}{\partial Yt} > 0$ in the long term.

Several summaries of Easterlin's research results are called the Easterlin Group (Easterlin, 2015, 2021, 2023; Easterlin *et al.*, 2010) and have further studied how income and happiness have no effect on long-term happiness. Easterlin explained that income and happiness have no effect in the long run because of two factors: social comparison and income change. Individuals compare their happiness to that of others, and feel happier when their income is greater (Liao, 2021). This can create an endless cycle because there are always higher earners, and an increase in income does not impact happiness (Lakshmanasamy & Maya, 2020).

The second factor is income change. People tend to feel lost and dissatisfied with their income, even though it is still higher than others' (Easterlin, 2023). People strive for high incomes to secure their daily well-being (Killingsworth, 2021) and to access a wider range of goods and service that contribute to greater happiness (Tavor, 2024). The Easterlin Paradox theory of happiness only explores the influence of income. The present study adds control variables, such as unemployment, dependency ratio, and HDI, to examine their relevance to happiness.

The Impact of GDP per Capita on Happiness

GDP per capita is a measure of a country's income. In the context of the Easterlin Paradox, Das (2024) has demonstrated a robust correlation between GDP and the happiness index. Likewise, Nugraha (2024), Liu (2024), Nazneen *et al.* (2024), Behera *et al.* (2024), Aral and Bakir (2024), and Fatima and Khan (2024) confirmed a similar correlation, where GDP per capita significantly and favorably affects the happiness index. This finding suggests that as income rises, happiness increases. Therefore, the first hypothesis that can be proposed is as follows:

H1: GDP per capita influences the happiness index in ASEAN countries.

The Impact of Unemployment on Happiness

Job status has been found to affect happiness (Kuzu *et al.*, 2018). Unemployment – a condition when someone is out of work or looking for a job negatively affects happiness (Cimpoeru, 2023). Earlier studies by Hastings and Roeser (2020), Blom and Perelli-Harris (2021), Kanlioglu and Dumludag (2022), Longhi *et al.* (2023), Cimpoeru (2023), and Aral and Bakir (2024) support this finding, suggesting that losing a job can lead to a decline in happiness. Thus, the second hypothesis that can be proposed is as follows:

H2: Unemployment influences the happiness index in ASEAN countries.

The Impact of the Dependency Ratio on Happiness

The dependency ratio measures the proportion of a population considered economically dependent to the working-age population (Roy *et al*., 2024). It can affect a person's happiness (Giansyah *et al*., 2024) and well-being (Wei & Zhao, 2024). A high dependency ratio can cause discomfort and low focus on life, making individuals unhappy (Liu, 2024). However, other research found a positive relationship between the dependency ratio and happiness (Yildirim *et al*., 2019). Until now, there has been few studies on the influence between the two. For this reason, the third hypothesis that can be proposed is as follows:

H3: Dependency ratio influences happiness index in ASEAN countries.

The Impact of HDI on Happiness

According to the United Nations Development Programme (2024), the HDI is a metric for assessing the success rate of human quality of life development, particularly in the areas of living standards, education, and health. In the context of the Easterlin Paradox, happiness and HDI are correlated positively and significantly (Georgescu *et al.*, 2020; Roka, 2020). Lelkes (2006) conducted research on the relationship between religion and economic change in Hungary and discovered that religion has a greater influence on happiness than economics. A study of Italian public sector workers by Bucciol and Burro (2021) found that government employees are happier than their private-sector counterparts. This finding suggests that those in economically disadvantaged conditions are especially happy, and income guarantees increase their happiness by providing a sense of security. Meanwhile, research by Lelkes (2006) and Bucciol and Burro (2021) showed that happiness is not always affected by HDI. Consequently, the fourth hypothesis that can be proposed is as follows:

H4: HDI influences the happiness index in ASEAN countries.

RESEARCH METHODOLOGY

Data and Samples

This research used a quantitative method. There was a total of 9 ASEAN countries examined, including Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The Southeast Asian countries were selected given their potential as future economic hubs and their forecasted status as the region with the greatest economic growth. The study uses secondary, longitudinal panel data covering the period from 2006 to 2023. It was collected through a purposive sampling technique from official websites of the World Happiness Report, World Bank, and the United Nations Development Program (UNDP). The criteria for data selection included: (a) the country must be one of the Southeast Asian countries; and (b) the country must have complete data on the happiness index, HDI, GDP per capita, unemployment, and dependency ratio during the period of 2006-2023. The data were analyzed using the System Generalized Method of Moments (SYS-GMM).

Variable Measurement

This study examines 5 variables, which comprises one dependent variable and four independent variables. The following Table 1 presents the operational definitions of each variable:

Table 1. Variable operational definitions and measurements

Type	Variable	Definition	Measurement	Source
Dependent	Happiness	An indicator of a nation's general degree of pleasure and well-being.	Happiness Index	World Happiness Report (2023)
Independent	GDP per Capita	An indicator of i ndividual income of a nation, represented by dividing its GDP by its total population.	Current PPP (US$)	World Bank (2023c)
	Unemployment	Individuals who are currently unemployed and/or actively seeking for employment.	The % of total labor force – modelled ILO estimate	World Bank (2023d)
	Dependency Ratio	The proportion of the population of productive age who are dependent on those of unproductive age.	Age dependency ratio (percent-age of people in working age)	World Bank (2023e)
	HDI	The domains of health, education, and living standards which are utilized to measure the success rate of human quality of life development.	Geometric mean of normalized indices	UNDP (2023)

All variables examined will be tested for stationarity to ensure validity. In this case, every data must be stationary at level I(2). Therefore, each variable will be transformed into a second difference I(2).

Data Analysis

In this study, the SYS-GMM approach was utilized in the STATA program. This study used the Arellano-Bond approach for assessing the model's validity using the autocorrelation test (Arellano & Bond, 1991). The validity is determined based on the significance of the probability value (Chi-squared value), which also determines its independence from autocorrelation. Lim (2019) evaluated the Easterlin Paradox theory, concluding that there are still limitations in measuring happiness levels.

Therefore, several independent variables are added to be substituted into Equation 1. Therefore, the new function (Equation 2) can be written as follows:

$$HI_t = F(Y_t, U_t, DP_t, HDI_t) \tag{2}$$

According to Sun and Ashley (2014), the SYS-GMM is a dynamic data panel model that incorporates lagged dependent variables with a maximum lagg of two. Since the SYS-GMM model can predict data loss at low time series data to minimize data loss (Arellano & Bover, 1995), it can improve on the shortcomings of the first-difference GMM model (FD-GMM model) (Elisandi *et al*., 2023). Additionally, the SYS-GMM has the highest proportionality when compared to other GMM approaches (Arellano & Bover, 1995). The general model of dynamic regression of the data panel is as follows:

$$Y_{it} = a_{it} + \delta Y_{it\text{-}1} + \delta Y_{it\text{-}2} + \beta' X_{it} + u_{it} \tag{3}$$

$$u_{it} = a_i + \nu_{it} \tag{4}$$

Note:

Y_{it} : Individual (i) response at t-period

δ: Vector coefficient of the first and second lag of dependent variables

Y_{it-1}: The first lag of dependent variable

Y_{it-2}: The second lag of dependent variable

$\beta'(\beta_1, \beta_2, \ldots, \beta_n)$: Coefficient of independent variable

X_{it}: Independent variable of individual (i) at t-period

α_{it}: Intercept coefficient of individual (i) at t-period

u_{it}: Residual of individual (i) at t-period

Then, the SYS-GMM model built can be written as follows:

$$HI_{it} = \beta 0 + \gamma_1 HI_{it\text{-}1} + \gamma_2 HI_{it\text{-}2} + \beta_1 GDP_{it} + \beta_2 U_{it} + \beta_3 DP_{it} + \beta_4 HDI_{it} + \varepsilon_{it} \tag{5}$$

Note:

HI_{it}: Happiness of country (i) at t-period

β_0: Constant

HI_{it-1}: Happiness with a lag period of country (i) at t-period

HI_{it-2}: Happiness with a lag period of 2 of country at t-period

GDP_{it}: GDP per capita of country (i) at t-period

U_{it}: Unemployment of country (i) at t-period

DP_{it}: Dependency ratio of country (i) at t-period

HDI_{it}: HDI of country (i) at t-period

$\beta_1, \ldots, \beta_4$: Regression coefficients of independent variable

ε_{it}: Standard error of regression of country (i) at t-period

RESULTS AND DISCUSSION

Results

The empirical results consist of descriptive statistics, correlation, stationarity, and dynamic panel data using GMM. Descriptive statistics based on nine ASEAN countries are summarized in Table 2.

Table 2. Descriptive statistics

Country	Variable	Mean	Std. Dev.	Min.	Max.
Cambodia	HI	4.27	0.40	3.57	5.12
	GDP	3470.27	1126.91	1939.12	5624.14
	U	0.52	0.34	0.12	1.26
	DP	55.16	2.38	53.08	61.61
	HDI	0.56	0.03	0.52	0.60
Indonesia	HI	5.26	0.26	4.82	5.70
	GDP	10351.8	2438.57	6644.53	15612.8
	U	4.89	1.44	3.42	8.06
	DP	49.61	1.68	46.86	52.27
	HDI	0.69	0.03	0.64	0.74
Laos	HI	4.90	0.30	4.40	5.49
	GDP	5876.20	2137.47	2784.45	9326.27
	U	1.77	0.81	0.71	3.27
	DP	61.48	6.438	53.47	74.34
	HDI	0.59	0.03	0.52	0.62
Malaysia	HI	5.87	0.28	5.34	6.32
	GDP	25069.98	5630.34	17366.21	37247.7
	U	3.48	0.49	2.88	4.64
	DP	46.72	3.72	43.22	54.69
	HDI	0.78	0.23	0.73	0.81
Myanmar	HI	4.68	0.47	4.15	5.69
	GDP	4278.68	1235.185	2139.3	6055.42
	U	1.24	1.04	0.41	4.34
	DP	48.38	2.52	45.78	53.4
	HDI	0.55	0.05	0.46	0.62
The Philippines	HI	5.35	0.52	4.59	6.27
	GDP	7151.49	1784.98	4662.42	10755.5
	U	3.14	0.61	2.23	4.05
	DP	60.37	3.79	55.31	67.28
		0.69	0.02	0.66	0.71

Country	Variable	Mean	Std. Dev.	Min.	Max.
Singapore	HI	6.51	0.24	6.03	7.06
	GDP	92819.57	24482.26	64060.57	141796.1
	U	4.01	0.59	3.1	5.86
	DP	30.55	3.52	27.31	38.54
	HDI	0.93	0.02	0.90	0.95
Thailand	HI	6.07	0.36	5.48	6.99
	GDP	16267.26	3776.7	10953.28	23422.92
	U	0.86	0.31	0.25	1.49
	DP	40.75	2.00	38.8	45.31
	HDI	0.77	0.03	0.68	0.80
Vietnam	HI	5.44	0.37	5.02	6.33
	GDP	8349.62	3404.04	4147.36	15194.34
	U	1.64	0.41	1	2.39
	DP	45.11	1.63	43.34	49.37
		0.70	0.02	0.65	0.73

Note: HI = Happiness Index; GDP = GDP per Capita; U = Unemployment; DP = Dependency Ratio; N = 162; n = 9; T = 18.

Table 2 shows the variation in the distribution of HI, GDP, U, DP, and HDI variables. The total observations (N) are 162, consisting of 9 ASEAN countries (n = 9) with a time period of 18 years (T = 18). Only 4 ASEAN countries have below-average HI values. Countries with the highest and lowest average HI values are Singapore (6.50) and Cambodia (4.26).

Following the analysis of the descriptive statistics, a correlation test was conducted to identify the relationships between variables. The results are presented in Table 3 below:

Table 3. Results of correlation test

Variable	HI	GDP	U	DP	HDI
HI	1.000				
GDP	0.6314**	1.000			
U	0.3026**	0.3809**	1.000		
DP	-0.6364**	-0.6817**	-0.1799**	1.000	
HDI	0.8187**	0.8083**	0.4789**	-0.7536**	1.000

*Notes: **Significant at α of 5%.*

The findings show a positive and significant relationship between GDP, U, HDI, and HI, with respective values of 0.6314, 0.3026, and 0.8187. At the same time, there is a negative and significant relationship between HI and DP (-0.6364). With respective values of 0.3809 and 0.8083, U and HDI have a positive and significant relationship with GDP. This study also finds that DP is negatively and significantly related to GDP of -0.6817. Additionally, HDI is found to have a positive and significant

relationship with U (0.4789). In contrast, DP has a negative and significant relationship with U (-0.1799). In addition, HDI is also negatively and significantly related to DP (-0.7536).

The following Table 4 presents the results of stationarity test, with level data [I(0)], first difference [I(1)], and second difference [I(2)] representing the types of data:

Table 4. Results of stationarity test

Variable			P-Value		
I(0)	I(1)	I(2)	I(0)	I(1)	I(2)
HI	dHI	d2HI	0.5359	0.0000	0.0000
GDP	dGDP	d2GDP	0.9696	0.0000	0.0000
U	Du	d2U	0.0817	0.0000	0.0000
DP	dDP	d2DP	0.3663	0.0001	0.0000
HDI	dHDI	d2HDI	0.5703	0.0000	0.0000

Note: Significant at α of 5%.

The results show that the data at the level data [I(0)] is not stationary, because the p-value is insignificant (> 0.05). Meanwhile, the data at the first [I(1)] and second [I(2)] level are stationary, because the p-value is significant (< 0.05). Therefore, this research uses the second difference to estimate the data.

After ensuring the data is stationary, this study conducted a regression analysis. Table 5 presents the static panel data, which shows the impact of independent variables on dependent variable.

Table 5. Results of static panel data analysis

Statistics	**Dependent Variable: d2HI**			
	POLS	**FEM**	**REM**	**LSDV**
d2GDP	0.00 [1.21]	0.00 [1.17]	0.00 [1.21]	1.98 [0.16]
d2U	-0.04 [-0.79]	-0.05 [-0.74]	-0.05 [-0.79]	-0.05 [-0.71]
d2DP	0.26 [1.49]	0.27 [1.47]	0.26 [1.49]	0.28 [1.52]
d2HDI	2.45 [0.77]	2.60 [-0.48]	2.45 [0.77]	3.19 [0.89]
Hausman (Prob > chi²)			0.9965	
VIF	1.07			
R^2	0.04			0.26
Adj. R^2	0.02			0.09

*Note: POLS = Pooled Ordinary Least Square; FEM = Fixed Effect Model; REM = Random Effect Model; LSDV = Least Square Dummy Variable; **Significant at α of 5%; [ ] denotes t-statistics.*

Models that best estimate the data include Least Squares Dummy Variable (LSDV), Fixed Effect Model (FEM), Random Effect Model (REM), and Pooled Ordinary Least Squares (POLS). The results show that the variance inflation factor (VIF) value is 1.07, indicating that the data has no multicollinearity issues (VIF < 10). However, the R^2 value is low ($R^2 = 0.04$). Cross-sectional data typically have a lower R^2 value than time series data (PeiZhi & Ramzan, 2020). According to Tinungki *et al.* (2022), POLS estimation produces biased and inconsistent estimators. To address this issue, dynamic panel data models can be used using the GMM approach. In addition, to address potential endogeneity issues in dynamic panel regression data, this study utilized the SYS-GMM method. Table 6 displays the results of the SYS-GMM analysis.

Table 6. Results of the SYS-GMM analysis

Statistics	Dependent Variable: d2HI
	SYS-GMM
L1.d2HI	-0.80** [-9.32] (0.000)
L2.d2HI	-0.49** [-14.09] (0.000)
d2GDP	9.46** [3.53] (0.000)
d2U	0.00 [0.13] (0.896)
d2DP	0.31** [2.74] (0.006)
d2HDI	1.44 [1.02] (0.306)
Arellano-Bond Test AR (1)	-2.7783 (0.0055)
Arellano-Bond Test AR (2)	-0.80846 (0.4188)

*Note: **Significant at α of 5% and |z| > 1.96; [ ] indicates the z-statistical value; ( ) indicates the value of the probability.*

The results show that the SYS-GMM model has no autocorrelation issues at the first lag [AR(1)] (0.0055 < 0.05) and the second lag [AR(2)] (0.4188 > 0.05), suggesting its validity and consistency. In addition, the results also show that only 2 out of 4 independent variables affect the happiness index (d2HI), namely GDP per capita (d2GDP) and the dependency ratio (d2DP). Lag 1 of happiness index [L1.d2HI] exhibits a significant z-value (-9.32 > 1.96), a significant probability value (0.000 < 0.05), and a negative coefficient value (-0.80). Additionally, Lag 2 of happiness index [L2.d2HI] has a significant z-value (-14.09 > 1.96), a significant probability value (0.000 < 0.05), and a negative coefficient value (-0.49). These estimates suggest that the happiness index (d2HI) is negatively and significantly impacted by the prior level of happiness at Lag 1 (t-1) and Lag 2 (t-2), indicating that an increase in happiness in the past will reduce current happiness due to social comparison and income change – confirming the Easterlin Paradox (Mureşan, 2020).

The first hypothesis of this study proposes that GDP per capita influences happiness index in ASEAN countries. The results of this study find that it has a significant probability value (0.000 < 0.05), a positive coefficient value (9.46), and a significant z-value (3.53 > 1.96). These results suggest the relationship between the two is positive and significant, and that the first hypothesis can be supported empirically.

Further, the second hypothesis proposes that unemployment influences the happiness index in ASEAN countries. However, the results of this study show that it has an insignificant probability value (0.896 > 0.05), a positive coefficient value (0.00), and an insignificant z-value (0.13 < 1.96). These results provide no empirical evidence for the second hypothesis, indicating that in ASEAN countries, unemployment does not influence the happiness index.

Furthermore, the third hypothesis proposes that the dependency ratio influences the happiness index in ASEAN countries. The results of this study show that it has a significant probability value (0.006 < 0.05), a positive coefficient value (0.31), and a significant z-value (2.74 > 1.96). These results show that the relationship between the two is positive and significant, and that the third hypothesis can be supported empirically.

Finally, the last hypothesis proposes that HDI influences the happiness index in ASEAN countries. Unfortunately, the results of this study demonstrate that it has an insignificant probability value (0.306 > 0.05), a positive coefficient value (1.44), and an insignificant z- value (1.02 < 1.96). These results provide no empirical evidence for the fourth hypothesis, indicating that in ASEAN countries, HDI does not influence the happiness index.

DISCUSSION

This study confirms that GDP per capita and the dependency ratio have a strong and positive effect on the happiness index in ASEAN countries. In this study, GDP per capita has a positive and significant influence on the happiness index. This finding is consistent with the Easterlin Paradox, explaining that happiness rises with changes in income levels (Easterlin, 1974). Income affects happiness because it is a source for achieving a better life. Individuals can access food, health, education, sanitation, and housing through income, which simultaneously contributes to life satisfaction (Fatima *et al.*, 2024). Liu (2024) added that increased individual expenditure indicates satisfaction in consumption. Individuals feel satisfied and secure if their current increase in consumption will not interfere with their financial condition in the future. Otherwise, they may worry about the impact of their current consumption on their financial condition in the future.

On the other hand, Easterlin (1974) asserted that happiness is only temporarily impacted by affluence. The saturation point, however, means that it has no long-term impact, particularly in wealthy nations (Mureşan, 2020). The research by Behera *et al.* (2024) showed that GDP per capita positively affects happiness in developed and developing countries. Similarly, Aral and Bakir (2024) found that GDP has a favorable impact on happiness, suggesting a spillover effect from 156 countries. In the context of ASEAN countries, an increase in income will likely increase happiness, as income affects subjective welfare. Nugraha (2024) revealed similar finding in the context of Indonesia. As income rises, people have more freedom to purchase luxuries and necessities, which increases happiness. In short, the Easterlin Paradox applies to ASEAN countries. Previous studies supporting this notion have been found by other research such as Liu (2024), Nazneen *et al.* (2024), and Fatima and Khan (2024).

Moreover, this study also reveals that the second significant factor influencing the happiness index is the dependency ratio. Yildirim *et al.* (2019) demonstrated that the higher the dependency ratio, the higher the ASEAN citizens' level of happiness. A high dependency ratio indicates poor economic conditions (Tenedero & Honrales, 2024); in contrast, it increases happiness in the context of ASEAN community. This phenomenon might be due to cultural factors, such as collectivism. According to Ye *et al.* (2015), cultural factors can affect happiness. ASEAN people tend to have a culture of family values, strong solidarity, and mutual care. Children and the elderly are considered a source of happiness, because they are seen as a hope for the future and respected figures. The high dependency ratio also reflects mutual support and help between family and society. This condition is relevant to the "sandwich generation" that is common in the ASEAN community, where this productive age group supports and cares for both elderly parents and children. According to CNBC Indonesia (2019), the sandwich

generation is vulnerable to pressure from financial, emotional, and career limitations that impact their income. This is due to increasing life expectancy, delayed childbirth, high cost of living, and the instability of current economic conditions (Liputan6, 2025). Emotional support, family togetherness, and close social relationships can help the sandwich generation overcome these challenges and maintain their happiness (Zong, 2024).

Additionally, the results of this study show that unemployment and HDI have no influence on the happiness index in the ASEAN countries. This finding is not in line with Blom and Perelli-Harris (2021), Kanlioglu and Dumludag (2022), Longhi *et al.* (2023), and Aral and Bakir (2024), who concluded that unemployed people might be less happy. Blom and Perelli-Harris (2021) discovered that unemployment can impact harmony and happiness in relationships, and negatively impact happiness in the UK. Longhi *et al.* (2023) explained this with financial need factors and the difficulty of getting a new job. Kanlioglu and Dumludag (2022) also found that unemployment negatively influenced happiness in Turkey. This might be because a high unemployment rate could strain people financially and psychologically, reducing their level of happiness and quality of life. Aral and Bakir (2024) also found the same in 156 countries. This proves that unemployment makes people unhappy worldwide.

In contrast to the conditions of people in ASEAN, unemployment has no effect on happiness. This might be contributed to the strong family and social relationships, spiritual values, and cultural traditions in the ASEAN community, where those unemployed often receive support from family and community – both financially and emotionally. Simultaneously, economic pressure from job loss can be offset through the help of family and community. These findings are consistent with a study by Böckerman and Ilmakunnas (2006) that found no relationship between unemployment and happiness in Finland.

Besides, the results of this study prove that HDI has no influence on happiness in ASEAN countries. This finding is different from earlier research that showed a positive and significant relationship between the two (Murat & Gursakal, 2015; Roka, 2020; Georgescu *et al.*, 2020; Lestari *et al.*, 2022; Jannani *et al.*, 2023). Previous studies showed that high HDI scores are associated with high levels of happiness. This finding is supported by Hanafi and Salsabilla (2024), who conducted their research in Indonesia. In another context, Lelkes (2006) discovered that religion has a greater influence on happiness than the economy in Hungary. Bucciol and Burro (2021) revealed that in Italy, government employees were generally happier than their private-sector counterparts, especially those in economically disadvantaged conditions. These results show that non-economic elements, including social support, employment security and stability, and spiritual values, have a greater impact on happiness than HDI (Zong, 2024). Consequently, the improvement in the quality of life, represented by HDI, is not always proportional to the happiness of the community.

CONCLUSIONS

The present study utilized the SYS-GMM approach to determine factors contributing to the ASEAN community's well-being based on the happiness index. The findings indicate that only GDP per capita and dependency ratio, which have an impact on happiness index, explain that the Easterlin Paradox remains relevant in ASEAN countries. Furthermore, the dependency ratio also positively and significantly influences the happiness index due to the sandwich generation and collectivist culture deeply ingrained in the ASEAN community. Unemployment has no effect on happiness in ASEAN countries because people tend to have strong relationships, spiritual values, and cultural traditions of mutual cooperation, mutual help, and support. Furthermore, HDI also has no effect on the happiness index

in ASEAN countries due to the financial and emotional strain experienced by the sandwich generation. These pressures result from the rising cost of living, difficulty in finding decent jobs due to fierce competition, and their role in supporting the family economy. Improper government policies can worsen the condition of the sandwich generation, even in high-HDI countries. Therefore, GDP and dependency ratio influence the ASEAN community's welfare more than unemployment and HDI.

Based on the results of this study, ASEAN countries can apply several policy suggestions in projecting development and policies, especially in preparing to be the epicenter and future economic drivers that focus on human welfare. Government policies can cover the fields of Human Resources (HR), politics, and economics. Suggestions include subsidies and scholarships for technology, digital, finance, and entrepreneurship training, and housing programs. Another suggestion is to strengthen national economies by investing in ASEAN's leading sectors, such as the green economy, finance, digital economy, micro, small and medium enterprises (MSMEs), tourism and creative economy to create jobs. Bilateral relations between ASEAN countries should also be strengthened.

The study has some limitations. Scholars use the GMM technique a lot since it is so robust, but the GMM approach is also vulnerable to possible over-fitting of the instrument. Thus, it is expected that the subsequent researcher will be mindful of the overall quantity of samples and the duration of the study. Similar research in other regions, such as Southeast Europe, and an analysis of interregional comparison to determine the main similarities and differences between regions could provide interesting insights for future research agendas.

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ISTERLINOV PARADOKS U ASEAN-U: BLAGOSTANJE I EKONOMSKI RAST

Rezime:

Krajnji cilj jedne zemlje je postizanje prosperiteta. Blagostanje služi kao merilo za procenu napretka zemlje. Ovaj članak ima za cilj da analizira ekonomsko blagostanje zemalja (Asocijacija nacija jugoistocne Azije) ASEAN-a ispitivanjem ključnih indikatora, kao što su sreća, bruto domaći proizvod (BDP) po stanovniku, nezaposlenost, stopa zavisnosti i indeks ljudskog razvoja (HDI). Iako je blagostanje objektivno mereno pomoću BDP-a, u novijim istraživanjima sreća se radije koristi kao subjektivni indikator blagostanja. Ova studija analizira komponente koje utiču na blagostanje 9 zemalja ASEAN-a u periodu od 2006. do 2023. godine koristeći Sistemski generalizovani metod momenata (SYS-GMM). Podaci su dobijeni iz Svetskog izveštaja o sreći, Svetske banke i Programa Ujedinjenih nacija za razvoj. Rezultati pokazuju da BDP po stanovniku i koeficijent zavisnosti imaju snažan i pozitivan uticaj na indeks sreće. Teorija sreće Isterlinovog paradoksa je relevantna u ASEAN-u, jer BDP po stanovniku pozitivno utiče na sreću. Istovremeno, na indeks sreće HDI i nezaposlenost ne utiču. Da bi se postigao inkluzivan prosperitet, vlade ASEAN-a moraju da ojačaju i prošire regionalnu saradnju u glavnim industrijama ASEAN-a, kao i u tehnologiji, zdravstvu i obrazovanju.

Ključne reči:

sreća,
BDP po stanovniku,
nezaposlenost,
koeficijent zavisnosti,
HDI,
SYS-GMM.

JEL klasifikacija:

D6, H53, I31