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Does More Income Buy More Happiness? Empirical Evidence from the World Values Survey in Pakistan

Samia Awais[1], Shahzad Kouser[2], Ihtsham Ul Haq Padda[3]

[1.] Federal Urdu University of Arts, Sciences & Technology, Islamabad, Pakistan
[2.] COMSATS University Islamabad, Pakistan
[3.] Federal Urdu University of Arts, Sciences & Technology, Islamabad, Pakistan

Abstract

This study examines the empirical validity of the Easterlin Paradox in the context of Pakistan, drawing on nationally representative microdata from 1,995 adult respondents in the most recent Wave 7 of the World Values Survey. The paradox posits that while income is positively associated with happiness at a given point in time, long-term income increases do not necessarily lead to sustained improvements in subjective well-being. We examine this relationship through a combination of descriptive statistics and a two-level mixed-effects ordered logistic regression model, which accounts for both individual- and community-level heterogeneity. The analysis confirms that income has a statistically significant positive effect on happiness; however, the inclusion of a squared income term reveals a non-linear, concave relationship, indicating diminishing marginal returns to income—a core tenet of the Easterlin Paradox. Beyond income, a range of non-material factors such as good health, perceived autonomy, confidence in institutions, and social class emerge as significant predictors of happiness. Conversely, factors like food insecurity and being a victim of crime negatively impact subjective well-being. These findings align with the capability approach and recent global literature emphasizing the multidimensional nature of happiness. The study contributes to filling a critical gap in South Asian happiness research by providing country-specific, methodologically rigorous evidence from Pakistan. Policy implications suggest the need for a broader, human-centered development strategy that prioritizes healthcare, education, institutional trust, and social protection, rather than focusing narrowly on income growth. By shifting the focus toward inclusive and holistic well-being, Pakistan can better align its development goals with what truly enhances the lives of its citizens.

Keywords: Easterlin Paradox, Subjective Well-Being, Happiness; Income, Capability Approach

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Corresponding author: samia.awais@comsats.edu.pk

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1. Introduction

Happiness, once examined mainly in philosophy and the humanities, has become an important subject in economics and public policy. Research on subjective well-being (SWB) increasingly questions whether economic growth and material prosperity adequately represent improvements in people's lives. The Easterlin Paradox, introduced by Easterlin (1974), remains central to this discussion. It proposes that although people with higher incomes often report greater happiness than those with lower incomes at a given point in time, increases in average national income do not necessarily produce corresponding long-term increases in average happiness. However, subsequent research has reported differing results across countries, periods, and measures of well-being (Andersen & Curtis, 2012; Clark et al., 2008; Diener et al., 1995; Sacks et al., 2012). Therefore, the relationship between income and happiness continues to require careful empirical investigation.

In Pakistan, the income–happiness relationship is particularly relevant because households face uneven economic opportunities, price pressures, and differences in access to public services. Higher income may improve people's material circumstances; however, perceived freedom, health, security, and confidence in institutions may also shape how they assess their lives. These considerations raise two related questions: whether income is associated with reported happiness among individuals and whether that association differs across income categories. Using Pakistan's Wave 7 World Values Survey (WVS) observations, this study examines these cross-sectional questions while situating the findings within the wider debate about the Easterlin Paradox. Nevertheless, the survey does not follow respondents over time and therefore cannot establish how national happiness responds to sustained economic growth (Easterlin, 1974; Stevenson & Wolfers, 2008).

1.1. Background and Rationale

During the past two decades, economists and policymakers have increasingly recognised that gross domestic product (GDP) alone cannot capture the quality of people's lives. Sen (1999), for example, emphasised the importance of substantive freedoms and people's opportunities to pursue lives they value. Similarly, research on subjective well-being examines individuals' assessments of happiness, life satisfaction, and related experiences (Diener et al., 1999). These measures complement conventional economic indicators because two households with similar resources may experience different levels of health, security, autonomy, and social support. Consequently, a broader assessment of well-being is especially relevant when evaluating social and economic development in Pakistan.

The Easterlin Paradox questions whether the positive association between income and happiness observed at one point in time also holds when economic conditions change over many years. Easterlin (1974) highlighted this distinction by comparing the happiness of people at different income levels with longer-term trends in average happiness. Subsequent research has produced mixed findings: some studies document a positive association between income and life evaluation across societies, whereas others emphasise the possible influence of adaptation, social comparison, and changes in aspirations (Clark et al., 2008; Deaton, 2008; Easterlin & McVey, 2009; Stevenson & Wolfers, 2008). Therefore, evidence from a single survey wave can inform the discussion of income differences, but it must be distinguished from evidence about long-term economic growth.

This study applies these debates to Pakistan, where income differences coexist with social, institutional, and geographic diversity. Urban and rural residents, households facing material deprivation, and individuals with varying levels of access to education and healthcare may have substantially different experiences. In addition, family relationships, social expectations, and local institutions can shape happiness assessments beyond income alone. The study therefore uses an ordered-response framework to examine whether household income category and selected non-income characteristics are associated with reported happiness, while accounting for the clustering specified in the analysis. Its contribution is to present country-specific evidence and discuss the limits of what cross-sectional data can establish.

1.2. Gaps in the Literature

Research on income and subjective well-being has drawn extensively on developed economies and major emerging economies, including China and India. For example, Knight and Gunatilaka (2010) examined

differences between income and happiness across rural and urban China, while Easterlin et al. (2012) considered changes in life satisfaction in China over time. However, the implications of these findings cannot simply be transferred to Pakistan, where institutional conditions, income insecurity, and household circumstances differ. There is therefore a need for a country-specific analysis that considers income alongside health, autonomy, institutional confidence, and geographic characteristics. Such an analysis can extend the comparative literature without claiming that cross-sectional variation directly tests long-term adaptation or growth effects.

Although Pakistan has appeared in international well-being datasets, detailed country-specific analyses that combine socioeconomic, institutional, and geographic predictors remain valuable. Moreover, respondents selected within the same sampling clusters may share circumstances that influence their reported happiness. A multilevel ordered logistic model can accommodate this dependence when its clustering structure is correctly specified. The present study contributes by examining an ordinal happiness outcome with a broad set of explanatory variables; however, the credibility of the model also depends on the definition and number of clusters, the survey design, and the adequacy of its assumptions (Ferrer-i-Carbonell & Frijters, 2004; Rabe-Hesketh & Skrondal, 2022).

In addition, the relationship between income and happiness must be distinguished from the temporal question posed by the Easterlin Paradox. Cross-sectional differences in reported happiness can provide evidence about inequality in well-being across income groups, whereas a test of changes in national well-being following economic growth requires observations across multiple time periods (Easterlin, 1974; Sacks et al., 2012; Stevenson & Wolfers, 2008). This distinction allows the present study to retain its focus on Pakistan while setting out the precise contribution and limits of its evidence.

1.3. Objectives of the Study

This study aims to examine the empirical relevance of the Easterlin Paradox in Pakistan through evidence on the association between household income and reported happiness. In keeping with the original objectives, it considers nonlinearity in the income association, the possible roles of non-income factors, and the variation captured by a two-level ordered logistic regression. The following objectives guide the analysis:

1. To estimate the marginal and nonlinear effects of income on happiness, controlling for a rich set of individual, household, and contextual variables.
2. To evaluate the mediating and moderating roles of non-income factors such as health, education, perceived autonomy, institutional trust, social class, and geographic location.
3. To apply a two-level mixed-effects ordered logistic regression model to account for hierarchical clustering and provide generalizable insights at both micro and macro levels.

By addressing these objectives, the study seeks to contribute to research on subjective well-being in developing economies and to inform policy discussions in Pakistan. However, the reported models primarily estimate adjusted associations. Therefore, the proposed mediating and moderating roles should be understood as theoretical possibilities unless they are examined through explicit mediation or interaction tests. Similarly, the results are relevant to the Easterlin debate but cannot independently establish long-term changes in happiness.

1.4. Theoretical Framework

The study draws on utility theory, adaptation theory, and social comparison theory to explain why income and happiness may not increase at the same rate. Traditional utility approaches associate additional resources with greater opportunities for consumption. However, Easterlin (1974) distinguished differences in happiness across income groups from the longer-term experience of societies undergoing economic growth. This distinction is important because a positive income association in a cross-sectional sample does not imply that aggregate happiness will rise proportionately over time. In addition, adaptation and social comparison offer possible explanations for why the same financial gain may be experienced differently by different individuals (Clark et al., 2008).

Adaptation theory suggests that people may gradually adjust to changes in their material conditions. Consequently, the initial improvement in well-being associated with higher income may weaken as expectations and customary standards change. Brickman and Campbell (1971) and Frederick and Loewenstein (1999) discuss this process in terms of hedonic adaptation. However, adaptation is a process that unfolds over time, and the present cross-sectional data cannot measure the adjustment of the same respondents following changes in income. It remains a theoretical explanation rather than a mechanism directly established by the reported models.

Social comparison theory emphasises the importance of a person's income relative to that of others. Individuals may evaluate their circumstances in relation to neighbours, colleagues, or reference groups rather than in terms of absolute resources alone (Clark et al., 2008; Frank, 2005). Therefore, a rise in household income need not translate into an equivalent improvement in happiness when expectations and reference standards also change. In Pakistan, such comparisons may vary by social class and place of residence. Nevertheless, the income categories used in this study do not directly measure reference-group income, and the analysis cannot isolate a social comparison effect.

In addition, the study draws on Sen's (1999) capability approach, which treats development as an expansion of people's substantive opportunities and freedoms. From this perspective, income is an important resource but does not fully capture well-being. Access to healthcare, education, personal security, and the ability to make choices may influence what individuals can achieve with their resources. Accordingly, including health, autonomy, and institutional confidence in the empirical model provides a broader account of the correlates of happiness. However, these measures should not be interpreted as direct evidence of causal capability pathways.

Furthermore, adaptation and social comparison may operate alongside capability-related factors rather than competing with them. For example, individuals with similar income classifications may experience different well-being outcomes because of differences in health, security, autonomy, or confidence in institutions. The capability approach therefore helps explain why material resources alone may not fully account for subjective well-being, while relative-income theory clarifies why perceived income position can matter (Clark et al., 2008; Sen, 1999).

1.5. Subjective Well-Being and Income: Empirical Controversies

The empirical literature on the income-happiness relationship remains inconclusive. Cross-sectional studies often find a positive association between income and happiness within a given society. For instance, Deaton (2008) found that higher income is associated with higher life evaluation scores globally, and Stevenson and Wolfers (2008) contested the Easterlin Paradox by showing a continuous relationship between income and happiness across and within countries. However, cross-sectional findings cannot alone show how happiness responds to income growth over time; consequently, longitudinal evidence on adaptation and social comparison remains important for interpreting the debate (Clark et al., 2008; Easterlin & McVey, 2009).

Longitudinal analyses, by contrast, have produced evidence consistent with the Easterlin hypothesis, although findings differ across settings and specifications. Studies by Easterlin and McVey (2009) and Clark et al. (2018) show that long-term trends in national income are not consistently linked to long-term changes in national happiness, particularly when income inequality or status competition intensifies. Additionally, research in developing countries such as China (Knight & Gunatilaka, 2010) and Latin America (Graham & Pettinato, 2002) has emphasized that rising income may increase anxiety, aspirations, and social comparisons, thereby neutralizing potential well-being gains from economic growth.

These contrasting findings demonstrate the importance of distinguishing the income–happiness gradient within a population from changes in happiness associated with economic growth over time. Therefore, studies using cross-sectional surveys should clearly identify which dimension of the debate their data can address. The present analysis contributes Pakistan-specific evidence on income categories and non-income correlates, while acknowledging that longitudinal or repeated cross-sectional evidence would be required to evaluate the temporal proposition of the Easterlin Paradox.

1.6. Pakistan: A Context of Economic Growth and Social Inequality

Pakistan provides a unique empirical setting for testing the Easterlin Paradox. While the country has experienced periods of economic growth, the benefits have not been equitably distributed. According to Awan et al. (2011), multidimensional poverty provides an important perspective on material deprivation and unequal living standards in Pakistan. In urban areas, rising affluence and consumption coexist with growing slums and informal labor markets.

Pakistan's social and political circumstances include regional diversity, differences in public service provision, and varying perceptions of institutions. Consequently, happiness may be linked to dimensions of well-being not captured by household income alone, including perceived safety, community relations, access to services, and trust. These factors provide a substantive rationale for including a broad set of covariates. Nevertheless, the study should distinguish survey-measured perceptions from wider claims about regional governance or institutional performance that are not independently tested in the analysis (Helliwell & Putnam, 2004; Sen, 1999). In addition, family arrangements, religious participation, and social expectations may influence how income and personal circumstances are evaluated in Pakistan. Earlier studies concerning well-being in Pakistan have considered psychological, socioeconomic, and social influences (Jabeen & Khan, 2016; Naeem & Khalid, 2015; Rafique & Iqbal, 2020; Waqar & Waqar, 2020). These studies provide useful context for the present analysis. However, cultural explanations should remain tentative where family dynamics, religious participation, or social support have not been measured directly in the estimated model.

This paper's methodological contribution is its use of a two-level mixed-effects ordered logistic regression, which models happiness as an ordered outcome while accounting for clustered data structures (e.g., individuals nested within communities). Most previous studies in Pakistan or comparable contexts have relied on linear models or single-level regressions that assume homogeneity and independence of observations—assumptions that do not hold in complex, stratified societies. By incorporating both individual-level variables (e.g., age, income, education, health) and contextual variables (e.g., geographic location, food insecurity, institutional confidence), this model provides a richer and more realistic estimation of the determinants of happiness. The quadratic income term also allows the study to examine nonlinearity in the cross-sectional income–happiness association. However, this nonlinearity differs from a direct test of the Easterlin Paradox, which concerns changes in income and happiness over time (Easterlin, 1974; Stevenson & Wolfers, 2008).

2. Method

This section describes the data source, how happiness and household income are measured, the control variables, and the econometric specification. A two-level mixed-effects ordered logistic regression is employed because reported happiness has ordered categories and the analysis assumes that observations are clustered. The estimates are interpreted as associations, not as causal effects. In addition, the cross-sectional design is considered when discussing how the findings relate to the Easterlin Paradox.

2.1. Data Source

The analysis uses microdata from Wave 7 of the World Values Survey (WVS, 2022), which provides survey information on adults in Pakistan through its sampling framework. Any population-level interpretation depends on the sample design, weights, and how missing observations are treated. The WVS provides rich individual-level information on subjective well-being, socioeconomic status, health, education, values, institutional trust, and perceived freedoms. It also includes geocoded information to enable clustering at the provincial level. The final sample includes 1,995 respondents after excluding missing values for key variables such as happiness, income, and education.

2.2. Dependent Variable

The dependent variable is self-reported happiness, recorded in four ordered categories: 1 = not at all happy, 2 = not very happy, 3 = quite happy, and 4 = very happy. These responses indicate relative ordering but do not establish that the distance between adjacent categories is equal. Therefore, ordered logistic regression is more consistent with the measurement scale than a specification that treats the

scores as continuous without justification (Ferrer-i-Carbonell & Frijters, 2004). Similar subjective measures have been used in well-being research (Clark et al., 2008; Diener et al., 1999). Nevertheless, interpreting the results requires attention to the proportional-odds assumption and the direction in which the response categories have been coded.

2.3. Core Variables

The principal explanatory variable is self-reported household income, measured on a scale from 1 (lowest income group) to 10 (highest income group). The study treats this ordinal scale as continuous in its regression specification and includes a squared term to examine whether the estimated association changes across the observed categories. However, a one-category increase on this scale should not be interpreted as a fixed monetary increase, because the intervals need not represent equal differences in actual income. Similarly, a quadratic specification is a modelling choice rather than independent proof of a turning point. The estimated relationship should therefore be interpreted cautiously, with the linear and squared terms considered jointly (Clark et al., 2008; Stevenson & Wolfers, 2008).

2.4. Control Variables

To account for alternative explanations of happiness, the model includes a comprehensive set of individual-, household-, and geographic-level covariates, informed by prior literature (Dolan et al., 2008; Helliwell & Putnam, 2004; Helliwell et al., 2023). Demographic controls comprise age (treated as a continuous variable), gender (male/female), and marital status (married versus others). Socioeconomic factors include education level (categorized as primary, secondary, or tertiary), an indicator for employment and work ethic (based on attitudes toward hard work), self-assessed social class, household size, and a binary variable for moderate food insecurity. To capture psychosocial and institutional influences, the model incorporates self-reported health status (good health dummy), perceived autonomy (measured by free choice and control over life), confidence in government and judicial institutions, belief in gender equality, and whether the respondent has been a victim of crime. Lastly, geographic and structural variables include urban versus rural residence and province-level dummy variables for Punjab, Sindh, Khyber Pakhtunkhwa (KP), and Balochistan. These controls enable a more accurate estimation of the income–happiness relationship by accounting for contextual and non-material factors that may mediate or moderate subjective well-being in the Pakistani setting.

The included variables represent several plausible correlates of happiness; however, their presence in an adjusted regression does not establish a causal pathway from income to happiness. Similarly, any mediation claim would require an explicitly specified indirect effect, and moderation would require interaction terms and appropriate interpretation of their marginal effects. These distinctions are important because cross-sectional measures of health, autonomy, institutional trust, and income may be jointly determined (Dolan et al., 2008; Ferrer-i-Carbonell & Frijters, 2004).

2.5. Econometric Specification

Given the nested nature of the data (individuals nested within communities), a two-level mixed-effects ordered logistic regression is used. This method accounts for hierarchical data structure, allows for random intercepts at the community level, and allows the regression to account for variation between specified clusters, provided that the clustering units and model assumptions are appropriate (Rabe-Hesketh & Skrondal, 2022). The basic model specification is:

$$ologit\left[P\left(Y_{ij} \leq k\right)\right] = \alpha_k - \left(\beta_1\, Income_{ij} + \beta_2\, Income_{ij}^2 + \gamma X_{ij} + \varepsilon_{ij}\right) \qquad (1)$$

Where:

$ologit$ means ordered logistic regression. Y_{ij} denotes the reported happiness level for individual i in community j. α_k is a vector of cut-points (thresholds) between ordinal categories of happiness. β_1 and β_2 are the coefficients on income and income squared. X_{ij} represents a vector of control variables, while γ are vectors of respective control variables. β_1, β_2, and γ measure fixed effects of individual-level variables, while α measures random effects of community-level variation. ε_{ij} is a random effect at community level. The model assumes proportional odds, meaning the estimated coefficients uniformly

shift the log-odds of an individual being in a higher versus a lower happiness category, regardless of the specific threshold.

We estimate three models sequentially: Model 0 is an empty (null) model, which includes only the random intercept and is used to assess the extent of community-level variation in happiness. Model 1 introduces income and income squared as the sole predictors, allowing us to evaluate the baseline effect and potential nonlinearity in the income–happiness association. Model 2 builds on this by incorporating the full set of demographic, socioeconomic, institutional, and geographic control variables, enabling us to observe how the income coefficients change after accounting for potential confounders. This stepwise modeling strategy permits comparison of income estimates before and after adjusting for individual and contextual covariates. However, changes across nested specifications do not, by themselves, establish mediation or moderation; those mechanisms require explicitly specified indirect-effect or interaction tests. Model performance is evaluated using the Wald chi-square test for overall model significance and the intra-cluster correlation coefficient (ICC) to quantify the proportion of variance in happiness attributable to differences across communities.

3. Results and Discussions

3.1. Descriptive Analysis

Table 1 presents descriptive comparisons across the four categories of self-reported happiness. Among *t*he 1,995 respondents, 826 (41.40%) reported being q*uite happy,* and 956 (47.92%) reported *being very happy*. These figures indicate that most respondents selected one of the two higher happiness categories. However, the interpretation of subgroup percentages depends on their denominators and coding, which should be consistent across the table. In addition, descriptive differences do not establish the influence of individual variables after adjustment for other characteristics (Diener et al., 1999).

Table 1: Descriptive Analysis

Variables	Not at all Happy (n_1 = 50)	Not very Happy (n_2 = 163)	Quite happy (n_3 = 826)	Very Happy (n_4 = 956)
Individual Characteristics				
Male (%)	2.41	7.23	41.27	49.08
Female (%)	2.61	9.19	41.54	46.66
Age (years)	36.52	38.18	36.22	34.51**
Illiterate (%)	3.63	12.38	41.91	42.08***
Primary education (%)	1.13	8.65	39.47	50.75
Secondary education (%)	1.75	6.00	41.27	50.98***
Tertiary education (%)	4.35	4.83	43.00	47.83**
Marital status (%)	2.60	7.98	41.66	47.76
Hard work (%)	2.2.1	6.00	39.81	51.99***
Free choice and control over life (%)	2.37	7.38	40.34	49.90***
Good health (%)	2.07	7.86	40.95	49.12***
Confidence in government (%)	1.85	6.67	39.39	52.09***
Confidence in court (%)	1.69	6.59	39.44	52.29***
Gender equality (%)	2.79	7.23	40.47	49.50**
Crime victim (%)	2.70	11.49	43.92	41.89***
Household characteristics				
Household size (No.)	6.14	6.79	6.47	6.15
Household Income (score)	2.51	8.17	41.40	47.92***

Variables	Not at all Happy (n_1 = 50)	Not very Happy (n_2 = 163)	Quite happy (n_3 = 826)	Very Happy (n_4 = 956)
Social class (score)	1.98	2.34	2.42	2.58***
Moderate food insecurity (%)	4.25	12.02	45.01	38.71***
Geographic Characteristics				
Urban (%)	2.41	4.82	41.57	51.20***
Rural (%)	2.55	9.84	41.32	46.28***
Punjab (%)	2.37	7.81	40.91	48.90
Sindh (%)	2.43	9.53	44.22	43.81
KP (%)	3.68	8.46	36.40	51.47
Balochistan (%)	1.10	4.40	47.25	47.25

Note: t-tests are used for continuous variables, whereas chi-square tests are used for categorical variables to assess differences in mean values. Significance symbols are reproduced as shown in the original table; the underlying test statistics and p-values are not supplied for independent verification. Data source: World Values Survey (2022)

The descriptive comparisons indicate an association between household income category and reported happiness. Although the reported proportion of respondents who identify as *very happy* is higher in the richer group (67.11%) than in the poorer (49.88%) and middle-income (50.75%) groups, these group percentages do not establish a marginal effect or a long-run trend. Moreover, differences across income categories must be assessed using the relevant sample sizes, coding rules, and statistical tests. The descriptive pattern is therefore best interpreted as preliminary evidence of income-related variation in subjective well-being, consistent with the broader debate about relative income and happiness (Clark et al., 2008; Stevenson & Wolfers, 2008).

In addition to income, the descriptive comparisons suggest differences in happiness across education, health, autonomy, and institutional confidence. Respondents reporting better health or greater control over life choices appear more frequently in higher happiness categories, while those experiencing food insecurity or crime victimisation appear less frequently in the highest category. These patterns are consistent with the view that well-being depends on more than material resources (Diener et al., 1999; Dolan et al., 2008; Sen, 1999). However, percentages and significance markers in Table 1 require careful interpretation, and the descriptive results should not be described as causal effects.

The descriptive results also suggest differences by gender and socioeconomic circumstances. Men and women report broadly similar happiness distributions, although the percentages in the highest category differ slightly. Similarly, patterns by education and other demographic characteristics may reflect differences in employment opportunities, expectations, and living conditions. However, the descriptive comparisons do not directly test these explanations, and the reported associations should be interpreted in the context of the multivariable analysis (Dolan et al., 2008; Frey & Stutzer, 2002).

Geographic differences are visible in Table 1: 51.20% of urban respondents report being very happy, compared with 46.28% of rural respondents. In addition, the reported percentages differ across provinces. These descriptive differences may reflect differences in economic opportunities, service provision, or social circumstances. Nevertheless, the figures alone do not identify which mechanisms account for geographic variation, and they should not be used to infer a causal advantage of urban residence (Knight & Gunatilaka, 2010).

3.2. Econometric Analysis

To examine the cross-sectional income–happiness association and its possible nonlinearity, in relation to the wider debate surrounding the Easterlin Paradox, we estimated a two-level mixed-effects ordered logistic regression model. This approach models the ordinal nature of happiness (ordered from "Not at all happy" to "Very happy") while accounting for hierarchical clustering at the community level, reducing bias from unobserved communal heterogeneity.

Given the nested structure of the data (individuals nested within communities), a single-level ordered logistic regression may understate the dependence between observations within the same cluster. The multilevel modeling framework addresses this by incorporating random intercepts at the cluster level, which in our case is the community (see Table 2). This model estimates individual-level associations while allowing for variation between the specified clusters (Rabe-Hesketh & Skrondal, 2022). Furthermore, ordered logistic regression is chosen over OLS because the dependent variable—happiness—is ordinal, not continuous. Treating it as such preserves the structure of subjective well-being and avoids inappropriate assumptions of cardinality (Ferrer-i-Carbonell & Frijters, 2004).

For interpretation, the reported odds ratios should be distinguished from changes in predicted probability. In particular, the shape of the fitted quadratic association depends on both income coefficients and the ordinal income coding. A plot of predicted probabilities across the observed income categories, together with uncertainty intervals, would provide a more accessible assessment of nonlinearity. Likewise, the number and definition of clusters, the treatment of sampling weights, and the proportional-odds assumption are relevant to evaluating the strength of the multilevel estimates (Ferrer-i-Carbonell & Frijters, 2004; Rabe-Hesketh & Skrondal, 2022).

Table 2: Results of Two-Level Mixed-Effects Ordered Logistic Regression

Happiness	Model 0	Model 1	Model 2
Fixed Effects			
Female	-	-	0.9729 (0.1455)
Age	-	-	0.9842*** (0.0046)
Illiterate	-	-	-
Primary education	-	-	1.0957 (0.1748)
Secondary education	-	-	1. 0100 (0.1292)
Tertiary education	-	-	0.6750*** (0.1315)
Marital status	-	-	1.296* (0.1761)
Hard work	-	-	1.3556*** (0.1470)
Income	-	1.4441*** (0.0080)	1.2858*** 0.0078)
Income square	-	0.0998** (0.0079)	0.0841** (0.0061)
Free choice and control over life	-	-	1.5398*** (0.1782)
Good health	-	-	2.5219*** (0.5153)
Confidence in government	-	-	1.2531** (0.1415)
Confidence in court	-	-	1.3766*** (0.1541)
Gender equality	-	-	1.2312* (0.1414)
Crime victim	-	-	0.8255* (0.0995)
Household size	-	-	0.9695* (0.0181)
Social class	-	-	1.2551*** (0.0722)
Moderate food insecurity	-	-	0.5788*** (0. 0630)
Urban	-	-	1.2511* (0.1999)
Rural	-	-	-
Punjab	-	-	1.0950 (0.3912)
Sindh	-	-	0.9437 (0. 3502)
KP	-	-	1.0842 (0.4278)
Balochistan	-	-	-
Cut 1	-4.0264 (0.1623)	-3.8568*** (0.2199)	-2.4566*** (0.5537)
Cut 2	-2.4253 (0.1025)	-2.254*** (0.1814)	-0.7913*** (0.5415)
Cut 3	0.0817* (0.0286)	0.2586* (0.1726)	1.8591*** (0.5434)

Happiness	Model 0	Model 1	Model 2
Random Effects			
Cluster-level variance	0.7460*** (0.1275)	0.7646*** (0.1307)	0.6488*** (0.1218)
Residual intracluster correlation (ICC) (%)	18.4866*** (2.5768)	18.8590*** (2.6176)	16.4931*** (2.5839)
Wald χ^2	1.1275***	3.5600***	157.0400***
Observations	1995	1995	1995

Odds ratios are reported with standard errors in parentheses. Note: Significance symbols are reproduced from the reported results; exact p-values and standard errors should be interpreted against the original estimation output. Data source: World Values Survey (2022)

In Model 0, the reported intracluster correlation coefficient (ICC) is approximately 18.49%, indicating meaningful variation between the clusters specified in the model. The corresponding values in Models 1 and 2 are approximately 18.86% and 16.49%, respectively. These estimates support considering multilevel variation. However, interpretation depends on how the clusters were defined and whether the survey design is properly represented; therefore, the reported ICC should not be presented as definitive evidence of distinct communities without clarifying the clustering unit (Rabe-Hesketh & Skrondal, 2022).

In Model 1, the reported income odds ratio (OR = 1.4441) exceeds 1, suggesting that higher income categories are associated with higher odds of reporting a higher happiness category, conditional on the fitted specification. However, the income-squared odds ratio (OR = 0.0998) is below one. Because the table reports odds ratios rather than log-odds coefficients, *the nonlinear p*attern must be interpreted jointly on the underlying coefficient scale; the reported odds ratios alone cannot establish an income turning point or its uncertainty. Similarly, Model 2 reports an income odds ratio of 1.2858 and an income-squared odds ratio of 0.0841, suggesting that the income association may vary across the income scale after adjustment for covariates. These estimates require verification against the original model output, including standard errors, significance levels, and income coding. In addition, the results concern a cross-sectional association rather than the long-term changes in national happiness examined in the Easterlin debate (Easterlin, 1974; Sacks et al., 2012; Stevenson & Wolfers, 2008).

Model 2 includes demographic, socioeconomic, institutional, and geographic covariates. Among the reported associations, good health (OR = 2.5219) and perceived control over life (OR = 1.5398) are associated with greater odds of reporting a higher happiness category. These results accord with research emphasising the relevance of health and autonomy for subjective well-being (Diener et al., 1999; Sen, 1999). However, the odds ratios refer to conditional associations in the fitted model; they should not be interpreted as direct changes in the probability of happiness or as evidence that the corresponding factors cause higher happiness.

The education results warrant particular attention. The reported odds ratio for tertiary education is below one (OR = 0.6750), indicating lower conditional odds of a higher happiness category relative to the specified reference group. This finding is not sufficient to demonstrate that education reduces happiness. Instead, it could reflect differences in expectations, employment circumstances, or other unobserved characteristics. These explanations remain hypotheses because the model does not directly test the proposed mechanisms. Therefore, the association should be discussed as an unexpected finding requiring further investigation rather than as evidence of a particular causal process (Dolan et al., 2008; Knight & Gunatilaka, 2010). Confidence in institutions (government and courts) is positively associated with reported happiness, reinforcing the idea that institutional trust may be relevant to subjective well-being in developing democracies (Runciman, 1966; Helliwell & Putnam, 2004).

The reported odds ratios for crime victimisation (OR = 0.8255) and moderate food insecurity (OR = 0.5788) are below one, indicating negative associations with the odds of reporting higher happiness in the fitted specification. These patterns suggest that insecurity and material deprivation are relevant alongside income. Similarly, they are consistent with a broader understanding of well-being that incorporates safety and access to basic necessities (Dolan et al., 2008; Sen, 1999). However, the cross-

sectional design does not establish whether these circumstances caused the observed differences in happiness. Urban residency slightly improves happiness (OR = 1.2511, $p < 0.10$), but geographic fixed effects for provinces (Punjab, Sindh, and KP) show no statistically significant differences compared to Balochistan, implying that urban-rural dynamics matter more than provincial boundaries. Similarly, the observed associations could differ by sex, residence, or socioeconomic position. Interactions or subgroup models would be needed to evaluate these possibilities; the present estimates should not be interpreted as demonstrating such heterogeneity without additional analysis. These extensions would also help connect the Pakistan evidence with comparative research on social position, income, and subjective well-being (Andersen & Curtis, 2012; Knight & Gunatilaka, 2010). The reported Wald statistics differ across the fitted models, with Model 2 displaying a statistic of 157.04. However, these statistics are not, by themselves, a valid model-comparison test across specifications. A formal assessment of relative fit requires an appropriate likelihood-based comparison or information criteria, along with confirmation of consistent estimation samples and model assumptions (Rabe-Hesketh & Skrondal, 2022).

4. Conclusion and Recommendations

This study contributes evidence on the relationship between household income categories and subjective well-being in Pakistan using 1,995 observations from Wave 7 of the World Values Survey and a two-level mixed-effects ordered logistic regression. The reported estimates suggest that income is positively associated with happiness and that the relationship may be nonlinear. However, a single cross-sectional survey cannot determine whether aggregate happiness remains unchanged as national income rises over time. Therefore, the findings should be interpreted as evidence relevant to, rather than a direct confirmation of, the Easterlin Paradox (Easterlin, 1974; Easterlin & McVey, 2009; Sacks et al., 2012). The results also emphasize the importance of examining non-income correlates of subjective well-being alongside material circumstances.

Importantly, the study finds that non-income factors, including good health, perceived autonomy, institutional trust, education, and personal security, are often important correlates of happiness alongside income. For example, respondents with good health and a sense of control over life choices had higher reported odds of happiness in the fitted model—echoing Sen's (1999) capability approach, which emphasizes that well-being is shaped not merely by resources, but by individuals' freedom to pursue meaningful lives. Similarly, trust in institutions such as courts and government emerged as significant contributors to subjective well-being, reinforcing evidence from Helliwell and Putnam (2004) and Graham and Pettinato (2002) that social capital and governance quality play crucial roles in shaping life satisfaction, particularly in low- and middle-income countries.

The study also reveals that urban residents tend to report slightly higher happiness than their rural counterparts, and that regional disparities in subjective well-being are modest but notable. These findings suggest that geographic inequalities in service delivery and opportunity structures may influence well-being, further complicating the simplistic assumption that income alone drives happiness. However, these geographic differences should be interpreted cautiously because the provincial coefficients shown in the adjusted specification are not reported as statistically significant. Differences in reported happiness across locations may reflect several correlated features of social and economic life, and the current model does not identify the causal contribution of any particular policy or institution (Helliwell & Putnam, 2004).

The findings have several implications for development policy in Pakistan. First, strategies to improve household incomes remain important, but well-being policy should also consider health, education, personal security, and institutional confidence. Second, investment in accessible healthcare and effective public services may address dimensions of well-being that income measures alone do not capture (Dolan et al., 2008; Sen, 1999). Third, policies addressing food insecurity and exposure to crime may be relevant because these conditions are negatively associated with reported happiness in the present sample. In addition, efforts to improve institutional responsiveness and public confidence may contribute to a broader framework for social development (Helliwell & Putnam, 2004). However, the study's observational associations cannot establish the effects of specific interventions; further evidence would be needed to assess policy effectiveness. Finally, future research should examine whether the observed

associations vary across income categories, gender, and urban–rural residence, and should use repeated observations to investigate the long-term relationship between economic growth and happiness.

Therefore, the findings highlight the need to rethink traditional growth paradigms in light of subjective well-being evidence. It urges Pakistani policymakers to adopt a holistic view of progress, one that balances economic advancement with improvements in human capabilities, social trust, and quality of life. By considering the observed associations between income, non-material circumstances, and happiness, Pakistan can craft policies that are not only economically sound but also psychologically and socially enriching.

Ethical Statement

This study analyses secondary World Values Survey data and reports no direct interaction with participants by the study authors. The source manuscript does not document a separate institutional ethics approval or exemption; therefore, no such approval is asserted here.

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